Divided
We Stand
Is U.S. Discord Reshaping the World?

PLUS:
When Powerful Bosses Lose It
IT’S REWARDING TALENT WITH MORE THAN COMPENSATION. Your best people want more than money, they want purpose. Korn Ferry Hay Group helps you align your organization to your people—developing, engaging, and rewarding them to reach new heights. So the leaders of your business can do what they do best, apply their passion to meeting your organizational goals. Get your organization to UP at kornferry.com/haygroup

High levels of employee engagement can boost revenue growth up to 2.5x.
IT’S REWARDING TALENT WITH MORE THAN COMPENSATION.

Your best people want more than money, they want purpose. Korn Ferry Hay Group helps you align your organization to your people—developing, engaging, and rewarding them to reach new heights. So the leaders of your business can do what they do best, apply their passion to meeting your organizational goals. Get your organization to UP at kornferry.com/haygroup

High levels of employee engagement can boost revenue growth up to 2.5x.
The aim for *Briefings* is audacious: to provide great insights to help leaders lead. Not by telling them what to think, but what to think about.
explore.
restore.
repeat.

The deepest blue seas. The brightest stars. Breathtaking landscapes. After sailing with Princess Cruises®, you’ll return home rejuvenated and rich with new memories. Explore our exclusive Discovery at Sea™ experiences, indulge in made from scratch cuisine crafted by award-winning Chef Curtis Stone, or get your most restful sleep at sea in our Princess Luxury Bed. Travel the world with Princess and come back new.®

©2016 Princess Cruise Lines, Ltd. Ships of Bermudan and British registry. From Travel + Leisure, August 2016
*Princess Luxury Bed on select ships. See website for more details.
“I do not expect the Union to be dissolved—I do not expect the house to fall—but I do expect it will cease to be divided. It will become all one thing, or all the other.”

— Abraham Lincoln

PICTURED HERE IN A DIGITALLY REMASTERED VINTAGE PORTRAIT

COVER STORY

Divided We Stand / 28

Is U.S. discord reshaping the world? By Glenn Rifkin

COVER ART By Rene Milot

“CROSSING THE DELAWARE IN 2016”
The All-Powerful Boss / 40
Bosses are under growing pressure. Guess who feels it the most?
By David Berreby

The Boom of the Inner City / 48
Cities around the world are being reborn with an influx of young talent.
By Lawrence M. Fisher

The Competitive Edge / 56
A Harvard prof of some fame has a new game plan for the U.S.
By Glenn Rifkin

THE LATEST THINKING / 8
The Price of Pay Hikes

HIRING LINES / 10
A True Test of Character

MONEY TALKS / 12
Pay Inequality in Eastern Europe

SURVEY SAYS / 14
When Having Activist Employees Is Good

HISTORY LESSONS / 16
Frank Lorenzo: Flying Far. But Was It Too Far?

COLUMNS

THE GLOBAL ECONOMY / 20
Next in Line / 22

Texting It

Q&A / 26
New Rules of Multitasking

DOWNTIME

REFRESHED / 64
C-Suite Cycling in the Canary Islands

OPEN TABLE / 68
Your Next Business Lunch...

GADGETRY / 70
Connected ... Always

FROM THE CEO / 6
Gary Burnison

ENDGAME / 72
Jonathan Dahl

The Boardroom Crisis
You're on the board of Goldman Sachs, with a half-hour to make a crucial call in the middle of the financial crisis. As a board member for Goldman and the Mayo Clinic, Bill George offers a rare insider look at the need for board chemistry.

The Man Who Defined Competitive Advantage
The author of one of the most influential books on competition, Harvard Business School Professor Michael Porter talks in a two-part podcast about his concerns over America’s losing its competitive edge.

The Coolest in New Computer Use
Remember the movie “Minority Report”? The remarkable computer interface that Tom Cruise used in the film is actually real and out there today. Listen to the podcast interview with John Underkoffler, the creator of that technology, as he tells us about the tools that we will use.

Check out the new Korn Ferry Institute website, revamped and recharged with an array of timely features and compelling profiles, as well as new videos and podcasts.

kornferry.com/institute
The Bitter Harvest of Divisiveness

As this year’s U.S. presidential race kicks into high gear, the left has moved even further left and the right further right. If you could graph the result, it would resemble a barbell—two clusters at the extremes and only a narrow connection between them.

No matter who wins the election in November, the next president of the United States will face a heavyweight challenge: lifting a divided society out of entrenched differences and into a common mission or vision. Don’t expect that to be easy.

Divisiveness in politics is certainly nothing new. As The New Yorker observed: “The strong partisanship of the American electorate has been a strain running through political science for decades ...” Abraham Lincoln is remembered as one of the greatest U.S. presidents of all time, arguably because he found a way to lead through the extreme of “a house divided.” Before his election, he faced numerous rivals who despised him (some he later recruited for his leadership team, like William Seward, his secretary of state). And let us not forget the obvious: Lincoln led during the Civil War.

Now, the U.S. is waging an ideological battle against itself. Building walls in immigration policy, breaking up big banks, weighing the benefits of Obamacare, or any of the politically charged rhetoric of the day are best viewed as symptoms—not the cause of the political divide.
This ideological battle is as old as the Neolithic Revolution some 10,000 years ago when people first learned to cultivate crops and domesticate animals. No more roaming after the herds for food; suddenly there was a new option—staying in one place near a freshwater source, growing crops and storing the excess harvest, and raising animals for meat and breeding. Humans, ever tribal, lived in communities where it literally took a village to realize the shared purpose of having enough food. The bounty of a plentiful harvest produces contentment.

I can recall from my childhood in Kansas neighbors with backyard gardens who shared from their abundance of homegrown tomatoes and zucchini. I was reminded of this while riding in an Uber the other day. The driver, reminiscing about his village back in India, told me about his family’s mango grove. “When we harvested, we had so many, we gave them to everyone.”

But when famine strikes—whether nutritionally, economically, occupationally or otherwise—shared purpose splinters into self-interest. This is more likely to happen now as yellow warning lights flash across the global economy: The International Monetary Fund is projecting only 3.2 percent global economic growth, a notch above the 3 percent technical recession level for worldwide output. The U.S. manufacturing economy remains a concern. With the pace of hiring in the U.S. being closely watched, fears have heightened that economic recession, while not imminent, is looming on the horizon. Add to that a low return on assets, geopolitical turmoil, Britain’s startling vote in June to leave the European Union, terrorism threats and a host of other concerns.

These fears raise the specter of scarcity like a poor harvest. When you perceive your livelihood and lifestyle (i.e., “survival,” as we know it) are threatened, shared interest feels like an altruistic luxury few can afford. Feeling threatened, people look for someone to blame, from illegal immigrants to the super-affluent “1 percent” to terrorist cells in Belgium. Such fears even spread the contagion of survivalist thinking in the workplace of who will stay and who will go in a recession.

It’s no surprise, then, that the angry and disenfranchised flock to support Republican candidate Donald Trump, and that those who feel Wall Street triumphs over Main Street sided with Democratic challenger Bernie Sanders. Both are products of the polarization of America. This polarization has also pulled Democratic nominee Hillary Clinton, more traditionally a centrist, further to the left.

From politics to business, though, a key trait distinguishing the best leaders is the ability to create a common purpose around which individual self-interest can transform into shared interest. Unquestionably, the most compelling commonality of our time—a vision to unite rather than divide the nation—is economic security. Nothing brings that home to Americans more than jobs and wages. With the Great Recession still fresh in people’s memories, any warning lights on economic outlook send people into scarcity mode. People move away from the “gathers” who cultivate and share, and instead return to hungry-hunter mentality, huddled in their respective caves (left and right).

While divisiveness may generate news headlines and sensational comments make for Tweet-able sound bites, the question remains: How will the next president deal with the reality of the bitter harvest of divisiveness? Without shared alignment, the next leader of the free world will be hard pressed to chart a course forward.
The Price of Pay Hikes

CEOs need to wake up to a new world that minimum wage hikes are creating.

For now, it’s another heated debate between the left and right: Will raising the minimum wage improve life for the poor, or just force businesses to lay them off? Regardless, for corporate leaders, there may be only one response at the moment: Just get ready.

In case the details are a little hazy, one camp of politicians has been pushing to raise the federal minimum wage of $7.25 an hour to anywhere from $10 to as high as $15 an hour, while others argue for a much more modest increase, or none at all. Either way, with outfits like Walmart raising pay for some one million workers this year, the momentum for change in the entry-level arena seems to be strong. And that’s where the corner office and boardroom crowd may need to focus.

“It’s not just raising wages for one group of people,” says Craig Rowley, senior client partner, global consumer, Korn Ferry Hay Group. “It will have a fundamental impact on our economy and on how work is done.”

Think he’s exaggerating? Even though a federal minimum wage change would affect only about three million workers, the impact could be fairly significant. A sampling of 150 companies in Hay Group’s database, for example, suggests that a $10-an-hour standard alone could boost labor costs at those firms by as much as $4 billion to $5 billion. A jump to $15, which is unlikely but which was passed this year in New York City and a few other places, starts to get even more serious: as much as $20 billion to $30 billion.

Beyond numbers, employee engagement comes into the picture quickly. As Rowley points

SHIFTING SERVICE

According to a nonpartisan Congressional study, raising the federal minimum wage to $10 an hour could eliminate 500,000 jobs, while also raising standards for millions. But what happens to the customer experience, and how are savvy companies preparing? Korn Ferry’s Craig Rowley offers his take on restaurants.

Fewer workers = fewer waiters to take orders ...

“It’s going to mean reducing staff, but adding technology.”
out, when you raise entry-level minimums, you create quite a management challenge—with some higher-paid employees feeling downgraded in status and pay scale. The lingo for all this is “job compression,” and dealing with it can mean reassessing entire pay structures. What’s more: Service-sector companies forced to cut staff will certainly need to rethink how to make hotel cleaning staffs and restaurant waiters more efficient.

But where there is change, there is opportunity. Employing an arsenal of new technology and management, Rowley says, the most nimble companies will adjust faster and get a jump on their competitors. “There are going to be people making money on this,” he says. “You need integrated solutions. Getting leaders to think another way.”

Higher wages may mean fewer stockers, and thus fewer blue jeans available in stores. The answer: Turn stores into “showrooms.”

Some examples: Grocery stores installing more self-checkout stations to make up for fewer staffers, or hotels creating a better system to encourage guests to check in electronically.

As for retailers, the changes may be more dramatic down the road. Higher wages may mean fewer stockers, and thus fewer blue jeans available in stores. The answer: Turn stores into “showrooms” that ship goods customers try out. How comfortable the public would be with that isn’t known, but ultimately, it suggests yet another rippling effect from today’s wage-hike debate that may last for years. “Originally, a hundred years ago, you came to stores just to select goods,” Rowley says. “Carrying out shopping bags was considered gauche.”

“All the waiter has to do is take your order to your table.”

= introduction of computerized menus at tables ...  
= a better experience for diners who don’t have to flag down waiters!
True Test of Character

A new science of job testing promises a higher level of accuracy. How does it work?

Genexticon Corp., a maker of life-enhancing biotechnologies based in Switzerland, faced a leadership calamity last fall when its chief executive officer fell ill and decided to retire immediately.

Finding the ideal replacement is never easy, but Genexticon was already losing market share and revenue, and was facing a major deadline on a large bank loan. It would need someone with a forceful personality to shake the company out of its complacency and who knew something about developing better technology to win back customers. But most of all, Genexticon needed to know that the candidate it met during interviews would perform the same way on the job. In short, whatever he or she said about themselves had to be on the mark.

Genexticon is a fictitious company. Very real, by contrast, is the task faced by human resource specialists as they seek to replace key executives, sometimes on fairly short notice. Achieving that match increasingly means not only throwing out a wide net to find the best candidates, but also testing them accurately to ensure a clear picture of their strengths and weaknesses. Which is exactly where a new science of digging out what companies and job seekers really think, feel and believe is emerging.

As more and more job applicants have discovered, psychometric testing of candidates to measure attitude and traits has been a growing trend in recent years. But nowhere is that testing growing more sophisticated than in the C-suite. Practitioners in this field throw about academic phrases like “forced choice” and “item response theory” as they try to help companies assess candidates for top leadership posts. Recent breakthroughs in testing methods now make it much easier to weed out applicants who give answers thought to be “correct” rather than answers that reveal the characteristics, abilities and inclinations needed to succeed.

“To build a sound and effective personality test you need excellent samples of respondents and
a rigorous method of measuring the desired traits, as well as a valid scoring system,” said Professor Stephen Elliott, a testing expert at Arizona State University. “We’ve known for some time that forced choices of equally desirable options minimize bias responses, but scoring these tests continued to be problematic. The latest advances in scoring methods now yield more meaningful scores and analysis, which leads to better decisions regarding individuals and their differences.”

While still early, the results are promising, showing a high degree of engagement and success by leaders who were selected with the latest generation of tests, said Dana Landis, Korn Ferry vice president, global talent assessment and analytics. Such testing is part of what the firm calls KF4D, its “four dimensional” leadership assessment.

In a classical psychometric exam designed to identify personality traits, a leadership candidate typically is presented with statements such as “I am a strategic thinker” or “I get along with people of diverse backgrounds.” The subject must then rate the statement, higher or lower, more or less true. Naturally, candidates hoping to be hired aren’t prone to rate themselves low for either question—no matter how frank they may be—even if they might privately concede that their true strength lies more in day-to-day operating tactics rather than strategy or that they are disgusted by people with tattoos or who wear religious jewelry.

