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PLUS

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Agility: The Power to Make Change Stick

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“The talented few don’t just have jobs, they have purpose; they radiate passion.”
It was early fall, and all around a valley, towering trees shone as the bright sun radiated the magnificent colors of their leaves—hues of burgundy, yellow and red filled the crisp sky.

A fisherman stood thigh-deep in the river, casting into the current. All around him—even bumping into the heavy waders he wore—were salmon following the instinctive urge to swim upstream. The river was thick with them, moving as one speckled mass in the salmon run that happens this time of year.

Then, suddenly, one fish broke the surface. It made a perfect arc in the air, strong and nimble even while out of its element. This “flying fish” caught the sunshine, the scales on its back shiny and iridescent.

The fisherman watched in amazement, caught up in the beauty of this outlier.

Then a persistent tug on his line captured his attention. One member of the swimming mass had taken the bait, entrapped by its complacency to follow the fins and tails ahead of it. This salmon now on the hook had opened its mouth at the wrong time, thus ending its journey—cut short before the destination was in sight.

But not so for the flying salmon that had refused to stay with the rest. Some impulse had sent it skyward, bucking against the normalcy and rigidity of the salmon run.

That salmon, the fisherman thought, would be the one to avoid the hooks and nets and hungry bears further upstream. That salmon would be one of the few that made it, surpassing all the rest.

A quote from Norman Maclean, author of “A River Runs Through It,” echoed in the fisherman’s brain: “Nobody who did not know how to fish would be allowed to disgrace a fish by catching him.” This

The talented few don’t just have jobs, they have purpose; they radiate passion... they are incredibly agile around the new and different, and willingly become fish out of water who thrust themselves into unfamiliar environments.
extraordinary fish, borne of air and water, would never be disgraced by being caught—even by a skilled fisherman.

Reeling in his line, the fisherman netted the salmon from the stream and examined it. How ordinary this fish looked—just one of the many, indistinguishable from the rest. He carefully untangled the fish and placed it back in the stream to be with all the rest. It lacked all the spectacular agility of the one that had leaped out of the water and into the air.

The fisherman smiled to himself, grateful to have caught a glimpse of such a magnificent example of the one that got away.

The fisherman was also a CEO. In his day job, he stood in another stream, often surrounded by people who are content to stay where they are. They do what’s expected, but just enough. They play it safe and never go beyond what’s expected, head down, simply following the ones in front. They are the 80 percent who accomplish the 20 percent. They go with the flow, but are soon “hooked” by their own disengagement. They get entangled in the nets of complacency. Today, it seems, for all too many, it’s 5 p.m. not only somewhere, but everywhere.

Then, there are the outliers—the 20 percent who accomplish the 80 percent—who have the hustle and the hunger that allow them to rise above the rest. If only those qualities could be taught to the others! CEOs will hire hunger and hustle over pedigree any day.

The talented few don’t just have jobs, they have purpose; they radiate passion. Especially people who are diverse in thought, experiences and backgrounds—they are incredibly agile around the new and different, and willingly become fish out of water who thrust themselves into unfamiliar environments. Insatiably curious about what is around the next bend, they balance past experiences with first-time challenges. They don’t shy from the rapids or the shoals, nor do they avoid the deep waters where few go. They don’t just cope with change, they welcome and even instigate it. They are the innovators and disrupters who aren’t caught up in the ordinary.

What about you? Do you have purpose and passion in what you do? Or do you simply swim with the stream hoping to be recognized with the countless same?

Rockets didn’t take us to the moon, innovators did. Transformation isn’t the result of a machine, it’s the result of a dreamer.

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With a note of caution, global experts offer their advice to the White House.

The Second Hundred Days: Now It Gets Interesting

Australia would love to see a solid framework for global order. Europeans want more cooperation on the digital economy. And in South America, one expert would like President Trump to pay some attention to Brazil—and vacation there.

The new administration certainly can’t be accused of making the first hundred days in office boring. But while Supreme Court picks and border walls keeps pundits and the populace entranced at home, the rest of the world tends to have a broader perspective. Sure, much of what has occurred in the president’s first hundred days in office has many international leaders nervous, but many experts think the second hundred and beyond takes on greater importance. “It will take a while for Trump to get his team into place and to get the agenda set,” says Andrew Tabler, a fellow in Arab politics at The Washington Institute for Near East Policy.

But when the president does, what do experts on global affairs—from Paris to Perth—think the White House should do?
One word: Cooperation.

The New Digital Economy: The biggest issue of the day, says Dessertine, is the “very big switch in global economic models,” from a focus on industry growth and protectionism to now “technologies and digitalization.” Businesses need time to adjust, so the U.S. should adopt a “policy of cooperation” to help with the transition.

International Monetary Policy: Dessertine also believes there is a need for the creation of a “framework around the financial economy.” Much like right after World War II, when there was a cooperative effort to rebuild, “we have a moment now where we need to have new global cooperation for financial and monetary policy.” Without one, he doesn’t believe it will be possible, for example, for decisions to be made on interest-rate policies or to avoid currency wars.

Russia: Dessertine says that “almost every day there are incidents along the borders” of Russia and Europe. This military tension, he says, is a sign of Russia testing the Western world. “So when there is a possibility of discussions going on between the Russian and U.S. presidents, that is a big danger in Europe,” he says.