An academic study carried out by researchers at the University of Barcelona in 2010 proposed a superior way to elicit candid self-evaluation. Instead of grading statements in terms of points, subjects were given several statements and forced to rank them from “most true about myself” to “least true about myself.” Statements such as “I am comfortable taking risks” or “I get along with everyone” aren’t self-evidently positive or negative. Their truth relative to one another, however, holds psychological significance.

Once a test subject prioritizes statements, algorithms can sort out and elicit the subject’s strengths, weaknesses and tendencies. Aided by software that can make sense of huge amounts of data, Korn Ferry and other firms increasingly are turning to personality tests employing “forced choice-item response theory” that are difficult, if not impossible, to game.

In Korn Ferry’s case, a corporation’s “unique client profile,” derived from a survey of its cultural characteristics, further facilitates the match between executive candidate and job.

Is it perfect? Clearly, the efforts are in the developing stages, but companies report promising results, and the best assessments have been proven to be statistically valid in predicting the candidates best fit for a role. That means CEO candidates can expect to produce not only sterling recommendations, well-documented skills and technical proficiencies appropriate to the job. Most will likely hear this question from the nominating committee if they reach the later stages: “Do you have any objection to taking a psychometric test administered by our search firm?”
The Inequality Gap Heads East

In just 25 years—the Soviet Union shattered in December 1991—Eastern Europe has sprinted ahead of the West on a key economic front. Unfortunately, it is a race best not won: income inequality.

Gaps in earnings are typically large and growing throughout the world, according to Korn Ferry’s Hay Group division, which analyzes pay data in more than 110 countries. In the United States, that gap has become one of the central issues in the presidential campaign.

It turns out, however, that Eastern Europe, where controlled economies once reigned, has some of the biggest gaps of all, nearly twice the U.S. national number and more than double Western Europe’s average. What’s more, the gaps are only getting bigger in most of the region.

The reason? Joining the world’s market economy.

Pay on the high end of the employment ladder is tending to go up faster than on lower levels, where demand is less and the supply is greater, said Ben Frost, a Hay consultant. In the former Soviet bloc, salaries were traditionally much lower than in the West and bunched more tightly together.

Now, Frost said, “the bottom end is sort of stuck, tied to the region’s lower cost of living. But at the high end, global pay levels are pushing things up.”

For example, Hay compared median salaries in two of its 35 job categories: Level 12 (which includes top manual labor, like electricians, and administrative supervisors) and Level 20 (the starting rung of senior management). In Eastern Europe, Level 20 pay was 7.4 times higher on average than Level 12 pay in 2015, Frost said, compared with 3.8 in the U.S. and 3.2 in Western Europe.

The higher the number, the greater the implications. “Large pay gaps have the potential to cause discontent among the workforce,” Frost noted.

That said, the economies in Eastern Europe aren’t marching in lockstep. National differences are also at play—the pay multiples last year ranged from 4.9 (Latvia) to 12.4 (Ukraine). And two countries (Poland and Romania) even saw their gaps shrink since 2011.
Comparing Averages

BY BARRY ADLER

BIG DIFFERENCES IN PAY

“X” (times) difference in median salaries between senior management and manual/administrative supervisors.

Source: Hay Group database of 20 million job holders in 110 countries.

The Widest Gaps
Russian Federation and Ukraine. Their ongoing economic, political and oil-price turmoil has disproportionately affected people nearer to the bottom. Stiff currency declines don’t help, since those at the high end can often protect themselves better.

The Smallest Gaps
Latvia and Slovakia. Members of the European Union since 2004, who have adopted the euro, these two countries are even more embedded in the market economy than their peers, with higher low-end pay narrowing the gap. Euro membership “has something of a halo effect in this region,” said Hay’s Ben Frost. “However, you don’t become Germany overnight.”

The Declining Gaps
Poland and Romania. Poland is experiencing a boom in business processing and shared-services centers, with foreign companies attracted to the labor force’s language skills. For its part, Romania has leveraged its 2007 EU entrance to attract foreign employers.

Eastern Europe ➔ 7.4X
Western Europe ➔ 3.8X
United States ➔ 3.2X
KAZAKHSTAN 7.0X
Engage, motivate, activate. Pick any buzzword you like, but companies are responding to a tough global-business climate with a single-minded focus on the one thing they can (or hope they can) manage: employees. But rallying the troops isn’t what it used to be, according to the latest research from the Korn Ferry Institute and others.

The Missing Link: Social Responsibility and Leadership Development
It’s the right thing to do. At least that’s the feeling many companies moving into the social responsibility arena believe, as they take on environmentally friendly and philanthropic practices. But it turns out these strategies can also make for better leadership. According to a Korn Ferry Institute report on “Real World Leadership,” almost nine in 10 companies that involved their leaders with socially responsible actions got better performance and more engagement from them.

The trick, of course, is making sure that linking all those good deeds with leadership training actually occurs. The same study found that only 59 percent of do-good firms took that next step; the rest missed it. Igniting a sense of purpose through social responsibility can jumpstart engagement, which is a significant workplace concern. Only 36 percent of organizational talent is “highly engaged,” the global survey reported. While engagement tends to be highest in the C-suite, it drops to 50 percent for senior-level staff and then even more significantly to 33 percent for high potentials, 20 percent for mid-level leaders and 15 percent for first-level leaders.

Social responsibility also elevates organizations to become an employer of choice; 69 percent of respondents believe that working for a company aligned with their values would “dramatically improve” feelings about their jobs.

When Having Activist Employees Is Good
Our review of recent research shows new ways to engage staff.
Engagement Tied to Activism
Employee activism. It sounds like a dirty word—or at least something that would keep a CEO awake at night—if you’re trying to help lead a company. But unlike consumer or social activists, who may be just as apt to be critical as helpful, workers who aren’t afraid to talk about their work and shake things up are becoming a valuable resource—and can boost engagement overall, says Weber Shandwick and KRC Research in “Employee Rising: Seizing the Opportunity in Employee Activism.”

It’s no surprise that social media is the tool of choice for employee activists, who can air their likes and dislikes about jobs, bosses and organizations. “While many employers are fearful that their employees will destroy their reputations with one easy click of a social media ‘share’ button, the fact is that we now live in an always-connected online world that is not going to reverse course,” the report states.

The good news is that a sizable segment of employees—21 percent, the employee activists—are taking positive actions and nearly no negative ones. For a workforce of 5,000 that means more than 1,000 employees “enthusiastically letting others know they stand behind their employers.”

The signs of rising employee activism can include: wearing clothing and accessories with the employer’s name or symbol outside of work; recommending the employer as a place to work; encouraging others to buy the company’s products and services; making positive comments where others can read them; and saying good things about the employer to family and friends.

And, since employees are online anyway and prone to making comments, rallying the activists to support the company may be the best way to tip the balance in favor of supporters versus detractors.

The Organizational Makeover
Companies today are tackling employee engagement, retention, leadership development and building a meaningful culture. But there’s more. Deloitte, in its report “Global Human Capital Trends 2016—The New Organization: Different by Design,” says 92 percent of survey participants see a critical need to “redesign the organization itself.” This new type of organization is:

- **Built around highly empowered teams**
- **Driven by a new model of management**
- **Led by a breed of younger, more globally diverse leaders**

To lead this shift, CEOs and HR leaders need to understand and create a shared culture, design a work environment that engages people, and put in place new models of leadership and career development. But that’s not all: “Executives are embracing digital technologies to reinvent the workplace, focusing on diversity and inclusion as a business strategy, and realizing that, without a strong learning culture, they will not succeed,” the Deloitte report states.

Topeka to Taipei—The Question for Senior Management Teams
It makes sense: Global companies need global leaders, but what does that really mean? Global leaders are not just those who are sent from “headquarters” into another region. They understand distinctly regional differences and consumer preferences in developed and emerging markets, because they themselves hail from various parts of the globe. The question for global leadership teams, then, is: “What Color Is Your Passport?”—the title of a Korn Ferry research report.

Effective global leaders are fluent and culturally dexterous, able to apply knowledge across multiple regions and cultures. “They can wake up in Tokyo one morning and fall asleep in Riyadh the next evening—running meetings, negotiating deals and motivating multicultural teams with fluidity and ease,” the report states. Global dexterity at the top of organizations means the senior leaders don’t “have the same color passport.” Consider: London-based British American Tobacco, a FTSE 100 company, has 71 nationalities represented in its headquarters. Among its executive team there are eight different nationalities.

Having a culturally diverse, global leadership team is not only good for tapping potential markets, it also sends a powerful statement about an organization’s commitment to identifying and developing high-potential talent from both developed and emerging markets.
Flying Far.
But Was It Too Far?

BY PETER ZHEUTLIN

His name alone could spark anger at the dinner tables of airline employees across the country. By the thousands, he replaced striking workers with his own temps and was among the first to use bankruptcy court to void union contracts. He was once described by a TV commentator as “probably the most-hated man in America.”

But time has complicated the legacy of Frank Lorenzo, the former head of Texas Air Corporation, the largest airline holding company in the mid-1980s. He argued then, and still would today, that he was trying to keep his airplanes flying. The question now may be how far is too far when corporate leaders seek salvation with Draconian cost-cutting?

With Ivy League credentials and a Queens-born bluntness, Lorenzo came onto the scene during some of the airline industry’s most turbulent days. He built Texas Air into a giant—one that would control, among others, Continental and Eastern Airlines—at the height of airline deregulation, when massive consolidation and startup fever ruled the day.

Lorenzo is credited by some with helping to introduce the airfare structure we see today, where low prices—dubbed “peanut fares” back in the day—are offered for advance bookings and calibrated by demand. He realized early on the importance of dominating markets with more low fares and flight offerings, and using mergers to boost needed resources. At one point, Eastern alone flew to 26 countries on three continents.

Thirty years later, CEOs are debating the lessons of airline king Frank Lorenzo.

But what made him such a lightning rod for controversy was his argument that the labor costs of airlines he bought were just too high to compete with the upstarts. Some CEOs from the so-called legacy carriers took a more gradual approach toward adjusting costs, paying lower wages only to new hires. But Lorenzo pushed for stiffer labor cuts that led to strikes and bitter accusations of union busting.

In 1983, he took the then-rare step of filing for bankruptcy protection for Continental, which led to a voiding of union contracts and the cutting of a third of the airline’s staff. The filing made him public enemy No. 1 among unions, but the airline eventually emerged from Chapter 11. When he tried to win concessions a few years later from Eastern, which was heavily losing money, the carrier’s unions threw down the gauntlet. What began as an effort to keep Lorenzo from selling Eastern’s assets to benefit his other airlines evolved into a bitter fight to the death—literally, for Eastern.

“Nowhere other than Eastern,” reported The New York Times, “did the labor struggle last as long or assume the form of a crusade.” Lorenzo hired non-union pilots, flight attendants and machinists after Eastern went on strike in 1989, and the airline filed for bankruptcy protection the same year. For their part, the unions raised safety questions about Eastern. The dispute, in all its ugliness, sent customers fleeing in droves. In 1990, the bankruptcy court removed Lorenzo from Eastern and appointed a trustee. But within the year Eastern was
grounded ... forever.

“Eastern was unfixable when he took it over,” says Ted Reed, aviation reporter for The Street and Forbes, who covered Eastern in the 1980s. “But he went to war with his employees, which wasn’t a good way to go.”

Today, the larger question is: What type of response by a CEO would be considered appropriate, now that the concepts of corporate and social responsibility have greater currency?

Most companies agree that attending to the concerns of other stakeholders—employees, communities and society at large—is as important as any measure. As for Lorenzo, in a rare interview he said that he doesn’t discount that either, but that it can be a luxury when survival is at stake, as some major carriers that later filed for Chapter 11 in order to stay in business discovered. “We knew if we weren’t responsive to our passengers we were dead,” he said. Otherwise, he said he wished he had been more PR-savvy. “I was a babe in the woods on public relations.”

Though circumstances certainly change, the pressures to perform, deliver and survive are familiar to any corporate head. Now 76, Lorenzo long ago turned his attention to running his own investment- and asset-management company. He never again returned to the not-so-friendly skies.

What made him such a lightning rod for controversy was his argument that the labor costs of airlines he bought were just too high to compete with the upstarts.
IT'S WHERE YOU'LL FIND ALL THE RIGHT LEADERS. Successful companies don't just search for the best leader; they attract the right leader. And that takes a sophisticated blend of industry knowledge to understand business needs, assessment science to mitigate risk, and the subtle art of human relations to find the perfect match. We help you identify executives who are ready to capitalize on your business strategies and lead the way forward. Get your organization to UP with Korn Ferry Executive Search at kornferry.com/executivesearch

Executives hired with Korn Ferry's assessment methodology are 8x more likely to be promoted within 3 years.
UP.

IT’S WHERE YOU’LL FIND ALL THE RIGHT LEADERS.

Successful companies don’t just search for the best leader; they attract the right leader. And that takes a sophisticated blend of industry knowledge to understand business needs, assessment science to mitigate risk, and the subtle art of human relations to find the perfect match. We help you identify executives who are ready to capitalize on your business strategies and lead the way forward. Get your organization to UP with Korn Ferry Executive Search at kornferry.com/executivesearch

Executives hired with Korn Ferry’s assessment methodology are 8x more likely to be promoted within 3 years.
If there’s one thing the world economy has benefited from over the last 70 years, it’s the absence of all-out military conflict between the major powers. It should be pretty clear that such events kill trade and destroy wealth.

But while most government and corporate leaders worry about the next move from ISIS or North Korea, a far-less-noticed skirmish is brewing that could disrupt at least the business world in a different way. We’re talking here about currency wars.