The world wants to know the new U.S. administration’s policies on trade, energy and diplomacy.

Watch for a shift with Iran and pro-business policies.

ISIS and Iran: Tabler believes Trump will prioritize fighting ISIS in Syria and Iraq in the second hundred days, along with a move to combat other extremist groups in the region, such as Al Qaeda affiliates. That focus, he says, will create key policy changes that could impact countries from Tunisia to Turkey. Another key issue to watch: Iran and nuclear weapons. “I don’t think Iran is going to get the same kid-gloves treatment it has received under Obama,” predicts Tabler. He even says it may be possible that Iran could be more interested in dealing with Trump than they were with Obama.

Energy: The pro-business Trump administration should ensure that business continues as usual, Tabler says. Still, U.S. energy policy will have a huge impact on the region. Expanding domestic oil production would make the already low price of oil go even lower. That, in turn, could aggravate the Arab Gulf countries, and bring into question to what degree the U.S. is allied with Qatar and Saudi Arabia on the question of oil.
Foreign Direct Investment: For Latin America, and the Brazilian state of Rio de Janeiro, business with the U.S. is critical. “The U.S. is the principal economic partner of Rio de Janeiro State,” points out Spadale. Even with its troubled economy, Rio still attracts $80 billion in foreign direct investment, with most of that coming from the U.S.—so Spadale is hoping Trump addresses U.S. business policy there ASAP.

Trade: Concerned about possible trade restrictions, Spadale hopes Trump will organize a meeting between Brazilian commercial leaders and U.S. policymakers to discuss priorities for the region. “The priorities of the U.S. right now are more focused on other regions, and the U.S. has not really designed a proper plan for its relationship with Brazil,” he says.

Tourism: Spadale also hopes that Trump builds on Rio’s Olympic moment to help increase tourism to the city, where Trump has already invested in hotels. “It would be great for him to come down here for a weekend holiday,” he says.

Alliances: Once friendly, Australia-U.S. relations took a hit the moment President Trump and Australian Prime Minister Malcolm Turnbull had that first controversial phone call. “Trump’s presidency has brought great uncertainty to the relationship,” says Conley Tyler. But the biggest issue for Australia is actually over its biggest business partner, China. “A trade war between the U.S. and China would be catastrophic,” she says. Any open conflict is a “nightmare scenario for Australia,” and exactly the sort of second-hundred-day development the country will be “working to avoid with whatever influence it has.”

Rules of Engagement: “As a middle power—as our foreign secretary described it, a country that can neither bully nor bribe to get its way—Australia relies on a framework of rules and institutions for global order,” says Conley Tyler. If the United States’ post-World War II support for this order can no longer be taken for granted, “Australia faces a harder road.”

Trade: If U.S.-China relations become “more confrontational” via hawkish policies put in place in the second hundred days, business as usual between Asia and the U.S. will be harder to maintain, says Wan Saiful, who is based in Malaysia. “There will come a time when we will have to take sides,” he says. “If the U.S. does become more protectionist, it is going to be a very new dynamic for us here.”

Restrictions on Muslims: Wan Saiful says Trump’s controversial policies around Muslims entering the U.S. may have a direct impact on the future business community in Asia. Malaysia—home to 20 million Muslims—sends thousands of students to study in the U.S. each year, some of whom return years later to the C-suites back home. Wan Saiful notes that new Trump administration policies could mean that Chinese students, many of whom are not Muslim, may gain a competitive advantage via their ability to study in the U.S. if their Muslim Malaysian counterparts cannot.
At testing facilities around the world, global powers are racing to find the engineering breakthrough. They’re throwing thousands of scientists at the problem, sometimes plucking them right out of hallowed academia, other times enticing them from rivals with offers of money or power. There are even allegations of stealing top-secret technology. The stakes couldn’t be higher as solving the problem could well change the course of human history.

Or at least drive it in the right direction, as instead of a Cold War-era race to develop the atom bomb, this human drama is over the development of a more utilitarian offering: the driverless car. Indeed, with nearly everyone acknowledging it’s only a matter of time before the roads will be full of autonomous vehicles, carmakers and tech firms alike are spending billions to come out with the right technology. And for the most part, the money isn’t going to parts or engines, but almost entirely toward attracting top-notch PhDs and software wizards. Call it the new battleground for talent—one of the biggest ever.

By some estimates, the auto industry has spent $3 billion to $5 billion just to lock up the top tech performers in the driverless space. That doesn’t count the hundreds of millions more that technology firms big and small are spending on their own engineers to take the lead in the race to succeed first. In demand: the know-how to code software and write algorithms so a vehicle can drive on its own safely on any road and in any weather.

That skill narrows the field to a small group of highly qualified computer scientists, software engineers and roboticists. “The expertise in software and artificial intelligence applicable to driverless technology is in extremely short supply,” says Carla J. Bailo, a former Nissan research executive who now does research at the Ohio State University. “Automakers and other employers are ready to hire whomever they can educate.”

Toyota alone is spending $1 billion to build a staff of 200 and create a research institute focused on driverless tech. Uber recruited about 50 Carnegie Mellon University professors and grad students to join its research center for self-driving vehicles, not far from campus, and later announced a $40 million partnership with CMU to help ensure access to future talent. Engineers at auto-parts manufacturer Bosch spent 1,400 hours and $225,000 just to make two Tesla sedans fully autonomous. (Bosch says it has around 2,000 engineers devoted to driver-assistance technology, of which driverless vehicles are a part.)