Although major currency drops in places like South America occasionally heat up, there really has not been a major global currency spat in decades. The two most significant currency wars since President Nixon quit the gold standard have been between the United States and Japan (early 1970s until 1995), followed by the United States and China (starting 2005), said Steve Hanke, professor of economics at Johns Hopkins University. The result of warring with Japan has been massive deflation and stagnation in that country, notes Hanke.

Yet economists are starting to worry about a broader war, and for good reason. We all know that most of the world has been in a growth rut for years, and that many countries, including the U.S., have tried everything to change that. Keep interest rates low. Change trade laws. Play with taxes. Start stimulus packages. And yet here we are.

Clearly, the public is losing patience—just ask anyone at a U.S. presidential rally lately. So as economists see it, what choice do countries have but to go the last-ditch route—and start cheapening their money?

“It’s a process by which countries who see each other as competition try to cheapen their exports artificially by currency manipulation,” said David Ranson, director of research at HCWE Worldwide Economics. Then once the country devalues its currency against the other, there’s usually a retaliation—leaving both countries where they were in the first place in exchange rates, but with much weaker money. (Interestingly, the one piece of good news has been Brexit; the U.K. didn’t cut interest rates despite the sharp drop in the pound. But no one can predict the future there.)

Naturally, the domino effect of weak money begins to have implications everywhere, especially in the corporate world. CFOs at multinationals are used to employing hedging tactics, but it gets tough, for
example, when a retailer has bought its inventory for the Christmas season with one set of expectations and then finds things have changed dramatically.

Lower currencies also change the corporate rhythm in a host of other ways. Top management must be involved if the operations of the company require rejigging. Marketing gets involved if the product mix has to change because of shifting raw material costs. Airlines are a good example of an industry that gets whacked when one country devalues its money in the midst of a fare war, forcing the airline to reduce its flights there.

Surviving currency wars are, of course, a good measure of a company’s agility. We all got a good taste of that ability to react fast when China last year surprised the world by devaluing the yuan in an ill-fated effort to boost its economy and improve trade. Companies with large operations there had to adjust when the yuan shift increased the value of their goods in local markets. Firms with big exports to China were suddenly charging their customers more. For instance, smartphone components or pharmaceuticals from Japan would cost a lot more in yuan post-devaluation.

Meanwhile, the plan didn’t boost the Chinese economy in the long run of 2016, according to the Institute for International Finance.

“Less capital means slower growth,” said Ranson. It also means higher inflation because the lower currency value means higher raw materials costs. This is also known as stagflation—stagnation plus inflation.

As economists see it, what choice do countries have but to go the last-ditch route—and cheapen their money?

anyway. In 2015, that country, the second-largest economy in the world, suffered net outflows of capital. In other words, investors took their money out of China and stashed it elsewhere, like the United States. The total amount of cash that left totaled an estimated $674 billion, followed by a further $166 billion in the first quarter of 2016, according to the Institute for International Finance. U.S. devalues it’s a global event,” said John Tamny, author of “Who Needs the Fed?” and a senior fellow in economics at the Los Angeles-based Reason Foundation. The dollar is, after all, the foundation of the international monetary system.

To be sure, we are still a long way from knowing if a World War in currency will become a reality, and whether the U.S. will jump into the fray. Neither candidate for the White House has expressed a positive attitude toward free trade. Business strategists would be wise to keep their ears open to exactly what each says about trade and currency.

But whether they are based in New Delhi or New London, firms with large foreign operations will have the luxury on Nov. 8th of knowing many months in advance who will occupy the Oval Office. Still, currency traders will likely anticipate the winner and push the dollar around. Circle the date—and let the hedging games begin. •

As economists see it, what choice do countries have but to go the last-ditch route—and cheapen their money?
Ten leaders are discussing Daniel, a division manager, during the company’s annual talent review. *He’s a nice guy. I like him. He’s good.* Not a very in-depth evaluation of someone identified as a high-potential leader. After a few minutes, the leaders decide to suggest a management training course for him, and move on to discuss Maria, another manager.

That evening, the same 10 are at a company dinner, discussing their children. *My daughter is really smart, but I can’t motivate her. My son lacks confidence. I’m thinking of sending him to martial arts classes to build self-esteem. My two children are so different. I have to always watch my oldest to keep him out of trouble.*

As parents, these 10 leaders have a keen understanding of individual differences and the need to adjust their parental actions accordingly. They are able to articulate strengths and weaknesses and to think about the developmental activities that will best fit their child’s needs.

But when it comes to talking about employees, the vocabulary comes up decidedly short. We know these leaders have the skills to talk about individual differences and think about appropriate action plans. So why aren’t these nuanced observations being shared during talent or performance reviews?

The answer is pretty simple. Just listen to the excuses managers give for ducking openness. *If I tell the truth, my employee will get upset and take it out on me or co-workers. He’ll lose motivation and the work won’t get done. The employee will leave and I’ll be blamed. They won’t change anyway, so why bother? No other manager has been honest, so why should I?*

We need more straight talk, but we also need a path to get there. Here are five ways to foster honest performance discussions:

1. **Evaluate Privately, Share in a Group**

A global manufacturing firm had binders full of succession plans with names to fill every role. Yet when a role was open, the senior leaders felt none was right for the job. When pressed, the leaders could explain the shortcomings for each of the internal candidates. Yet none of this information had come out during years of daylong talent reviews. The talent-review process was modified so that each leader privately evaluated all of the managers at the level below—not just their own subordinates. The leaders then met as a group and looked at a chart showing where each manager was placed on the talent grid, often far apart. The discussion was rich and nuanced, resulting in a consensus about the manager’s needs and potential.
GET EVERYONE ON THE SAME PAGE

A group of leaders at an energy company were arguing about an employee’s potential; some commented on his current great performance, while others talked about future roles he could fill. The conversation was confusing because there is a difference between performance—the what and how of past accomplishments—vs. potential—what one can be in the future.

Before the next talent review, the leaders were provided with definitions of terms that frequently get confused. Performance. Potential. Readiness. The definitions were simple, single sentences, all fitting on one page. The leaders referred to this cheat sheet during the meeting and corrected each other during the discussion. The talent review meeting would end over an hour earlier than usual.

UNDERSTAND WHAT THE ROLE REQUIRES BEFORE YOU FILL IT

A global consumer products company had five general manager roles covering five large regions. One of the GM roles would find locations for new product introductions; another focused on improving money-losing locations. Yet even though the roles required different skills and experiences, the company had a history of creating success plans for a generic GM role, promoting people regardless of their true skill set. Set up for failure, many did. After years of these revolving doors, the company implemented a process to better define the job’s profile before discussing potential candidates. With this profile, the leaders could talk openly about who was a good fit for the role as it actually existed.

ADD DATA TO THE DISCUSSION

A life-sciences company had compiled over a decade of data about its individual leaders from leadership inventories, 360-degree assessments, employee engagement surveys and performance reviews. Yet the data were rarely used for discussions or decisions. Then the company hired a data analytics manager. She started incorporating data into talent review, succession and hiring discussions. Suddenly the talent discussions became more fact-based. Leaders couldn’t claim that their subordinates were innovative thinkers or team-oriented unless they knew the data supported their claims.

EMPOWER EMPLOYEES TO PUSH FOR FEEDBACK

After years of cajoling leaders to provide honest feedback without success, a technology company tried a different tactic. They told employees that they were required to prepare development plans and that their bosses had participated in lengthy talent discussions about them. Employees were told to ask their manager directly about their strengths and development needs; managers who dodged the discussion or provided a superficial response were called out, formally and informally. Over a few years, this upward push drove managers to provide honest feedback.

We are entering a new frontier in performance reviews, where some companies have already dropped them in lieu of more frequent manager-subordinate discussions. Expect millennials, with their penchant for open talk and their workforce number growing, to help drive this. Straight talk. Honest talk. Direct talk. It’s the wave of the future.

See Ilene Gochman on the “Diva Experience” and other topics in a three-part series at kornferry.com/institute.
It was a multibillion-dollar multinational manufacturer and I had been on the board for less than a year. The company’s performance was already pretty poor when, finally, the board replaced the CEO and brought in an “industry expert.” Instead of a more conservative growth strategy, the new CEO promptly proposed a major acquisition to capture market share in new customer segments, many of which were in high-risk technology. The acquisition was supposed to be based on his apparent industry knowledge and relationships.

In reality, this was a “bet-the-company” deal. From there, the CEO convinced the board chair of the deal’s value and together they set out to convince the remaining board members. The CEO presented only facts that supported the deal. He had based the deal on his expert knowledge and made the business case based on older assumptions of market growth that the board had already reviewed nine months earlier. Basically, it was a “trust me because I’m the expert and know more than you do” approach. He identified some obvious risks but patiently assured the board that he understood those risks, and would have them all under control and well monitored.

The board chair called individual directors to “gather questions and concerns” but actually used the conversations to convince directors individually of the value of the deal. At the next board meeting, where the vote would be taken, there was little discussion, and the chair called first on those directors who supported the acquisition. He placed non-supportive or skeptical directors in the position of bucking the crowd. To vote against the deal meant not being a team player.

Ultimately, the deal was a disaster, missed all of the revenue and earnings projections, and distracted management and the board. After a major decline in market capitalization over several years, the company was acquired by a competitor for a fraction of its previous value. It taught me a lesson in how boards ought not to behave.

Bluntly speaking, boards make bad decisions because directors are not doing their jobs individually and collectively. The bad decision gets all of the press, but what precedes the faulty assessment is the real root cause.

In my experience on boards, poor corporate performance over an extended period of time creates the pressure that
leads to notable bad decisions. When company performance lags competition and does not create sufficient value for shareholders, management and the board feel they must take increased risk to make up for lost time and value. To that end, they do dumb things. They make poor choices and take unnecessary risk all because they didn’t properly execute their oversight role over an extended period of time.

Most board members will say this would never happen to their board or their company. But given the notable board failures in recent years, we can’t ignore what happens to major corporations when growth slows and the pressure is amped up.

In the late 1990s, for example, the Hewlett-Packard board brought in Carly Fiorina to turn around poor performance. Reputed to be a marketing and sales guru and people person, she bought Compaq Computer to offset HP’s slowing computer and printer business and market-share losses. The $25 billion deal failed and Fiorina eventually was fired. Later, when HP faced another crisis with the personal-conduct issues surrounding their new CEO, Mark Hurd, the board replaced him with Léo Apotheker from SAP. When Apotheker was hired as CEO, many of the board members had never met him. He performed so poorly he was dismissed 11 months later. He was the third consecutive outside CEO hired by HP—all failures. The board had never put in place any serious CEO succession plans.

I witnessed similarly bad decisions when I worked at Kodak, an iconic brand that failed to recognize and embrace the digital photography revolution. Management made bad choices, but the board did little to push the company in the right direction.

The list of really bad decisions, reviewed and approved by each respective board, is long and varied, but there are some important commonalities. In every case, business performance had been lagging for several years and the pressure to perform increased quarterly. CEOs were not held accountable for their performance and for developing qualified successors. Finally, the directors delayed making the difficult people and performance decisions that had to be made.

In every case, business performance had been lagging and CEOs were not held accountable.

Delivering these decisions only made them harder, not easier.

Because the directors on these boards did not mandate strong operational performance, did not ensure there was a valid and sustainable long-term growth strategy, and did not have the right leadership team in place, business performance stagnated and began to deteriorate. If they had done their jobs well when things were not so dire, these risky decisions could have been avoided, or at least the risk reduced.

As directors, we need to ask ourselves: Are we doing the right things to continuously increase value or are we just being collegial and not making waves? Boards must have an effective decision-making process in place that negates the personal biases that affect how decisions are made. Collectively, these biases can lead a board to decisions that may appear logical but are, in fact, destructive. Boards need to ask the right questions, anticipate the consequences and define specific milestones and checkpoints to evaluate executional performance for any key decision.

Boards that avoid the due diligence and deep analysis required of them will inevitably make bad, and sometimes catastrophic, decisions.
The New Rules of Multitasking

It has become the daily habit for all of us, “thumbing” our way through one message after another on our phones. How often, of course, depends on age: One Pew Research project some years ago found that teens did it up to 87 times a day, while those 20 to 39 were texting 47 times daily.

Regardless, it’s clearly now part and parcel of conferences, with multitasking millennials and anxious boomers alike texting, occasionally if not frequently, during meetings. So what do top-line leaders think about this? To gauge their tolerance, we asked some executives, whose collective experience spans corporate leadership to health care, what their attitude is toward texting.

(No, we did it by email and edited the comments.)

Former chairman, CEO of Baxter International and professor at Northwestern University’s Kellogg School of Management

Harry Kraemer

BY PATRICIA CRISAFULLI
Is texting during a meeting O.K.?

Depends, is it my meeting?

LOL – let’s say it is.

I want everyone focused on the issues at hand. Pad and pen—taking notes.

No cell phones?

If the meeting is really important and time is limited, I ask people to shut them off.

Sounds like the phones irk you.

You go out to dinner—five or six people. The second you sit down, all the cell phones come out—texting, checking email, posting to Facebook.

No talk around the table …

The cell phone has become a pacifier or security blanket. We’re all like Linus in the “Peanuts” comic strip. It’s kind of pathetic.

Health-care consultant, founder and principal, Watson International Consulting

Texting during meetings, your thoughts?

It’s con“text”ual 😛 ... what is the nature or importance of the meeting and the text.

How do you decide?

I try to be present in meetings. But sometimes you need to address an issue. Texting in a meeting is a form of multitasking.

So do you sneak a text?

I try to be discreet and courteous.

When does texting work best?

People in health care often need to be reached quickly to attend to urgent or emergent matters. Texting enables them to do so without having to leave a meeting.

Founder, Minervini Private Access, author of “Trade Like a Stock Market Wizard”
Divided We Stand

Is bitter U.S. discord shifting world views and economies?