The effort, of course, makes sense, given how valuable the
CULTURE SHOCK: STEPS TO MERGE TECHIES WITH AUTO EXECUTIVES

Create a common purpose. “Let’s reinvent transportation” can appeal to forward-thinking leaders of all backgrounds.

Rethink design together. Software upgrades come early and often; car upgrades don’t. Get auto and tech teams to marry the two methodologies.

Highlight the similarities. Experts say the difference between an engineer who builds a car and one who builds a robot isn’t as great as each might think.

driverless car market may be someday. With more than 80 million traditional vehicles sold each year worldwide, even with a modest ratio of these new vehicles on the road, autonomous technology could be a $42 billion market in 2025, according to the Boston Consulting Group. But with big payoffs come big risks. There is no guarantee that even the greatest minds will produce a driverless car that the public is fully confident using. And if they do, the developer of a good but second-best technology could be forced to write off its whole effort.

On the talent end, there is also the serious matter of trying to merge two very different worlds together, the best of Detroit with the best of Silicon Valley. “If you were going to unwind the DNA strains between the two sectors … I mean, wow, are they different,” says Brad Marion, senior client partner in Korn Ferry’s Automotive practice.

As Marion points out, the car industry is steeped in risk avoidance—given that safety is paramount in the business and that developing new models and engines can typically take years and require enormous capital. In contrast, of course, taking chances and throwing money at projects in hopes of quick returns is a way of life in the tech world. Rarely have cultures been forced to mesh together on a project of this scale—and that’s before even discussing how to convince a Californian to spend winters in Michigan. “How you blend those together is really a unique challenge,” says Marion.

For now, of course, there are no easy answers. In some cases, carmakers have essentially bought start-up tech firms wholesale and turned them into separately run joint ventures, allowing the younger firm to keep its own high-paced culture. Others are offering executives investment stakes in the projects. Either way, as techies will tell you, it’s great to be in demand. “Software engineers are looking for the potential to do something unique or make a huge payday,” says Sam Abuelsamid, senior analyst for Navigant Research.

5 questions with James Hackett, chairman of Ford Motor Co.’s Smart Mobility unit. See kornferryinstitute.com
It was big news—sort of. Two of the largest proxy advisory firms announced they wouldn’t recommend directors who serve on too many boards. But when it came right down to it, the change was a matter of one seat.

They call it “overboarding,” and the proxy advisory firms said they would only recommend directors who serve on no more than five boards, instead of six. (The firms have limits on CEOs serving on boards, too, but only one firm changed its figure from three to two seats.) As small as the change was, it put the spotlight on a touchy—and surprisingly complex—topic.

Certainly, serving as a director has become much more of a time sap in the years since the financial crisis and the megaregulations of Dodd-Frank. According to the National Association of Corporate Directors, board directors are averaging almost 250 hours per year per company, up 18 percent from just before the infamous Lehman Brothers collapse in 2008 that marked the beginning of the global financial crisis. Board chairs are putting in the most hours, more than 290 hours, on average.

The advisory firms’ move came even though at least one of their own surveys suggested investors would prefer that each company continue to set its own policies. Indeed, many board pros argue that overboarding depends very much on the task of the director at each board, pointing out that directors who serve on several boards can share their expertise—and experiences on boards—across more companies.

“How do you measure a director’s effectiveness?” asks Victor Arias, senior client partner for Korn Ferry’s CEO and Board Services practice and global leader of Diversity and Inclusion. “Some directors max out at one. At the same time, there are some very talented people who are on four or five boards.” He adds that recommending a director who is already on two or three boards to take on an additional one is very difficult, although many clients themselves would also be reticent about an overboarded director.

For her part, Cynthia Jamison, who has been serving on boards for more than 15 years, believes that four can work well for some. “I consider myself a full-time working board member,” says Jamison, who recently joined the board at Darden Restaurants, her fourth board. She says that number is fine if you’re working full-time at it. “To try to balance more than two with a full-time job is very difficult,” she says.

Lois Scott, a director at MBIA, Chicago Stock Exchange, the Federal Home Loan Bank
of Chicago and many nonprofit boards, argues directors serving on only one board may be less effective. It can give you greater perspective to serve on multiple boards, she says. “What I experience with one board can often inform my work with other boards. Serving on a couple of boards brings greater industry and economic knowledge to each board.”

Indeed, directors say they tend to see trends when they serve on more than one board. They might take lessons from a presentation on cybersecurity at one board education meeting to other boards without any confidentially breach. “It’s just good learning and very helpful,” says Jamison.

The pay scale for boards hasn’t shifted quite as much as the hours. In a report last fall, Korn Ferry found that annual retainers remain at around $100,000 on average. Total compensation can be double when long-term incentives and meeting and special committee fees are tacked on, but again, no major difference from the prior year. The last increase? 2014.

Money, of course, is rarely the motivating factor in serving on boards, no matter how many a director sits on. For his part, Arias says the solution to the numbers game may just be matter of chair swapping. “Sometimes we offer up the possibility of a director to trade out their current board for a new one in order to avoid an over-boarded situation,” he says.

### Time Spent Serving on Boards

<table>
<thead>
<tr>
<th>Hours per year on board responsibilities*</th>
<th>2008-2009</th>
<th>2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>210 hours per year on board responsibilities</td>
<td>208.2 hours per board</td>
<td>248.2 hours per board</td>
</tr>
</tbody>
</table>

*Conducted in mid-2008, before the collapse of Lehman, etc.)

### Breakdown of director time spent on board-related activities:**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attending board and committee meetings</td>
<td>72.8</td>
</tr>
<tr>
<td>Reviewing reports and other materials</td>
<td>60.7</td>
</tr>
<tr>
<td>Traveling to/from board events</td>
<td>38.4</td>
</tr>
<tr>
<td>Informal meetings or conversations with management</td>
<td>29.7</td>
</tr>
<tr>
<td>Director education</td>
<td>18.7</td>
</tr>
<tr>
<td>Representing the company at public events</td>
<td>7.8</td>
</tr>
<tr>
<td>Other</td>
<td>20.4</td>
</tr>
</tbody>
</table>

**From the 2015-2016 Public Company Governance Survey by the National Association of Corporate Directors.

### Average Director Time Commitment by Role**

<table>
<thead>
<tr>
<th>Role</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Chair</td>
<td>292.1</td>
</tr>
<tr>
<td>Lead Director</td>
<td>250.5</td>
</tr>
<tr>
<td>Audit Committee Chair</td>
<td>252.4</td>
</tr>
<tr>
<td>Compensation Committee Chair</td>
<td>249.9</td>
</tr>
<tr>
<td>Nominating/Governance Committee Chair</td>
<td>249.2</td>
</tr>
<tr>
<td>Other</td>
<td>226.3</td>
</tr>
</tbody>
</table>
Lou Eccleston had never worked for a stock exchange when he became the CEO of one in 2014, but he didn’t need any specific experience to know the business had problems.

For four straight years, organic revenues and profitability had fallen at TMX, Eccleston’s new perch and the holding company for the Toronto Stock Exchange and several other Canadian exchanges. Traders and investors alike, long forced to buy and sell securities through public exchanges, had been leaving in droves over the years because alternative marketplaces were now available. Eccleston knew TMX needed a new strategy—and a new attitude. “The company viewed itself as the place you had to do business, not a place you wanted to do business,” he says.

It’s ironic that, as stock prices soared after the Great Recession, stock exchanges saw their business models implode. But just as traditional telephone companies stumbled when cell phones and e-mail came around, exchanges lost their dominant grip on traders as new trading networks opened. At the New York Stock Exchange alone, the exchange’s market share of U.S. stocks plunged from 70 percent in the 1990s to about 20 percent now, forcing the NYSE into two mergers between 2007 and 2013.

Such mergers, of course, were one way to deal with the issue, but in general, stock exchanges like TMX needed to revamp their business models—and their talent pipelines—to stay in the game. “They’re trying to look at the assets they have and find new ways to get money out of them,” says Steve Grob, director of group
Some legacy stock exchanges have moved away from traditional revenue sources, such as transaction and listing fees, and increased sales of market-insightful data.

<table>
<thead>
<tr>
<th>Trading Types of Revenue</th>
<th>Percentage of Revenue from Market Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>LONDON STOCK EXCHANGE - UK</td>
<td>33% 2011</td>
</tr>
<tr>
<td>INTERCONTINENTAL EXCHANGE/ NYSE - USA</td>
<td>9% 2011</td>
</tr>
<tr>
<td>TMX GROUP - CANADA</td>
<td>25% 2011</td>
</tr>
</tbody>
</table>

*InterContinental Exchange acquired NYSE in 2013.

Source: company reports.

Strategy at Fidessa Group PLC, a trading infrastructure company in London. Such redesigns, he says, were the culmination of a trend that started in the '90s, when stock exchanges ceased to be clubs run by members—who were themselves floor traders—and instead became modern companies with corporate structures that turned into huge publicly traded firms.

And the bigger the exchanges got, the more adept innovators became at finding alternatives for people who didn't want to deal with mega-exchanges. Banks and brokerages set up their own alternative trading systems and exchanges so that larger clients could trade big blocks of securities without the trades moving stock prices immediately. Plus, these private exchanges provided more privacy for institutions that didn't want their investing strategies scrutinized.

To compete, legacy exchanges began to adopt new strategies, such as selling market data, licensing their trading software and more merging. They also started retraining or bringing in new recruits to reinvent themselves. At the London Stock Exchange, the percent of managers with experience in information systems shot up to more than 40 percent between 2002 and 2007, compared to just 3 percent between 1996 and 2000, according to a study in the Journal of Applied Business Research. Managers in product development with international experience went from 3 percent to 53 percent. “When you change strategies that much you have to then align the leadership with the new strategy and in some cases change your talent across the board,” says Alan Guarino, vice chairman in Korn Ferry’s CEO and Board Services practice.

Eccleston first spent time asking customers about their own pressing problems. Then he built out a new strategy for TMX, expanding market data and analytics offerings, and redesigning the organization to better line up with customers and services, rather than relying solely on ways to expand the exchange’s trading offerings. The firm took on 13 senior hires, prioritizing people who could build businesses over those with experience operating exchanges. He also gave senior roles to 20 existing staffers, many of whom were talented but were in smaller roles lower in the organization, he says. Eccleston wanted customers and employees to view TMX not as a stock exchange, but as a technology company that ran markets. While many people did leave, TMX’s business has improved significantly. Since Eccleston started in November 2015, TMX’s stock is up 30 percent.