Our global experts offer their insights.
Divided
We
Stand

“Now is the winter of our discontent,” wrote William Shakespeare in “Richard III.” Had the Bard been penning his classic work in the U.S. today, he might have added “and spring, summer and fall as well.” Because there is indeed discontent in America, across every spectrum—political, cultural, economic—and the levels of discord, while not unprecedented, have reached epic, some say dangerous, proportions. Fueled by unparalleled political divide, cultural polarization and the very real specter of income inequality, the chasm in America is wide and deep and daunting.

It is a chasm that has its irony, given that society is now so intimately connected by technology, with the ubiquitous smartphone providing a 24/7 link to everyone and everything. Yet as this presidential campaign is so steadily showing, all that easy access to social media has only helped fuel more mean-spirited and angry debate, with caustic opinions exchanged digitally with the kind of unbridled passion once reserved for sports fans.

“If you thought that political polarization in America was bad, think again,” Bruce Stokes, director of global economic attitudes at the Pew Research Center, wrote recently. “Because it’s worse than you thought.” Surveys from Pew Research and others come to the same conclusion—that we are in a unique period of acrimony. A new Korn Ferry poll of business
leaders revealed that nearly nine out of 10 corporate executives in the U.S. were worried about “the most polarizing U.S. political environment” they had witnessed in their lifetime.

The loss of low-skilled jobs, the continuing fallout from the Great Recession, the Brexit vote to leave the E.U. and the uncertainty in global markets from Brazil to Russia to China, has added to the strife. In the U.S., the bailout of the big banks while blue-collar workers struggled, exacerbated the unease with the widening income gap. Frustrated citizens turned away from “establishment” politicians and embraced mavericks that they believed could bring about change.

But if all this division is creating angst inside the country, what is it doing to the rest of the world? Sure, America isn’t the only place with unrest; in the past year alone, elections in Brazil, Austria, Argentina, France, Denmark and many other nations have demonstrated deep divides within the electorate and a strong rebuke of establishment parties. But the U.S. has a unique hold on the world. It is home to the largest economy, and the leader in innovation and business muscle. Its currency is the oxygen of global markets and its political positions on trade can shift entire economies across continents.

“Every time I go back to Europe, I get the same questions from people in academia, business and politics,” said Dante Roscini, a professor of management theory at Harvard Business School. “The general feeling is one of great worry; that what is at stake here is the leadership of America for the rest of the world.”

Is there cause for alarm? For some, the divide in the U.S. raises eyebrows but doesn’t portend cataclysmic events. For others, there is reason to fret. To get a glimpse of the world view, we asked leading executives, academics and entrepreneurs to give us their take on the current environment. Are investments abroad retrenching or shifting? Is all the campaign talk of restricting trade creating fears? Is America still the global economic bellwether? Not surprisingly, the answers were wide-ranging and revealing.
Dante Roscini, who spent 20 years as an investment banker in Europe and now resides in the U.S., has a clear view: What happens here resonates loudly there, especially when it comes to global commerce and capital markets.

Roscini, who teaches management theory at the Harvard Business School, grew up in Italy, Switzerland and France, graduated from HBS and served as head of capital markets for the likes of Goldman Sachs, Merrill Lynch and Morgan Stanley. From his current base in Cambridge, Mass., Roscini maintains close ties throughout Europe while observing the current political situation in his new home with intense interest. He believes we are in uncharted territory.

The deep divide in the U.S. is born from the rising political tensions between the left and right, Roscini said, and though such political tensions exist in so many countries, Italy included, the fact that America is grappling with such polarization is strikingly different.

“American leadership, which has manifested itself in so many ways since World War II, is somewhat in question,” he said. “The malaise created by the financial crisis, which is still at the origin of the divide we see today, even nearly a decade after the crisis; that’s the big worry.”

Roscini makes it clear that the fact that the U.S. capital markets have led the world in innovation and success, a source of pride for Americans, is acknowledged and admired by people around the world.

“The concern I perceive is the danger of losing leadership at the level of institutional governance of the world,” he said. “Some of the presidential candidates are saying things that are at best irresponsible, and so far away from the calming and weighty and rational approach this country has shown in the past.”

Such rhetoric—suggesting unilateral high tariffs on various countries such as China, the end of free trade, the elimination of the IMF and the WTO—even as campaign talk, has been unnerving for the capital markets.

“There is a huge concern that this great country, the beacon of modern democracy, is now wavering on some of the basic principles,” Roscini said. He points to “near accidents” created by political brinkmanship in Congress in recent years, when issues like the debt ceiling, and the 2013 sequester that nearly shut down the government, set off volatility in world markets.

“Granted, people discount much of what is said because they know it is campaign rhetoric,” Roscini said. “But when you hear a presidential candidate suggesting that the U.S. shouldn’t repay its treasury bonds, it’s like throwing a nuclear bomb, not just a stone, in the lake. These are fundamental tenets of the capitalist system upon which countries calculate their risk.”

Today, he said, Europeans are a little bemused to see what feels so familiar happening in the U.S. They have always been suspicious of America’s strata of income inequality and the general lack of the kind of social safety net most European nations have. But America has long held a deep allure as a place where talented people go and find success, innovation, creativity.

“I am an optimist,” Roscini said. “America still is at the forefront of a technology revolution that is only just beginning. There are smart, connected devices, the Internet of Things, all the result of thought leadership in the U.S. I believe productivity and efficiency will go up over time and there will be fundamental structural changes that will make the economy very powerful.” ★
ately, David W. Brady, an expert on the American Congress and the party system in the U.S., has been studying the correlation between globalization and political instability. Though he feels some sense of alarm at the current political divide, he is neither surprised nor deeply worried.

The U.S. Congress, Brady observed, has been polarized throughout much of American history. Except for a three-decade period following World War II, when there was sustained growth of the middle class and a lot of cross-pollination in politics—conservatives in the Democratic Party and liberals in the Republican Party—the Congress has often been a cauldron of discord. Brady, who teaches political science, isn’t convinced that the American people are as divided as some suggest.

“Sometimes I think it is a bit overblown how polarized it is,” he said. “Most Americans still just want Congress and the president to work together and get stuff done.”

Brady pointed out that the political instability in the U.S. from the 1870s to 1900 was roughly the same as it is now, with a massive shift in the economy, the disappearance of jobs, and the advent of the industrial revolution wreaking havoc on national harmony. The “first great transformation of the world economy” between 1850 and 1890, from an agrarian and servant workforce to an industrial workforce, came with its own brand of upheaval. Jobs changed, a way of life shifted dramatically and new political forces, like the Progressive Party, emerged to shake up the status quo. Workers flocked to the cities where the manufacturing plants were located; then the Great Depression spawned global turmoil, the emergence of dangerous demagogues and dashed hopes for tens of millions across America. Only the onset of World War II and its aftermath put the nation onto a path to prosperity.

By 1950, Brady said, the industrial workers had middle-class wages, pensions, unemployment compensation and health insurance, and this vast middle class, almost entirely white, was feeling good about their lot in life. Flash-forward to today and globalization, the second great transformation of the world economy, is far bigger than the first, and is causing greater upheaval. Those industrial jobs are mostly gone. Income inequality is a flashpoint election issue and our two main political parties have had to find ways to put majorities together. The ethos of the “Establishment” is suspect and factions, such as the Tea Party and the Occupy Movement, have altered the dynamics of status quo politics. Trust is shattered and polls show that approval of Congress is at record lows.

“This is not just a U.S. phenomenon,” Brady stated. Political instability is on the rise in Western democracies and shows no sign of abating, he said. The rise of globalization in Europe and the U.S. has created great wealth for some, but as the economy shifts and inequality rises, “the influx of outsiders generates controversy.” Immigration politics worldwide has driven the anger and violence, and according to Brady, “Those countries able to keep unemployment and inequality within bounds will be more stable. The greater the levels of inequality and unemployment, the greater the political instability and the smaller the chance of achieving stable economic growth.”

Though history is replete with eras of great discord, Brady does acknowledge that the current animosity is rippling around the world. On a recent trip to Rome and Paris to speak at conferences on globalization and instability, Brady noted, “The Europeans are very afraid, particularly of Trump. Even though they’ve criticized the U.S. in the past, it has always been stable on most of these issues. They are worried about what he means to U.S. foreign policy, monetary policy and economic policy.”

★
THE IMPACT OF POLITICAL UNCERTAINTY ON BUSINESS

In an election year as volatile as this one, the historical data suggest that politics will have a dramatic and negative impact on business.

In national election years, investment expenditures declined by an average 4.8 percent compared with non-election years.

*From a study of national election data from 48 countries between 1980 and 2005—Journal of Finance Report*

Since 1928, Standard & Poor’s stock index gained 16.9 percent in the two years following an election when one party controls the White House and both houses of Congress.

Since 1928, the Standard & Poor’s Index has dropped an average of 2.8 percent during election years in which the incumbent is not seeking re-election.

*Research from Bank of America’s Merrill Lynch Global Research*

When the House and Senate are divided, the index gained just 5.5 percent.

*From a study done by InvesTech Research*
In the decades following World War II, few nations admired and emulated the United States more than Germany. According to Dr. Werner Weidenfeld, director of the Center for Applied Policy Research at the University of Munich, older Germans would have almost certainly described the U.S. “as a magnet of future hopes.” The image of the American way of life was the model most wanted to follow across Europe, especially in Germany.

“It was a melting pot, a big, integrated society with people coming from all countries and being accepted and integrated,” said Weidenfeld, who was Germany’s federal government coordinator for German-American cooperation from 1987 to 1999. “It was a country full of hope, where a dishwasher had the opportunity to become a millionaire.”

As Germany eventually built itself into a global economic powerhouse, the U.S. offered a model, a new frontier with societal consensus. To Germans, who were used to political discord, the American political system was stable and powerful.

“It was almost impossible for Germans to see real deep differences between Republicans and Democrats,” Weidenfeld said. “For the Germans, America was the big partner who guaranteed freedom, peace and security, the leading power in creating a new world political architecture.”

In the past couple of years, however, the perception in Germany and across Europe has undergone a significant change, he said. There has been a deeper, disturbing view of change in the United States, and it has resonated across the continent.

“There is no longer the feeling that the U.S. is the leader in creating a global political architecture,” he explained. For Germans, for example, the revelations of the NSA spy case, in which it was revealed that the U.S. tapped the phones of German leaders like Angela Merkel, set off deep concern.

“Why do you need to spy on your friends?” Weidenfeld asked. “This created feelings of ambivalence and mutual distrust. The basic impression of America now, especially in the current election cycle, is that of a country full of conflict and tension; of regular people on the street against the Washington establishment, poor people against rich people and much tension against immigrants.”

Weidenfeld noted that Trump’s declaration of his intent to build a wall across the Mexican border spurred deep, psychological emotions. “Europeans have a deeper psychological impression of walls because a wall divided Europe for decades,” he said.

Despite the political tension, Weidenfeld said that the short-term impact on global business will be negligible. German automakers, for example, are unlikely to stop selling cars in the U.S. The American marketplace remains the de facto standard for companies in global business enterprises.

“But it is no longer self-evident that if I want to create a big future-oriented initiative in my business that I would look to the U.S.,” he said. “Because you don’t want to be surrounded by these conflicts and tensions.”

Inevitably, the perception that the U.S. is a simmering stew of political and civil unrest, whether overstated or not, leaves a deep impression on Europeans, especially Germans, according to Weidenfeld. People keenly observe what is going on in America and wonder what strategic perspective will emerge in America.

“The lack of a strategic perspective is a problem in Europe today, but to me, it is far bigger in the U.S.,” Weidenfeld said. “The future depends on who is taking the lead. So much depends on the quality of the top political leadership.”

★

WEIDENFELD

Werner Weidenfeld
Professor of Political Systems, University of Munich

★

Divided We Stand
Jean-Marc Laouchez, Korn Ferry Senior Partner and Global Solutions Leader

or Jean-Marc Laouchez, “Plus ça change, plus c’est la même chose,” or to put it in English, “the more things change, the more they stay the same.”

Laouchez, who was born in Paris, raised in Martinique, worked as a CEO in Brazil and lives in New York, is somewhat sanguine about the great divide in the U.S. Having consulted for more than 20 years with boards, CEOs and global business leaders about strategy and organizational design, Laouchez tends to believe that upheaval often leads to fewer cataclysmic changes than people anticipate.

“I don’t see such a big divide in America,” he stated. “In France, the left and right is much more divided and clear-cut than in the U.S. My core belief is the underlying situation in America was already there.”

For Laouchez, Barack Obama’s victory in 2008 unearthed latent feelings that long simmered just beneath the surface. He believes that the election of an African-American president set off extremists who vocally proclaimed the need to push back against what they perceived as unacceptable, to express feelings that they’d always had but hadn’t spoken out loud. That, coupled with deep-seated anger and feelings of being disenfranchised by the elites in Washington, triggered a wave of protest in the form of new factions, such as the Tea Party and Occupy Wall Street. Add to that the power of social media and the omnipresence of smartphones with cameras shooting video of every violent encounter, and there is the sense that life is a reality TV show, and the presidential candidates simply the key actors.

A radicalism that was familiar to him in Europe emerged in the U.S. after 9/11, coupled with a deeper focus on immigrant groups such as Hispanics and Muslims as a flashpoint for a population worried about jobs, terrorism and a sense that “their” America was deserting them. The rise of the millennials, young Americans who believe in diversity but face the challenge of a slow economy, added to the tension. “There are lots of emotions,” Laouchez said. “The politicians are playing on that.”