Still, the exchange and others like it may continue to find change necessary. Grob believes that as the world of raising capital and floating initial public offerings adjust, so will exchanges—all the more reason to keep an eye on the right people in the right positions.
Tech’s First Great Entrepreneur

Ken Olsen created a giant computer firm but thought PCs were “toys.”

In September 1987, Kenneth H. Olsen, the founder and CEO of Digital Equipment Corporation, stood before several thousand customers, employees, and reporters to bask in the glow of his company’s triumph. Known throughout the computer industry as DEC, it was celebrating not only its 30th anniversary but also its emergence as the hottest company in the technology industry. Second only to IBM, DEC was a Fortune 50 company with more than $12 billion in sales and 120,000 employees around the world.

Having recently been dubbed “America’s Most Successful Entrepreneur” by Fortune magazine, Olsen clearly enjoyed this pinnacle moment. He could hardly have imagined at that instant that in less than five years he’d be ousted in disgrace by the board as the company’s fortunes sagged and, six years after that, his company would be subsumed into Compaq Computer and later HP.

Olsen founded DEC with $70,000 in seed money in 1957, just a few years after graduating with an electrical engineering degree from MIT. He set up shop in an old Civil War–era wool mill in the tiny blue-collar town of Maynard, Mass., 20 miles west of Boston, and there built one of the most admired companies in the burgeoning technology industry.

“He was the first great entrepreneur in the technology business,” says George Colony, the founder of Forrester Research. Having received funding from Gen. Georges Doriot, the famed venture capital pioneer in Boston, Olsen built “the first great venture-backed technology firm,” Colony adds.

A Calvinist and a scientist, Olsen believed deeply that one did the right thing by selling only the best products to customers and that by building the highest quality computers, buyers would flock to his doors. He had deep disdain for marketing and advertising and focused instead on satisfied customers’ word of mouth to sell his wares.

For about 30 years, Olsen’s strategy and vision worked to perfection. Olsen’s greatest achievement might have been

Predictions Worth Regretting

Ken Olsen’s misjudgment of PCs is one of many prognostications that didn’t pan out.

“Stock prices have reached what looks like a permanently high plateau.”
—Yale Professor Irving Fisher in 1929, just before the stock market crash and the Great Depression.

“That’s the most expensive phone in the world and
the open management style he created for the company, providing freedom and responsibility to people and expecting them to exercise it successfully. He fostered an engineering-centric culture in which excellence and quality ruled the day, and top engineers clamored to work for DEC.

Olsen and DEC effectively created the minicomputer industry. Back in the 1960s, high-end computer power resided only in the hands of white-jacketed data-processing high priests who controlled the corporate mainframe computers. Those mainframes were massive, multimillion-dollar machines and usually made by IBM.

So DEC introduced smaller, cheaper, yet still powerful machines. Its PDP and VAX lines of minicomputers became so popular—particularly with engineers and scientists—that the company could barely keep up with demand. DEC’s fortunes soared and Olsen became a wealthy corporate patriarch. A big bear of a man, Olsen was intimidating and sometime cruel. He could publicly lash out and humiliate executives. But he was also deeply religious and believed in a fundamental responsibility for his employees, whom he considered a family. DEC became legendary for refusing to lay off employees, even in difficult economic times.

But Olsen, who died at age 84 in 2011, ultimately became a victim of his myopic view of the industry. He made his fortune selling proprietary hardware and software and refused to acknowledge the popularity of the Unix operating system, which could be used by multiple vendors. Olsen referred to Unix as “snake oil.” In the late 1970s, he openly denigrated personal computers, calling them “toys” and saying, “The personal computer will fall flat on its face in business.” DEC eventually built its own PCs, but the market had already chosen IBM as the de facto standard. Once the industry trendsetter, DEC began to zigzag while trying to fend off new competitors and found itself futilely chasing new markets.

Perhaps most damaging, Olsen refused to identify a successor, believing nobody could run the company but him. As the technology market shifted, this visionary was blinded by his own stubborn hold on the past. DEC couldn’t adapt, even after Olsen’s ouster. The once great company, the subject of admiring books and articles by organizational behaviorists, ultimately disappeared.

“In five years’ time unemployment could go to 15 percent without any difficulty at all in America.”
—Richard Branson in 2010. Five years later unemployment was 5 percent.

“There is no danger that Titanic will sink.”
Phillip Franklin, vice president of the company that produced the ship, in 1912.

it doesn’t appeal to business customers.”
—Microsoft CEO Steve Ballmer on the iPhone, in 2007.
The paycheck certainly looked impressive. So did the new title. But after being promoted to chief human resources officer at a large retail chain, Mary began to wonder how she stacked up with other colleagues in the industry. In all, she was earning $435,000 in base, bonus and long-term incentives. Sounds great—until you compare her compensation package to those of others in her field.

For as long as there have been companies with people who gossip, workers have found ways to get an idea how their pay compares with colleagues in their organization. The transparency only grew when Internet sites offered some clues on how pay outside the firm measured up for specific jobs. But many of the numbers floating on the Web rely heavily on information from employees or lack details across sectors and field.

Pulling select reward information from a pool of 20 million employees, a new Korn Ferry database takes a different whack at the comp issue—and sheds light on key slots in the C-suite and other top-level jobs in different industries compared to each other. Called Executive Snapshot, the database reveals salaries for the 25th percentile, median and 75th percentile for a single job among executives in the same company size and industry, along with a breakdown in bonuses and other compensation. The most revealing news: the gap among peers.

BY PATRICIA CRISAFULLI

New data reveals big differences between similar C-suite jobs. How best to mind the gap.

Continued on page 21
For her part, Mary, in our hypothetical example, might expect that her pay stacks up well since she works at a fairly large brand. But her compensation puts her at only the 25th percentile among CHROs in her industry among retailers of similar size. She’s making almost two-thirds the median ($725,000) and about half the 75th percentile ($887,000) in the large-chain retailer category. But she’s far from alone. For a CFO at a large industrial business unit, pay at the 25th percentile is almost $750,000 less than pay at the 75th.

Some of these differences can of course be explained by the complexity of the business and job, as well as the number of direct reports. But many other factors affect C-level pay. For starters, employers often have a compensation framework that acts as a baseline. “Most companies start with a compensation philosophy, a point of view that is comfortable for them, so they can pay enough to attract good talent without overpaying,” says Scott Kingdom, vice chairman of Korn Ferry and former head of its Global Industrial practice. Increasingly, loyalty doesn’t appear to be part of the calculation; Kingdom says—and the figures suggest—that long-tenured executives who come up the ranks into a C-suite position tend to be paid less than those who have moved from company to company.

To be sure, all salary databases have some limits to their scope and figures can become outdated quickly—especially in the age of the global economy and digitalization. The total figures are also skewed by bonuses and long-term incentives, where each company’s philosophy and strategy also come into play. General counsels in an agribusiness have relatively small long-term incentive on average (as little as 10 percent of base) compared to, say, the chief operating officer of a professional services firm, whose incentives may match or exceed base salary. Still, imperfections aside, total comp data opens the door a bit on how companies treat C-suite roles whose responsibilities vary within the same sector and especially across industries. When the chief marketing officer occupies a traditional marketing role, the compensation gap tends to be narrower: for a mid-sized consumer durables company, total direct compensation at the 25th percentile ($319,000) is about two-thirds of the pay at the 75th percentile ($484,000). But in other companies and industries, the job can carry greater commercial responsibilities and higher expectations for driving revenues.

“The amount of money paid to CMOs in retail, technology, financial services and luxury/lifestyle businesses tends to be more than for consumer goods and industrial products companies,” says Caren Fleit, a senior client partner and leader of Korn Ferry’s Global Marketing Officers practice. Still, even that is changing: an industrial company, for example, may pay well above the median for a CMO to help lead a business transformation to become more customer-centric, Fleit adds.

In the end, the obvious question is whether executives can leverage all this information to boost their pay. What is in their control? “The easiest way to grow your salary is to grow your company,” says Bob Wesselkamp-per, global head of Rewards and Benefits Solutions, Korn Ferry. Interestingly, this approach may improve not only the extrinsic rewards, but also the intrinsic ones—the satisfaction of helping the company achieve its purpose. Look past monetary rewards alone, says Nicholas Pearce, clinical associate professor at Northwestern University’s Kellogg School of Management, and track “the degree to which your daily work is aligned with your life’s work and purpose.”

Can companies use the data to shortchange employees on pay? Potentially yes, but not likely, say comp pros. “In this, capitalism is brutally efficient,” Kingdom says. “You cannot attract and keep an A player with B money.”

“Most companies start with a compensation philosophy, a point of view that is comfortable for them.”
Chief Executive Officer
High-performance CEOs lead enterprises with multiple lines of business, a global reach and diverse stakeholders, while they also devise strategies that adapt to shifts in their industry—or even catalyze disruptive change.

Chief Financial Officer
CFOs paid at the highest percentiles typically manage complicated financial systems, with the added responsibilities of leading financial policies and as well as the accounting, tax, budget, insurance, credit and/or treasury functions.

Chief Information Officer
CIOs in the upper echelon have emerged as strategic players with a rare and genuinely holistic view of the enterprise—particularly in organizations that have undergone transformations.

Chief Marketing Officer
Increasingly recognized as highly visible enterprise leaders, CMOs are taking on more responsibility for driving strategy and revenue generation, which leads to increased compensation.

General Counsel
High-performing general counsels develop reputations as business-savvy advisors on a range of issues and strategies; those who are best-in-class are fully functioning members of the senior leadership team.

Chief Operations Officer
Like CEOs, COOs are paid more at companies with greater size and breadth. From multiple go-to-market channels to increased global competition, increased demands on COOs translate into greater rewards.
In any part of the world, a wide range of factors can dictate the economy. There’s the kind that makes headlines—countrywide elections, unexpected job data, market declines. Then there are the more subtle shifts, such as a commodity price hike rippling throughout several industries. And don’t forget one of the biggest factors of late: a midlife crisis wave.

I’m being serious. Demographics can fly under the radar of global analysis, but in enormous numbers, baby boomers and near-boomers are reaching an age when either retirement or their last major career shift is on the horizon. And in this case, it’s playing a role in what undoubtedly will be one of the bigger business stories of 2017—the year of the mergers.

All of which leads us to the tale of one 50-year-old Rob Edelstein of Danvers, Mass., who spent the last three decades as an entrepreneur in the lending business. “I started in mortgage banking when I was 20 years old and did summer intern work,” he says. Soon after that he became a loan officer and then set up his own business, which he would later sell, before setting up more lending firms.