There are new wrinkles, Laouchez acknowledges. With the post-9/11 sense of vulnerability and uncertainty, the rise of ISIS and the global financial crisis, there is a feeling that “the omnipotent U.S. is not as untouchable and as forceful as it used to be,” he said. “This is completely new.”

More than a divide, Laouchez said he sees a battle for trust. Transparency is demanded, and people are saying, “We need more trust,” he said. “I’d support you if you tell me something I don’t like, but I can trust you are telling the truth.” As a result, there is a search, on both the left and the right, for a “strong and authentic” anchor, he added.

Laouchez acknowledged that people around the world are shocked at some of the comments made by presidential candidate Donald Trump. “But you have politicians similar to Trump everywhere, they are just not as colorful as he is,” Laouchez said.

“In Brazil, when Lula (Luiz Inacio Lula da Silva) was elected president in 2002, the world was going to disappear, it was like an earthquake, terrible, terrible,” said Laouchez. A strident union organizer who ran as a member of the worker’s party, Lula’s victory terrified Brazilian economists, businessmen and the banks. The Brazil risk index along with value of the dollar against the Brazilian real “went through the roof. And six months later, it was quiet. The world didn’t come to an end,” Laouchez said.

“The basic fabric and values of the U.S. are not very different from what they have always been,” he concluded. “There is always a core fundamental belief in capitalism. Even Bernie Sanders believes that.” ★
Having emigrated to the U.S. in 1976 from his impoverished native Bangladesh, the ambitious Quadir earned multiple academic degrees and became fascinated by the power of technology to change the world. In 1993, when cellphones were far from a ubiquitous fixture in developed nations, Quadir decided to bring the technology to the 120 million people of Bangladesh. Using the innovative model of the Grameen Bank, created by his fellow countryman Muhammad Yunus, Quadir launched Grameenphone with a simple but effective belief: that “connectivity is productivity, whether it is in a modern office or an undeveloped village.”

In a short time, Grameenphone put cellphones into the hands of millions of Bangladeshis and set off the early days of an economic upsurge in what was once a war-torn, ravaged nation. Through his efforts, Quadir realized how powerful capitalism could be if it created opportunity for the many, not just the privileged few.

Quadir later founded the Legatum Center for Development and Entrepreneurship at MIT, where he promoted young entrepreneurs intent on creating innovative startups in developing countries. In his travels, he gained a vivid sense of what made America so alluring to young, talented foreigners who longed for an opportunity to create a business or begin a productive career.

As an immigrant himself (who became a U.S. citizen in 1996), Quadir’s deep affection for his new country led him to study the Constitution and the words of Jefferson, Madison and Hamilton. The framers of the Constitution purposely modeled the new nation after Rome, a republic, rather than Greece, a democracy, because they believed the Greek model of unorchestrated “rule by the people” was unstable and prone to mob rule and to the rise of demagogues in the guise of skilled orators making impossible promises.

What is happening in the current election cycle worries Quadir. In the past 18 months, he has observed in his travels in Asia that people “do not look up to America as they used to,” he said. “They express a wide range of emotions. At one extreme, they tend to laugh at the dramas of the current election cycle, as if they are some kind of TV...”
reality show. At the other extreme, they are horrified.”

In addition, as globalization has had an impact on opening opportunities in their native countries, Quadir has noted that students and professionals in Asia are “not as eager to come to the U.S. as they used to be two decades ago.” Many are opting to head to Singapore, Australia and New Zealand instead of coming to America, he pointed out. This is in addition to the usual deterrent of the high cost of education in the U.S.

While he is still seeing thriving business efforts by Asians in the U.S. markets, “I sense now they put more effort into pursuing things in Asia,” he added. “Asia is expanding and it is nearby. And the emerging attitudes in America discourage these people from seeking opportunities here.”

As a fervent believer in the value of technology, Quadir suggests that the hyper-connectedness enabled by the Internet and social media is actually fostering much of the vitriol and divisiveness. “Today, technologies like Twitter and Facebook allow candidates to amalgamate a great mass of people, either through fear-mongering or simplistic solutions, without any scrutinizing filter.” Ultimately, Quadir believes, the negativity is being overplayed and scary people. There are many problems to be fixed, but “it doesn’t mean we are in a doomsday scenario.”

A World Apart

Political turmoil is hardly relegated to the United States. Divided nations abound around the globe, and the impact of these political chasms will be profound in both the near- and long-term future. Here is a sampling:

**United Kingdom:**

52 Percent Voted ‘Leave’

The impact from Brexit mellowed in recent months, but the full effects won’t be known until well into 2017.

**Brazil:**

55 to 22 Impeachment Tally

Brazilian President Dilma Rousseff was forced from office last spring when Brazil’s Senate voted to impeach her. A severe recession amid charges of corruption triggered the impeachment, and there appears to be little hope of an economic revival anytime soon.

**Austria:**

31,000 Victory Margin

Austria voters narrowly rebuffed far right-wing Freedom Party candidate Norbert Hofer by less than one percentage point. The vote illustrated Austria’s deep political divisions and the rise of right-wing parties around Europe.

**Finland:**

38 Seats Won

The populist, anti-immigrant Finns Party won the second-largest number of seats in Finland’s parliamentary elections in 2015.
Bosses are under growing pressure. Guess who feels it the most?

From the outside, he was a model boss—deeply knowledgeable, thoroughly networked, well respected in his field. Newcomers to the staff got a friendly but reserved welcome that seemed to say, *OK, show me what you’ve got.* The office was productive on every measure, from quality and quantity of work produced to the awards and informal praise that flowed in from colleagues and customers. And yet, something was not right.
It took time to sense the trouble. One hint: When you asked the boss for some information, he’d often answer with slow emphatic words that, you suddenly realized, meant he wasn’t just telling you the facts—he was dictating the exact words (and commas and periods) to use. You’d hear his stoic baritone go sour and mean when he zeroed in on one longtime employee, sarcastically questioned that worker’s judgment and mowed down all of his explanations like a machine gun. A few weeks later, the office was abuzz about his cruel joke after he learned that same worker had been injured in a car accident. Attempting to be humorous, he kidded: “I want to find that other driver and say, ‘can’t you do anything right?’” Everyone within earshot had laughed politely. No one thought it was funny.

It was then, earlier in my career, that I learned a leader has more than one face, and that all of those faces—not just the official one, or the one that appears on good days, or the one the customers see—have deep influence. The dark cloud of this difficult boss extended way beyond work. Instead of leaving the demeaning dictation incident at the office, I fretted over it at home, on weekends. I wasn’t just appalled for my scapegoat co-worker, I would get mad on his behalf while walking in the park. The impact of that boss on his employees was severe.

That was decades ago, but in this era of social media, instant communication and the ubiquitous reach of work through time and space, the big, bad boss is more influential than ever. Which is regrettable, because it turns out we are living in an age where bosses and managers also happen to be under more pressure than in recent memory. With some exceptions, the complaint is rampant, whether it’s at the high-profile global public company or rising young startup—or anywhere in between.

In surveys of thousands of people over the past 15 years across various industries in North America, Christine Porath, a professor of management at Georgetown University, has found a noticeable uptick in experience of distressing rudeness in the workplace. In 1998, 25 percent of respondents in one of the surveys said they’d been treated rudely at least once a week at work. By 2011, the figure was 50 percent. More recently, the journal Human Resource Development Review published a report on abusive leadership that prompted a flood of similar stories. “We got many, many calls, letters and emails from individuals describing the really deep psychological effects of these
Bosses must operate in pressure-packed environments, and when they let loose, it’s not very pretty.
bosses, that have lasted for years,” said Kevin Rose, a professor at the University of Louisville’s School of Education and lead author of the study.

It’s not hard to see what’s driving all this boss abuse, and it starts at the top of an organization. In a slow-growth global economy, corporate leaders are under heavier pressure to perform with fewer resources, and they face much higher obstacles to raise funds. The strain on the C-suite trickles down and across most organizations. Meanwhile, other forces make being a boss harder, be it stagnant wages, technology that reduces jobs, or dealing with a workforce that has become more part- and short-time. Bottom line: Bosses must operate in pressure-packed environments, and when they let loose, it’s not very pretty and definitely has impact. Like others who teach us, inspire us and shape our lives—parents, teachers, coaches, entertainers, certain religious and political figures—leaders of organizations affect their people far beyond the confines of a job description. Bosses can be, as the Stanford Business School professor Robert Sutton once put it, “weasels, tormentors, tyrants, serial slammers, despots, [and] unconstrained egotistical maniacs,” and when that’s the case, the dents and dings extend far beyond the workday and workplace. Indeed, “although the physical presence of a dysfunctional leader may be isolated to the workplace, his or her reach is almost without boundary,” Rose and his co-authors wrote.

Their paper, a review of research on the consequences of dysfunctional leaders, found many “staggering” consequences of bad bosses in the home lives of workers. Employees of dysfunctional bosses consistently report more negative emotions and harsh criticisms back home with their family members (they also spend less time on family events). In other words, as the researchers put it, “employees bring the baggage packed for them at work home for unpacking.”

That would be bad enough, but distressed employees don’t just passively suffer. Georgetown’s Porath, who has
spent years researching the costs and consequences of rudeness and stress in organizations, polled 800 managers across 17 industries and found that among workers who felt they’d been treated rudely, eight in 10 lost work time fretting and fussing about the incident, two-thirds avoided their abuser in a way that increased the time required to do their tasks, nearly half deliberately decreased both the time and effort they put in to the job and a quarter admitted they took out their negative feelings on customers.

Often people who feel denigrated by their bosses will try to get their self-respect back by any means necessary. For example, in a study of resistance to new technology among truckers, the sociologist Karen E.C. Levy found that they will cover their GPS antennae with tinfoil (so they can’t be tracked) or roll down a street at 14 miles per hour (to avoid triggering data-gathering devices that come on at 15 mph). Some even hack the computers that are used to track their driving in order to play video games on them—an expense of time and effort that gains them no extra money. It’s all about venting.

“Ninety-four percent of the time, people in our surveys say, they find a way to get even with the particular boss who offended them,” says Porath.

This would be alarming if it affected only a few companies, but according to the Human Resource Development Review paper, as many as one-third of employees in the U.S. work under a leader who disrespects employees, squelches their efforts and violates the unspoken contracts of decent behavior (by demeaning, ignoring or playing favorites with people on his or her team).

Workers elsewhere don’t seem to have it any better. According to a 2015 report by the European Observatory of Working Life, some 14 percent of workers in the European Union and Norway reported that they’d been the victim of at least one instance of “adverse social behaviors,” which includes threats, bullying and harassment. Things appear to be even worse in Asia. A recent survey by Arthur Yeung of the China Europe International Business School and Barbara Griffin of the University of Western Sydney, which asked 116,000 participants across six Asian nations about workplace rudeness, found more than three-quarters reporting they’d recently experienced one of four “uncivil behaviors” (nasty comments, rudeness, undermining actions or comments, or shutting people out).

“Sadly, I do think it is a worldwide phenomenon,” said Porath. This is because the likely causes are global. The 21st century’s new normal is a far more pressured and unpredictable environment for CEOs than that of a generation ago. In 2002, for example, a Booz Allen study of C-suite turnover found that CEO turnover had increased 192 percent in Europe and 140 percent in Asia since 1995. Then too, economic uncertainty and rapid technological change put pressure on companies to do more with fewer people, adding to the pressure.

Surprisingly, increased diversity—despite its benefits—may also be part of the impetus pushing bosses to be too harsh, Porath says. When you have colleagues from different cultures, age groups and life experience, it’s easier to stumble into moments where one person is unsettled by behavior that seems normal to the other. And that unsettled feeling can translate into being offended. Then it’s a small step toward retaliation for the imagined offense—a downward spiral that turns a simple misunderstanding into exchanges of deliberate rudeness.

Sutton, who published a book in 2007 on working with—ahem—difficult

In response, some companies are trying to bring the boss under control, with better training and much higher scrutiny from the HR department.
people (title: “The No-Asshole Rule”) acknowledges that not all office rudeness comes from the top. You don’t have to be in the C-suite to make people miserable. But in his book he estimates that 50 to 80 percent of workplace nastiness flows down from superiors to subordinates. And even when it’s colleagues who are making each other miserable, they often say the culture of rudeness comes from above, from the boss’ personality or the way top leaders run the organization. As Sutton puts it, “if you work for a jerk, odds are you will become one.”

In response, many companies are now trying to bring the boss under control, mostly with better training but also with much higher scrutiny from human resource departments. To some degree, the growing importance of human resource directors may reflect an acknowledgement of the problem. In the startup land of Silicon Valley, reports of tyrannical managers and founders has promoted a rethinking of just what environment truly works best for spawning innovation.

In the end, more change may come soon because of a growing realization that uncivil bosses can have a heavy toll on the bottom line. From affected employees, damage ripples out to affect other workers and customers, who, it turns out, are driven away by rudeness—even if that harsh treatment is not directed at them. In one experiment, Porath at Georgetown said, each onlooker was asked to imagine that he or she was in a restaurant where a waiter was being abusively reprimanded for parking in the handicapped spot. Though the waiter was wrong in parking in that manner, the results didn’t change: People who witnessed the harsh treatment didn’t like it and overwhelmingly reported that they wouldn’t eat at the restaurant.

“You really tried to push people to see if they would accept incivility,” he said. “But [they] just really don’t like seeing anyone mistreated.”