Now at the half-century mark, Edelstein has a new interest that may lead him to sell his current company: medical marijuana. He says the plant, prescribed by a doctor, gave a friend’s son who has brain seizures some much-needed relief. “That’s the passion behind why I got involved,” says Edelstein.

It doesn’t take a genius to realize that the world is probably now full of lots of Edelsteins. In fact, if he does sell out, he would be part of a theme of growing mergers and acquisition activity across the world.

After a respite last year, deal-making desires shot up in 2017. In the so-called middle market, companies with revenues between $5 million and $2 billion, 53 percent of potential sellers said they were “currently involved in or open to making a deal this year,” according to a recent survey from Citizens Bank. That’s up from 34 percent in a similar survey the year before. Likewise, on a much bigger scale, corporate deal-makers got off to a cracking start this year in January and February, with $504 billion of deals announced—the third highest since the financial crisis and just a hair (less than 3 percent) behind last year’s first
Could demographics lead to deals?
A generation of business owners is nearing an age when many people consider either retiring or trying something new.

two months of $516 billion, according to data from Dealogic.

Large conglomerates, of course, have reasons of their own for merging. The so-called repatriation tax proposal in the United States, for example, may affect many. Others continue to struggle to find ways to grow business in such a tight money environment. An M&A allows companies to add revenues instantly.

But whether it’s a major factor or not, the fact that the whims of a cohort of gray-haired folks can have an impact proves how easily human elements play into global markets. “The concept of fatigue is more pronounced than in the past,” says Bob Rubino, head of corporate finance and capital markets at Citizens Bank. Or put another way, there is a generation that’s ready to put their feet up.

Naturally, there are financial incentives, too. Business valuations are higher than they were a year ago. Last year, half of the potential sellers Citizens Bank surveyed were concerned about whether they’d get fair value for their business. Only a third were worried this year. “Sellers recognize that the likelihood of being undervalued is low and their window of opportunity may be closing,” the survey says.

The only question now is whether all this M&A activity is going to be healthy. It can make economists nervous to think that millions of entrepreneurs who have established a measure of wealth and security may now risk some of that without the due diligence—or luck—that tracked their progress at a younger age. One only needs to look at how foolish an M&A can become on a much larger scale; remember the fiascoes that were AOL Time Warner and DaimlerChrysler? “During the most buoyant periods of M&A activity, business people have the tendency to shoot themselves in the foot,” says Robert Bruner, dean emeritus of University of Virginia’s Darden Graduate School of Business Administration, and co-author of the aptly named book, “Deals from Hell.”

Of course, those deals are a far cry from someone selling a loan company to try a new medical treatment business. For his part, Edelstein seems to be moving cautiously. “I won’t sell unless the price is right,” he says. Will everyone else be so wise? For now, we’ll cross our fingers.
The vision was simple enough—great medical care with a great bedside manner to go with it. A hospital firm wanted to build dozens of facilities across Asia in easy-to-reach residential areas. The two-story hospitals would offer all the right services and technology. Most importantly, they’d provide a high level of customer service to stand out, with highly skilled doctors and caring nurses and support staff tending to every patient’s need.

The leader of all this would have a challenging but dream assignment.

The only hitch: The hospital couldn’t find anyone who could do it.

When it’s talked about in the United States, healthcare “reform” revolves around how to give tens of millions of people access to medical help. It’s a different scale in Asia. Since China embarked on its reform efforts in 2009, the number of Chinese covered by insurance has grown by several hundred million. That’s just China, by the way. Indonesia has an ambitious project to establish mandatory insurance for everyone, making basic healthcare available to nearly all its 250 million citizens and residents by the end of the decade. Malaysia is also considering a universal insurance system, while Vietnam, India and other nations have boosted healthcare budgets significantly.

Such efforts promise to bring a greatly improved standard of living to literally billions of people. Demand for healthcare is almost certainly going to rise across the continent, thanks to aging populations in China and a burgeoning middle class in Asia that has both the insurance and the wealth to afford treatments. This really is a great opportunity to be a leader, make money and have a huge positive impact on society.

But “leader” is the operative word here. It turns out, it requires a lot of long-term care to find the right executives who have both the key skills and the local knowledge to oversee all this.

Let’s go back to our ambitious hospital firm looking to build out its chain. Few medical professionals trained in Asia know how to deliver the high-quality customer care the firm wanted—it isn’t generally taught there. But if you were to cross oceans, you’d find Westerners are generally clueless about all the regulations that countries from India to Korea happen to have for delivering health care.
Hundreds of millions can now afford a better class of care; they just need leaders to deliver it.

Indeed, a leader at an Indonesian hospital told us about his efforts to bring a new, minimally invasive surgery to his facility. But the only doctor at the hospital who could perform the surgery wasn’t Indonesian, and the country has extremely strict rules limiting who can perform procedures. It took his non-Indonesian doctor a year to get the right permit.

Then there are the unwritten rules new leaders to this era must contend with. In Chinese healthcare, many teams have loyalty to their bosses, not to their employers. So if the boss leaves, so does the entire team. “Staffs operate in the gray zone where nothing is black and white,” one Chinese healthcare executive told us. “An overly structured leader won’t work.”