LOSING IT:

THE WARNING SIGNS

Most bad leadership gets excused—a bad day, a bad quarter—which can make it harder to know if you yourself are sliding from the ranks of the tough and effective into the ranks of the jerks and bullies. Here are a few warnings signs bosses can watch out for:

**You think you don’t have time to be civil.**

“When I surveyed people about why they were uncivil, 60 percent said they didn’t have time to do the right thing,” said Christine Porath, a professor of management at Georgetown University. That’s not true. Treating employees like human beings doesn’t mean you have to let them ramble off topic at a meeting or tell their life story when you stop to talk. You can say “I’m sorry, I don’t have time to speak now” or you can rudely walk away without a word. The time difference between those options is a matter of seconds.

**You never wonder if you’re being too rough.**

“We discovered that most bad bosses don’t know they’re bad bosses,” said Kevin Rose, a professor at the University of Louisville’s School of Education. “We heard from a lot of people about their experiences with bad bosses,” he said. “Not one said, ‘Hey, I’ve been a bad boss.’” Lack of self-awareness is a trait found in almost all bad bosses. If you can stop and then ask yourself if you’ve done the right thing, you’re helping to keep yourself from sliding.

**You find yourself micromanaging and not trusting subordinates to get things right, or you play favorites and pummel scapegoats.**

“The No. 1 behavior that people want from leaders is respect,” said Porath. And one way they detect that respect is by noting when you leave them alone, implicitly saying that you have trust and confidence in their abilities. A recent study in the journal MIT Sloan Management Review found, in a survey of 135 people across 10 occupations, that bosses had no real role in fostering a deep sense that work has meaning—but did when it came to crushing meaningfulness. By overriding employees’ judgment or making them go against their values, “poor management was the top destroyer of meaningfulness,” the study says.
Bosses have a lot of impact on the minds and hearts of the people in their charge. That’s why being a bad boss is so devastating. But it’s not the only role with that kind of power over people’s well being. Others have the same characteristics. And, unfortunately, people in those roles are also working under growing pressure.

<table>
<thead>
<tr>
<th>PRESSURE POINT</th>
<th>INFLUENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TEACHER</strong></td>
<td></td>
</tr>
<tr>
<td>Pressure on salaries and job protections, combined with a push to generate good test scores, has left many teachers feeling they’re under the gun. One 2013 survey found that only 39 percent of teachers reported themselves “very satisfied” with their jobs.</td>
<td>Most people’s first “boss” outside the home, who teaches kids essential social skills as well as reading, writing and arithmetic.</td>
</tr>
<tr>
<td><strong>PARENT</strong></td>
<td></td>
</tr>
<tr>
<td>Stagnant incomes leave many parents struggling to do more with less. For many, part-time and irregular hours have replaced full-time jobs. The strain is showing. In the U.S., more than one out of five parents with children under the age of 13 are working nonstandard schedules, according to the Urban Institute.</td>
<td>The person who teaches us how to love, learn, work and be a productive member of society.</td>
</tr>
<tr>
<td><strong>POLITICIAN</strong></td>
<td></td>
</tr>
<tr>
<td>Polls report trust in government is at record lows in many democracies. Political rhetoric once considered too extreme for the mainstream is now common in political races in the U.S., Britain, France, Hungary, Austria, Japan and other nations.</td>
<td>The boss of public life, who helps define what it means to be a good citizen of one’s nation.</td>
</tr>
<tr>
<td><strong>CLERGY</strong></td>
<td></td>
</tr>
<tr>
<td>As the ranks of clergy thin, those left must do more with less. According to the Leadership Network/Vanderbloemen 2014 Large Church Salary Report, 81 percent of Protestant pastors in the U.S. consider themselves unable to meet the demands of the job, and 60 percent say they are overworked.</td>
<td>For many, the leader who defines what it means to be a good person and to live a moral life.</td>
</tr>
</tbody>
</table>
THE BOOM OF THE

BY LAWRENCE M. FISHER

DOUBLE EXPOSURE PHOTOGRAPH OF THE MELBOURNE SKYLINE.
Cities around the globe are being reborn with an influx of innovative talent seeking exciting places to dwell.

For decades it seemed as though nearly every story about cities featured the word “decline” and chronicled how the middle and upper classes had fled to the suburbs, chasing the good jobs and pleasant lifestyle to be found there. But in the new millennium, cities began to grow again, and this trend accelerated as the economy recovered from the 2008 crash.

While the most feverish activity may be seen in hot spots like San Francisco and New York, the trend is not limited to the coasts or to the United States. Cities experiencing rebirth and growth include Pittsburgh, Cincinnati and Boston in the U.S.; Manchester and Glasgow in Britain; Barcelona, Hamburg and Amsterdam in Europe; as well as Melbourne, Australia, and Ho Chi Minh City, Vietnam. They all host or are near universities and have benefitted from the innovation and talent these schools foster. They also boast civic leaders and private developers willing to collaborate.

“The key element is the new organization of the city center and the attraction from the point of view of where people want to work, live, and play,” said Anthony LoPinto, global sector leader for Real Estate at Korn Ferry. “Neighborhoods that were once blighted are now experiencing a renaissance. The cities themselves have finally been investing back in the center, and developers are coming in.”
Upside-Down Demographics

There are two frequent explanations for the new growth of inner cities that are probably wrong, or simply inadequate: Millennials like living in the city so they can ride their bikes to favorite cafes; and “urban renaissance” is really just code for gentrification, that age-old process by which artists and craftspeople discover neglected neighborhoods and fix them up, attracting wealthier residents and inevitably pushing out the poor, often minority, inhabitants who called the place home. But why are young people moving to the inner city now?

“As we are more connected to each other electronically, and the geographic community disappears, young people are hungry for physical interaction, which the city gives them,” said Alan Ehrenhalt, author of “The Great Inversion and The Future of the American City.” “The more you live your life on the telephone, the more you crave real contact. But it’s been known back to Aristotle that we are a city-building animal.”
Ehrenhalt pointed out that young people in the 1970s also wanted to live in cities, but there was little opportunity for them to do so. Other than New York or Chicago, “you just couldn’t live downtown 30 years ago.”

Following the industrial revolution, cities were built in concentric circles, with a central business district; a manufacturing zone just beyond it; working-class residences beyond that; and at the periphery, suburbs for the wealthy and the upper-middle class. As people moved up economically, they moved farther out. While there are still central business districts, few cities have factories anymore. The former manufacturing districts now host artists’ lofts and niche entrepreneurs, many of whom live where they work. New immigrants and the working poor now inhabit the suburbs. The wealthy and upper-middle classes have rediscovered the city.

To the extent that the inversion has replaced blight with tree-lined squares and nice restaurants, all is well and good, except for the displaced poor. But gentrification has gone so far in some cities—San Francisco, New York and London—that even the relatively well-to-do can no longer afford them. Ehrenhalt calls this “hypergentrification,” and

PITTSBURGH IS THE POSTER CHILD FOR CITIES THAT LEVERAGED THEIR UNIVERSITIES AND MEDICAL FACILITIES—EDS AND MEDS—TO SPUR GROWTH.
finds it more problematic than the first phase, which is mostly about reclaiming depressed areas. As the second phase sets in, the restaurants and shops that made the inner city attractive can no longer afford rents, nor can the young inhabitants who made the district lively again. Instead, speculators and absentee owners have moved in. But he sees a bright side for so-called second-tier cities.

“New York and San Francisco have their own problems and they are pretty unaffordable, even for someone with an upper-middle-class income,” Ehrenhalt said. “But you look at Omaha, Cincinnati, Des Moines; those places are having a central city renaissance, and kids are moving there. They'll never have the problems San Francisco or New York have because there’s a lot of vacant land. It’s a mistake to look at San Francisco or New York and say gentrification is making it impossible to live in the city.”

**THE TRIPLE HELIX: GOVERNMENT, BUSINESS AND ACADEMIA**

Everyone knows the crucial role played by Stanford University and the University of California at Berkeley in the formation of Silicon Valley. San Francisco has also benefited from the proximity of these schools, as well as from UC San Francisco, the med school turned biotech and digital-health powerhouse. In a strategy known colloquially as “eds and meds,” other cities with
strong educational and medical institutions are leveraging these talent magnets.

“The poster child is Pittsburgh,” said William Kistler, founder and managing partner of the Urban Innovation Network, a London-based consulting group. “Pittsburgh could have easily turned out like Detroit. It essentially halved its population when steel and coal moved out.” But thanks to former Pittsburgh Mayor Tom Murphy, working with Carnegie Mellon and the University of Pittsburgh, it is now a boomtown, Kistler said. Pittsburgh, with its affordable lifestyle, is competing with Boston and San Francisco for top biotech and tech talent.

Pittsburgh’s renaissance “was all about government and business collaborating with the universities and creating the incubators and accelerators,” Kistler said. He calls it a triple helix: government, academia and business. And Pittsburgh is not alone.

“Cincinnati has done a fabulous job,” said Kistler. “Birmingham, Glasgow: Cities that were post-industrial depressed zones are going through phenomenal transformations. I’d say it’s because of their leadership.”

Kistler noted that Hamburg is a boomtown, emerging from decades as a declining manufacturing city that had been destroyed in the war. Barcelona recently won the EU City of Innovation Award. Thirty years ago, Barcelona was Detroit, with 40 to 50 percent unemployment, he said. Now the Financial Times ranks IESA, Barcelona’s business school, ahead of Harvard.

Amsterdam is Kistler’s current favorite. “If you peel back the tourist thing, Amsterdam is a booming economy,” he said. “It has some of the best high-end medical research in the world, and competes with the Bay Area for talent. It has 2.5 percent unemployment.” Kistler said it behooves cities to build the kind of pedestrian-friendly downtown areas that millennials like. Tree-lined squares, cafes with outdoor seating and bike lanes are not just nice things to have, they’re an investment.

“We’re in a global competition now for talent,” he explained. “You can offer great jobs, but if you can’t match it with a great location and a great lifestyle, you may lose out on attracting the people you need to grow your business.” He noted that this has become a strategic part of corporate strategy, and locating downtown creates investment and development opportunities.
THE BIGGEST DECISION OF ALL

As housing prices slumped in 2007, Richard Florida introduced a bohemian index, which posited that cities with large artistic, bohemian populations would see increased housing values. These communities, he said, earned a “tolerance premium,” in the form of higher wages and incomes. The index was really a catchy proxy for the observation that diversity, even in issues like mental health, promotes innovation, and innovation drives growth.

“What drives innovation is crazy people,” said Florida, a professor at the Rotman School of Management at the University of Toronto. “The places that are tolerant of the strange, places that attract the weird, where the odd, and the ill-fitting feel welcome, are the places that innovate,” he said. “To me this is completely why cities are the center of innovation.”

It’s not surprising that San Francisco and New York top Florida’s list of hot cities or that both produce more than their fair share of innovation. What is surprising is the extent. Florida points to a new study, which looks at the changing geography of innovation across the U.S. over the past four decades. The Bay Area, which includes San Francisco and Silicon Valley, had just four percent of U.S. patents in 1976 but by 2008 accounted for 16 percent, nearly double that of New York, the second-most innovative metropolitan region. Los Angeles is a distant third.

The flow of venture capital, which naturally follows inventions that get patents, is also geographically concentrated. That has only increased with the rise of the cities, and the most recent tech boom is a largely urban phenomenon.

“As San Francisco has grown, the Bay Area has increased its concentration of venture-capital-backed startups from 25 to 40 percent,” of the U.S. total, Florida said. “Silicon Valley hasn’t lost, it’s gained from growth of the city.”

Over the past two to three years only the Bay Area and New York have gained. Los Angeles has had a small uptick, but “This whole idea that innovation is leaking out to other places; I find no evidence of that,” Florida said.

Florida’s 2008 book, “Who’s Your City?” suggested that where you live is possibly the most important life decision, vying with what you do and whom you marry. For many people today, the decision to move to San Francisco or New York is a compelling one. “San Francisco or Lower Manhattan are two of the most expensive places in the U.S. and the planet, but the people you want to be around are there,” he stated.

One of the most fascinating observations about cities comes not from an urbanist but from a physicist, Geoffrey West, a fellow and past president of the Santa Fe Institute. “Cities live forever, but all companies die,” said West, noting that Jericho, of biblical fame, is still a living city near the Jordan River in the West Bank. Hiroshima is also a thriving city. Yet very few companies, mostly family-owned, have survived even a century, and

AMSTERDAM HAS A BOOMING ECONOMY THAT GOES WELL BEYOND TOURISM.
the half-life of a publicly traded U.S. company is just 10 years.

West found that cities obey some remarkable scaling rules. When a city doubles in size, it doesn’t consume twice as much electricity, water or other resources—just 1.85 times as much, a finding that is consistent all over the world. When a city doubles in population, its output actually goes up by 2.15, in good things like patents and restaurants, but also in bad things, like crime and AIDS. These economies of scale help make cities perpetual growth machines.

Like Florida, West sees innovation as the great enabler of growth in cities, and a tolerance for diversity as stimulating innovation. “The reason cities keep growing is the bigger you are, the more you get, on an individual level,” said West. “People see they get higher wages; there’s a greater buzz, more cultural events, job growth.

Of course there’s a catch; in fact, two catches. One is that the cycles of innovation that drive cities’ growth need to come more quickly, and this is stressful. West’s data show that people in New York walk faster than people in Santa Fe, and people in Tokyo walk faster yet.

The other catch is that the continuing influx of what Florida calls “the creative class,” has made cities like New York and San Francisco ever whiter, ever more homogeneous in multiple ways, so that much of their diversity is now diminished.

“As cities become homogeneous they lose that crazy edge,” said Florida. “If a place prices out diversity, it will become less innovative, and the center of innovation will shift. That could happen, but it hasn’t happened yet.”

FIVE HOT CITIES

**MELBOURNE, AUSTRALIA**
KNOWN AS AUSTRALIA’S “CULTURAL CAPITAL”

- **POP:** 4.5 MILLION
- **MEDIAN AGE:** 36.1 YEARS
- Home to seven leading universities; ranked fourth-best university city after London, Boston and Tokyo.

**BARCELONA, SPAIN**
ONE OF EUROPE’S MAIN BUSINESS CENTERS

- **POP:** 1.63 MILLION
- **MEDIAN AGE FOR SPAIN:** 41.6 YEARS
- Home to IESA, one of the world’s top-ranked business schools.

**GLASGOW, SCOTLAND**
BIRTHPLACE OF BILLY CONNOLLY AND CRAIG FERGUSON

- **POP:** 600,060
- **MEDIAN AGE:** 34.3 YEARS
- Known for University of Glasgow’s medical research and University of Strathclyde’s tech/engineering excellence.

**HO CHI MINH CITY, VIETNAM**
A.K.A. SAIGON, IT IS LARGER THAN HANOI

- **POP:** 8.2 MILLION
- **MEDIAN AGE:** 28.7 YEARS
- Quang Trung Software Park, on the outskirts of town, is helping the city become an outsourcing destination.

**PITTSBURGH, PENNSYLVANIA**
STEEL FROM ITS MILLS BUILT THE BROOKLYN BRIDGE

- **POP:** 305,000
- **MEDIAN AGE:** 42.5 YEARS
- Pittsburgh is home to 68 colleges and universities, including research leaders Carnegie Mellon and Pitt.
WHEN PROFESSOR MICHAEL E. PORTER appears for an interview, he offers an apology for his late arrival and then ushers the reporter into his wood-paneled office in Lurope House on the lush Harvard Business School campus. In shirtsleeves and loosened tie, surrounded by floor-to-ceiling bookshelves and windows, Porter, at 69 still fit, square-jawed and athletic, is tired after a long day. But given a chance to speak about his current work on U.S. competitiveness and corporate strategy, he is quickly revitalized. For a business journalist, a face-to-face conversation with Porter is akin to a basketball junkie going one on one with Michael Jordan. It is a rare chance to learn from the master.

In a field as tedious as economics, Porter rocked the world in the early 1980s with his groundbreaking work using economic theory to explain competitive strategy and how companies could make better choices to achieve competitive advantage. His books were instant bestsellers and he was invited to not only countless C-suites but to meet with presidents, prime ministers and leaders in both the public and private sectors around the world. Porter is that rare academic superstar whose work still resonates today across global marketplaces, influencing corporate leaders and national and regional economic development. The spotlight is still very much on.
THE COMPETITIVE EDGE
How do you define competitiveness?
Competitiveness is based on having an advantage in either a superior value, which allows you to differentiate yourself and get a higher price, or innovations that allow you to achieve a lower cost position. So all competitive advantage can be manifested in either higher prices or lower costs. Sometimes, though rarely, you can achieve both, but that’s usually not very stable. So from a company perspective, competitive advantage is relatively concrete. When you’re talking about a country or a region, there you can get tripped up if you try to think about competitiveness the same way as you do for a company.

How so?
What we’ve come to understand is that a country or a region is competitive if it can achieve a higher productivity in how the citizens of that region actually work and generate value in the economy. And productivity is what underpins an improving wage and standard of living. But, we’ve also come to realize that when we think about the competitiveness of a region, we have to think about companies being productive and therefore able to compete with other locations, but we’ve also got to make sure that the average citizen is benefitting as well. And productivity allows both. If we have the right kind of environment, productivity will allow companies to do well even as the worker is doing well. But so much of the discussion about competitiveness is really one or the other. Folks on the right tend to think about lowering wages to be competitive which is kind of crazy because lower wages are a failure. That means that you’re not competitive and you need to take a pay cut.

It’s disincentivizing people.
Yes, it is disincentivizing people. However, it’s also true that if workers are getting higher wages and companies can no longer compete in that location, that’s not competitiveness either. In the U.S. Competitiveness Project, we’ve been focusing on how we can create this shared prosperity for the companies and for the average citizen, the average worker. And then once again, productivity is what allows that to happen.
It seems to be a delicate balance. When we lay off 150 people and the company gets more productive in the short run, how do we confuse that with actual success? That’s not success. If we fired 25 percent of American workers, our economy would be more productive. For a while. But it wouldn’t grow.

"We saw business leaders trapped into winning by cutting rather than innovating and growing. We are seeing now that outsourcing went too far and isn’t paying off.”

That is a crucial outcome. I think this is a profoundly important question. I work around the world, and over the years, I’ve worked with many countries and with national leaders, and this is, frankly, a debate that many countries have. There’s a lot of confusion about this. A lot of people think it’s a zero-sum game, that if companies are going to win then workers have to lose, or the average citizen has to lose. Ultimately, it has to be win-win.

Yes, and it’s such a hot-button issue now with this current election. Absolutely. And what’s happened to America—and this is work that we’ve now been doing for the last five years on the U.S. Competitive Project—is that our economy, starting in the late ’90s and 2000, something fundamentally changed and we got on a different path.

Explain. We have these things we call disturbing trends, and one of the disturbing trends was that job generation dramatically slowed down starting around 2000. This economy used to be a job machine, and some set of factors ultimately slowed that down. We think that has a lot to do with globalization finally reaching its potential—where many other countries could actually now compete with us because they had raised their skill levels, they’d raised the quality of their infrastructure and they had stripped out some of the worst corruption and complexity. And all of a sudden Thermo Fisher Scientific, which is one of our great Boston companies, when they couldn’t find enough engineers here at reasonable cost, they actually set up a major facility in Lithuania.

Lithuania? They knew there’d be lots of good engineers there, and they were quite well trained, and they earned 50 percent of the wages. So around the late ’90s and 2000, there had been enough progress in the rest of the world—and frankly not all that much progress in the U.S.—in improving education, improving infrastructure and so forth, that we saw that bend in the curve. And that has continued.

What is the result? In the U.S., we’ve been failing at creating what we call traded jobs. Those are jobs in industries where we compete internationally such as automotive, airplanes and the like. And all the jobs that we’ve tended to create for the last 15-plus years are what we call local jobs. Those are jobs in health-care delivery, or retailing, or things that are inherently local where we really don’t have to compete. It was pretty unsettling for us to see that, and underlying that we see that wages have stagnated. The median income has actually gone down in real terms, and the need for skills has grown. So, unless you had a college degree or more for the last 15 years or so, you’ve seen very little progress in your wages.

And there are other problems. At the same time, there’s just metric after metric that show that we’ve been falling behind in our regulatory complexity, the quality of our infrastructure; our tax system has gotten very disconnected with reality, and nobody wants to fix it. There’s just rhetoric on both sides about how I’m right and you’re wrong, and yet every day that goes by we have another inversion, and we lose another company.

How do you fix that? We simply have to get our corporate tax rate down to 27 or 26 percent, which is not low; it’s just in the ballpark. And we’ve got to fix this
international system and install a more territorial system like other countries have so that American companies will bring their capital back here. Right now we are in a mess. So, what we find in the U.S. Competitiveness Project is that we have some compelling strengths in entrepreneurship and risk-capital markets, innovation is strong, and the quality of management is very good; and American companies, particularly the larger companies, are doing pretty darn well on a global basis. But America as a location to do business is not doing well, and that’s not because of hard stuff, it’s because we haven’t made progress in relatively simple things where pretty much everybody agrees we need to.

**Is it just politics that keeps it from happening?**
Yes. Politics has been one of the major problems—a root cause of why we haven’t fixed some of these things. As this project has unfolded, even though this is not my field, I’m spending more and more time thinking about that. Now, why is that? What’s happened here? How do we think about our political system? Why isn’t it delivering what we want? Why do we have gridlock? The numbers are overwhelmingly low in terms of the respect for government officials by the public and people’s view of how our political system is functioning. I think the Trump phenomenon is the boiling point of the anger about us not actually getting anything done. We’ve been talking about immigration for a decade and we haven’t fixed it because we have a political structure now where the parties really want to win the battle based on their ideology rather than finding a compromise. We can’t compromise anymore.

**Has this U.S. Competitiveness Project surfaced any prescriptions? Are you optimistic?**
We would say that we’re more optimistic about what the business community can do itself. When we started this work, we very quickly realized that waiting for government was not necessarily going to be the right way to think about it. We spent a lot of our energy on re-educating the business community and how they need to take responsibility here in their communities, and their regions and their cities, and how to do that.

**What can businesses do?**
There’s a lot business can do, and I think business is in a different place now than they were six or seven years ago. We see more companies voluntarily raising wages for low-income people, re-engaging in training, and lots of participation in regional efforts. But, the most progress, both in business and in government, tends to be at the state and local level. At the federal level, there’s not much to be optimistic about at this particular moment.

**Can you recall a similar period of unease in recent history?**
The last time we saw anything remotely like this was during that period when Japan was rising. The Japanese companies had clearly found a better way of competing. They were
How tough is the competition? Porter believes that there is a five-forces model that provides a template for analyzing the competitive forces that shape every industry and determines its strengths and weaknesses.

### THE FIVE-FORCES MODEL

#### COMPETITION WITHIN THE INDUSTRY:
How many competitors are there and how strong is their ability to threaten a company's success? Both suppliers and customers will turn to a competitor if they don't like the deal they are getting. But if no one else can do what a single company does, it creates significant power and influence.

#### CUSTOMER POWER:
What is the ability for customers to drive prices down? This force is determined by how many buyers or customers a company has, how important each customer is and how much it would cost a customer to switch from one company to another. Dealing with a few powerful customers enables them to dictate terms and hold more power.

#### SUPPLIER POWER:
How easy is it for a supplier to drive up prices? By measuring the number of suppliers, the uniqueness of their product or service and how much it costs a company to switch suppliers, one can determine how much a company depends on a supplier and therefore how much power the supplier holds.

#### THREAT OF SUBSTITUTES:
Are there other options that customers can embrace beyond a company's products and services? If a customer relies on a company for a tool or service that can be substituted with another tool or be performed manually at a low cost, the company's power is clearly threatened.

#### NEW ENTRANTS INTO THE FIELD:
A company's power and influence is affected by the ability for new entrants to get into the market. If there are few barriers, such as cost of entry to a market, low economies of scale or little protection for key technologies, a company is vulnerable to new rivals.

Is the lack of business leadership a factor?

We believe that business leadership and some of the established thinking in business definitely got in the way. Companies started seeing themselves as global and unfortunately didn’t realize that just because they were global companies didn’t mean that they could give up and stop investing in their communities, and making sure they had the right suppliers, and the right universities, and the right training and the right people to hire. That was a lesson that many business leaders now have learned. We’re starting to see business shift back in the other direction.
But the negative impact has been dramatic and long-lived.
We saw business leaders trapped in the notion of “My job is to maximize near-term shareholder value,” and so many companies have been winning by cutting rather than by innovating and growing. We saw a lot of outsourcing because the formula seemed so perfect. You could take a $100,000-a-year worker and replace him with a $30,000-a-year worker, and the knee-jerk reaction was that was going to drive profitability. What we’re seeing now is a lot of the outsourcing went too far, and if you actually understand the real math with logistical cost and inventory cost and having to supervise these far-flung operations and so forth, actually the outsourcing didn’t really pay off.

But you believe there’s some reason for encouragement from the business sector.
I’m very encouraged to see the business community, given all the scrutiny and criticism, understands the need to be part of the solution. The understanding of how to do that is improving. We see some progress at the state and local level, and there’s more that can be done.

Such as?
The big challenge we have right now is federal policy. And unfortunately, the federal government controls our national budget, our major entitlement programs, our corporate tax system. Government has a phenomenally big impact on infrastructure. Government sets the trade policy at the federal level. In these critical areas we’ve allowed ourselves to get really out of sync and behind. And, the more I study the political system, we need structural change there. Electing the right candidate isn’t going to solve the problem. It’s way beyond any candidate. It’s been baked into the fundamental structure of how our political system works.

You’ve been teaching and writing about competitive strategy and competitive advantage for more than 35 years, and I wonder how much has changed in all that time.
In general, the kind of work that I do is aggressively aimed at being independent of the moment. And it tries to get at the underlying principles or underlying structures that ultimately result in competitive outcomes and company outcomes. Of course, the technology is always changing, and customer needs are always changing and geography is always changing. But, what we’ve come to believe—and I work very heavily in the outside world with the private sector and the public sector—is that the core strategy concepts are actually very much the same.

The net result, then, is indeed timeless.
The fact that strategy is about choice and deciding what you’re going to do but also what you’re not going to do, many of those key principles, you’d find that the messages are largely the same. But the richness with which we can deploy those ideas has improved. Information technology has had a really pervasive impact on what companies do.

How has that made a difference?
What we came to believe is that the Internet isn’t the big news. That’s been around, we know what it does; it is just connectivity. The fundamental change here is what things can do. That turned out to not only affect products, and product features, functionality, positioning and strategy choices, but it also turned out to have a big impact on how firms operate internally. Because now what we’re seeing is that most manufacturing companies are becoming a hybrid of a software company and a manufacturing company. The previous generations of IT were really great at spurring productivity growth in the firm and in the economy. This is going to actually allow us to deal with many societal issues as well, and do it better.

Does this present opportunity for companies as well as a challenge?
We need to rethink business strategy and business opportunity to reflect the fact that many things that traditionally have been seen as social problems or social issues are actually enormous business opportunities. This is the concept of shared value that we started writing about in 2011. We’re seeing some of the most important kinds of strategic innovation, and the companies that are achieving the fastest growth and gains in market position are companies that are innovators in embracing these new concepts.
A GLOBAL PLAYER IS LOOKING FOR TOP TALENTS

INNOVATING TOGETHER – WHERE THE BEST WORK TOGETHER

14 countries – 25 sites – 3,800 colleagues
Freudenberg Performance Materials is a leading global developer of innovative technical textiles and cutting-edge production processes. We work within a wide variety of markets, such as automotive, construction, apparel, hygiene, medical, shoes and leather goods, as well as creating solutions for highly specialized applications. In 2015, we generated revenues of around 980 million Euros, an achievement built on the social and environmental responsibility that is the cornerstone of our company’s commercial success.

We constantly support our colleagues’ professional development to ensure our innovation strength. In this area, we are supported by leadership selection and development specialists from Korn Ferry/Hay Group. We manage and implement innovation processes in the team spirit of our “Innovating Together” concept. This is where individual creativity and initiative feeds into the driving force of our shared goal: to provide solutions and answers today for the challenges of tomorrow.

www.freudenberg-pm.com
I spent this winter with a tech founder, an oil executive and an auto entrepreneur pedaling through the Valley of the Tears on Gran Canaria, one of Spain’s Canary Islands off the coast of Africa. I’m a cycling guide: My office is on the back of a Trek Emonda, the lightest production bike in the world, and my job is to wheel well-heeled Americans around Europe and to show them how to handle a $12,000 bike through the Alps, the Pyrenees and other exotic destinations. Luxury cycle tours used to be the dominion
“The new world of luxury cycling is no longer baguettes in a basket or leisurely breakfast rides. It is high-tech, high-endurance R&R.”

of romantic pairs spinning and sipping wine through Provence. Now, the industry has revved up and gone carbon. After years of grinding over the steepest passes on the Continent with C-suite companions, I can tell you why executive travelers are now exploring the world on two wheels.

Some people think it’s the Lycra, and others assume it’s an excuse to shave your legs. The actual secret appeal to cycling is that it’s the perfect sport for anyone with a quantitative itch. It is the
most measurable, trackable, chartable weekend activity. Strap a Garmin device to your handlebars and you get a heads-up display of every metric you could imagine: road gradient, distance, speed and meters climbed. All of these can be converted to power units and heart-rate thresholds that calculate your ride as you experience it. Most of the people I guide come from Silicon Valley. It doesn’t take much time in the Bay Area to become inured to the gruppettos of brightly clad executives escaping the workday to hammer out some miles on a high-end bike. The data and their

attendant culture have merged to define the sport, and the most faithful acolytes hail from the birthplace of the data revolution.

No cyclist worth their chamois cream goes long without mentioning Strava, the San Francisco-based social media company that helps athletes track and share their performance data. It’s an online repository for information on your rides: Think of it as the passbook where you collect all of your cycling bona fides. Ever wonder how you stack up against Lance (or maybe just Lance in accounting)? Strava knows. It also solves a big problem for very busy, but ambitious, adventure travelers: That trove of data can zero in on the best place for your next trip.

The toughest winter destination to ride your bike is found in the middle of the ocean. Gran Canaria is a volcanic speck in the Atlantic, best described as being far away from everything. It’s where Columbus landed to catch his breath on his way home from the Americas. Its shoreline is crusted with the predictable buildup of hotels and condo resorts, but the interior is a maze of steep valleys emanating from its frozen top 2,000 meters above the sea. This giant, igneous ramp is Valhalla. Dry, desert-like conditions and perfect roads
sing a siren’s song to anyone who can handle the 20 percent grades and tortuous descents.

Before Eric, my guest who founded a Netflix-like subscription service for Ferraris and other super cars, landed on the island, I knew he was a high-octane athlete. He had already logged nearly 30,000 kilometers in just a few years on Strava, and was no stranger to the pantheon of classic climbs in France. Using his data, we custom-built rides that encompassed the highest echelons of suffering without detouring him far from where his friends were riding on the trip. Jumping on a guided tour may seem anathema for an independent-minded entrepreneur like Eric, yet the self-dependent nature of cycling makes it infinitely customizable. Eric and his companions could float back to one another to talk shop without interrupting the ride, or blast off to find solace in the meditative cadence of the bike.

The executives who joined me ascending the Valley of the Tears had met each other cycling across the United States. Joining them was an economist from Georgia and two journalists. This was a seasoned, veteran crew of riders who had logged 200 steep miles in just a few days, cruising the same routes as members of such perennial Tour de France teams as Lampre-Merida and Tinkoff-Saxo, who zipped past now and again. Though it’s an honor to ride with great athletes, after a long guiding season you can feel a bit dead-legged, and weighed down by months of five-star breakfast buffets. Eric proved to be a little friskier on the bike than I was ready for.

There are a few tricks a guide has when trying to keep pace with a better athlete. You can serve a little extra wine at dinner or draft the whole day behind the group. None of the tricks worked here. The Canarian climbs are too foreboding to contemplate grappling with a hangover, and the descents are too twisted to imagine riding hot on someone’s wheel.

Eric was particularly eager to conquer as much of the island as humanly possible. He’d pound every mile as if it owed him money, and then finish the day with a run along the beach. He was indifferent to the conditions: This was not a vacation to recharge his battery but rather a place to burn his matches, to let off a little combustion before returning to work.

On our final ride together, Eric proposed a few extra miles before battling up the steepest ride I’ve guided in my career. We got up early, and swept across the southern shore of the island like the second hand on a clock, before launching inland past mandarin stands and Technicolor cafes. It was a beautiful, suffering ride.

The new world of luxury cycling is no longer baguettes in a basket or leisurely breakfast rides. It is high-tech, high-endurance R&R. If this is how these people vacation, I’d hate to be support staff for them at work. •
Given the express purpose of vacation is to unplug and unwind, many corporate types struggle to master the art of relaxing. Lucky—or unlucky—for them, these gadgets are making it easier than ever to stay connected while out of the office.

Whether backpacking, sailing or traveling internationally, goTenna (two for $199) allows smartphone users to text and share GPS locations in areas where there’s no cell coverage or Wi-Fi. The compact, lightweight and portable antenna connects to any iOS or Android device via Bluetooth-LE and comes with flash memory for hundreds of messages. What could be better: Range is limited to four miles when interference is minimal, and goTenna connects only with other goTennas in range. Time to buddy up!

As many tech companies feign a sense of fashion, style-conscious gadget-lovers waited eagerly for the first smartwatch to be delivered by a luxury watchmaker. The TAG Heuer Connected watch ($1,500) combines looks and smarts, allowing wearers to receive app notifications, answer phone calls and track fitness with Bluetooth connectivity that means hands-free access to much of your phone’s functionality. Possible drawbacks: Because it’s an Android Wear device, users with iOS gadgets have limited capabilities. You’ll also have to ask yourself whether you can justify the luxury timepiece price tag (albeit at the lower end) given the expected lifespan of a smartwatch.

A dead cell phone is the bane of any highly networked individual’s existence. Portable phone chargers abound, but the Linearflux LithiumCard Pro ($69.99) provides three amps of power to fully charge any Android or iOS device faster than many other models on the market. The slim and ultralight design features a USB and a mini-USB port to allow simultaneous charging of multiple devices and the ability to back up data. The downside of the upside: Coming in at just over three ounces, the LithiumCard Pro can go anywhere, but its petite frame means you’ll get only one charge before the card itself needs to be recharged.
goTenna—text and share locations without cell coverage or Wi-Fi.

TAG Heuer Connected, the $1,500 smartwatch.

Linearflux Lithium Card Pro—portable phone charger that packs a punch.
For Your Next Business Lunch ...

BY BARRY ADLER

For many top executives working in or visiting New York, the news is still a little shocking. Closed since July, the storied Four Seasons restaurant is no more, shuttered when the lease in its prime East Side space ran out.

A reopening nearby has been announced for next year. Meanwhile, the regular business diners are scouting around for new serious lunch spots. Indeed, the looming diaspora got a jump on that when Town & Country suggested a “lunchtime succession plan,” pointing the way to Le Cirque, Le Grenouille and Michael’s, among others.

Taking a cue from the Four Seasons crowd, we decided to branch out too, into a host of other cities for suggestions, relying on ideas from businesspeople, journalists and local foodies. After all, not every deal has to be hashed out over the same tablecloth. In the end, we came up with a short list for these five cities:

**AUCKLAND**

**Cafe Hanoi**, Galway and Commerce streets. Fresh, creative Vietnamese and Asian fusion dishes that showcase the “just from the garden” flavors of New Zealand.

**Cibo**, 91 St. Georges Bay Road. A short drive from the business district, it’s spacious and feels far from the madding crowd, with a European-style menu.
BRUSSELS

Le Chalet de la Forêt, Drève de Lorraine 43, Uccle. A 20-minute drive from city center takes you to the edge of a forest and a restaurant with two Michelin stars.

Comme Chez Soi, Place Rouppe 23. In a gritty corner of the city center, this restaurant, founded in 1926, was one of the first in Brussels to earn a Michelin star. (It now has two).

Villa in the Sky, Avenue Louise 480. A prestigious location, a panoramic view and a renowned (Michelin-starred) chef, Alexandre Dionisio.

CHICAGO

Howells & Hood, 435 N. Michigan Ave. An expansive space at the Tribune Tower, with one of the Magnificent Mile’s biggest patios and 114 craft beers on tap.

Tortoise Club, 350 N. State St. Dark wood, rich leather and an abundance of plaid set a scene as classic as the menu.

PARIS


La Fontaine de Mars, 129, Rue Saint-Dominique, in the 7th Arrondissement. The Obamas have dined here.

Le Suffren, 84, Avenue de Suffren. A 15th Arrondissement brasserie.

SINGAPORE

The Black Swan, 19 Cecil St. A bistro and bar in a historic Art Deco building in the financial district. Classic European dishes including oysters and steak tartare.

Shiraishi, 7 Raffles Ave., The Ritz-Carlton, Millenia Singapore. Probably one of the best sushi restaurants in town.
had died and gone to heaven. The Donald’s heaven. In 1989, as a young, impressionable reporter for The Wall Street Journal, I was treated, within my profession’s ethics, to a seat at the Trump table: early morning wake-up calls, just to gossip, from the man himself; lavish Trump-style events in perfect ’80s-style; and a front-row seat with The Donald on the inaugural flight of his Trump Shuttle. New to the beat, I learned a lot about the airline industry, not to mention the casino and condominium businesses. My experience offered a revealing window into a world I will likely never see again.

Of course, he had plenty of reasons to be this way. Courting the press is a key ingredient in any corporate titan’s skill set. But say what you will, good or bad, about Trump’s presidential candidacy today—and I’m sitting this one out—or about his business acumen (have I mentioned the airline is now defunct?), the Trump I saw circa 1989 knew that the art of the deal included some serious fawning. You couldn’t help but notice the details. The welcoming smile. The compliment for your “well-written” story. You couldn’t help but think it wasn’t 100 percent genuine, but you respected the effort behind it.

Today, of course, you don’t read about many CEOs who are even trying to be charming. Yet while so many seem to emulate the drive-em-crazy approach that pervades the Steve Jobs era, I’m rooting for this simple and easy attribute to make a comeback. Trust me, no matter what their public personas were, quite a few corporate leaders I came across knew something about the value of kind gestures, be it an airline president nodding knowingly to the baggage handler or a CEO buying flowers for his assistants. They remembered employee birthdays, family medical problems and even if the info was supplied by their handlers, these leaders were smart enough to know it mattered to each individual employee.

The idea may have emanated from an earlier corporate era when giant companies like IBM and GE treated employees like family, with company-sponsored holiday parties (remember them?) and a slew of small but effective gestures toward valued executives. Seriously, if I ever clean out my bedroom closet, I could show you a rusted, silver-plated spoon that IBM gave my dad, an IBM lifer, when I was born.

Effective leadership is an everyday balancing act between the stick and the carrot. If you’ve been reading this issue of Briefings carefully, you’ll likely have picked up on that thread. Whether it’s a favorite schoolteacher or the chairman of the board, certain key individuals have a far more powerful influence over us than most authority figures in our lives, including politicians. How those folks wield that influence leaves a lifelong impression, often to a much larger degree than we may realize.

One CEO I recently met surprised me when he said his biggest concern among the troops wasn’t rampant turnover or poor skill sets. It was complacency. There was just not enough engagement. I wondered how he planned to deal with that. Put drones at everyone’s desk to monitor how often they get up? Count eyeball glazes at reports? That’s not happening. Companies have found all sorts of ways to measure and enhance employee engagement. But complacency is a tricky one.

And then it dawned on me. Only real inspiration can begin to crack that nut. And before all the CEO pep talks, reward systems or marketing plans, before we get down to the business of business, couldn’t that inspiration begin with a little kindness? Though the authentic leader is generally more successful, acts of kindness can have many motivations, genuine or manipulative, and still be effective. Indeed, perhaps one of the more valuable—I would argue more underrated—tools at a CEO’s disposal may not be found in the cold depths of financial finagling or brilliant marketing. It may begin with the elements of a charm school.

So please, can I get that door for you?
Our family led the rise of Pinot Grigio in America. Today, Terlato Vineyards Friuli Pinot Grigio restores Pinot Grigio to its rightful place among the world’s finest wines. Made with estate-grown fruit, this rich, aromatic, full-bodied wine is everything the others are not. Finally, a noble varietal finds true expression.

**Taste is the difference**

**93 POINTS**

**THE TASTING PANEL**

“A wonderful surprise — I tasted greatness”
IT’S WHERE EMPLOYEES AT EVERY LEVEL IMPACT SUCCESS.

Korn Ferry Futurestep’s scalable, best-in-class RPO solution is about more than just outsourcing the recruitment process. It’s about discovering and delivering the talent that makes the greatest impact on your business. Get your organization to UP at kornferry.com/futurestep