So what’s the answer? For this industry, the first and most important step may be to realize that nothing is going to happen overnight. The sooner a more deliberative approach to training and preparing leaders for healthcare reform takes place, the better. Hospitals will need to develop a new eye to look for skill sets that may not have mattered as much before the reforms—skills like agility, relationship building and strategic vision.

In the end, our hospital chain that wanted it all actually found it—by splitting the job. It brought on a medical professional to handle improving the level of care who also knew the ins and outs of local regulations. Then, for the CEO job, it found an expert in delivering high-quality service—a hotel executive with years of Asia experience. Its patients were going to get great medical care with a smile. We call that a case cured.

ESSENTIAL SKILLS FOR THE HEALTHCARE SECTOR

- Have a strategic vision and be able to execute it.
- Operate effectively even when the way forward isn’t clear.
- Develop talent, as it’s often hard to recruit exactly what you’ll need.
- Prioritize work well.
- Build formal and informal relationships inside and outside the organization.
He was doing great—at least in his own line of vision.

As a senior director at a Fortune 500 retail company, Greg had become one of the company’s best performers, overseeing a $1 billion market. He knew he wasn’t afraid to take swift action and that he brought true intensity to his work. The company had even handed him a second market.

But it turned out that our confident district manager had a critical blind spot: himself. He didn’t realize that all that vaunted success had come at the expense of the store managers he constantly berated. Intensity, in his case, meant focusing only on what was wrong. Sure, he had managed to spot and fire failing managers before, but in his new territory, he had demoralized the team so much that too many leaders for him to oust were missing their targets. As the second market’s results sank, Greg couldn’t understand what was wrong.

Think about it: Is there anything more frustrating than a corporate executive who is clueless about his or her own weaknesses? Is there no harder leader to work with or improve?

We are talking here, of course, about the importance of self-awareness and just how dramatically it alters the workplace. Self-awareness is part of what makes up what I call a leader’s “emotional intelligence” (EI), a group of competencies that studies show may well be the best measure of a leader’s odds at success. In all, there are a dozen competencies that make up EI, ranging from possessing empathy to having a positive outlook to resolving conflict. But in the end, the one that matters most is one Greg didn’t have.

Indeed, new research done for Korn Ferry Hay Group has found that when executives demonstrate high self-awareness, they are likely to show strengths in as many as 10 of the dozen major competencies that define EI. It is the self-aware leader who has the most positive impact on a team’s working climate and performance—and who instills the most loyalty. High EI leaders, research shows, build team climates in which people know what is expected of them, have challenging but attainable goals and feel empowered to attain goals in their own way.

But Greg’s high-drive style—with the opposite effects—has become all too common in many businesses, when leaders push their people to hit ever-higher targets and...
Is there anything more frustrating than a leader who is not self-aware?

put a hypercritical focus on people’s failures while ignoring successes. That may work at first, but as time goes on, it batters morale, lowers motivation and loses people. And because such leaders seem to be succeeding in the short term—as they hit quarterly targets—they turn a blind eye to the downsides in the long term.

The good news is that the blindsided leader can be turned around. Greg connected with Jennifer Joss, a veteran executive coach in Oregon, who tells me her first step was a universal one: making Greg aware of what was limiting his own success. She told him to pay careful attention to his thoughts and feelings when he talked with district or store managers about their performance, and to note what worked well and what did not.

Through Joss, he also received candid feedback from 15 stakeholders, people who worked with him and could tell him how he might improve. And finally, he started to think about leaders he admired and realized he wanted to model himself on one who, early in Greg’s own career, cared about and believed in him. When he saw himself falling back on his old confrontational style, he would take a moment and remember to apply an approach that he took with his two young daughters:

**APPLYING SELF-AWARENESS, FOUR WAYS**

1. Spot the feelings and thoughts that drive combative impulses.
2. Don’t confront a person; rather, connect with them, engaging in a new way.
3. Instead of dictating, seek options in a non-judgmental way.
4. Lead through coaching, not stormy critiques.

Engage the person in an open, curious way—a joint inquiry that invites critical thinking and problem solving.

This exercise in self-management goes hand in hand with another EI competency: empathy or understanding and connecting with his direct reports in the moment. This attunement creates receptivity, so that his people are open to his influence, and motivated and enthusiastic about their own abilities. In fact, the results would speak for themselves: Greg’s initial market continued to perform exceptionally, and within the first six months, his new market turned in their best performance in many years. In the end, there would be confidence—and self-awareness.

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Goleman, a former New York Times writer, is author of the international bestseller “Emotional intelligence” and a noted speaker on leadership development. Find his columns at kornferryinstitute.com.
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THE POWER TO MAKE CHANGE STICK
Rita McGrath tells it, it was a great strategy for a firm that needed one. For years a U.S.-based multinational company had been focused on selling commodity chemicals while giving away the expertise on how to use them for free. Now it planned to flip that business model on its head, developing long-term consulting contracts with its customers to capitalize on that highly valued advice. Projections showed that the firm could increase its profits from around 5 percent of sales to around 30 percent of sales.
MORE THAN 4 IN 10 EXECUTIVES SAY THEIR BIG CHANGES DIDN’T STICK.
the reality never quite turned out that way. For two years the sales force never focused on creating consulting contracts—it just kept doing what it had been doing for years, selling as many tons of chemicals as possible.

McGrath, a professor at Columbia Business School, came in and quickly diagnosed the problem. The company hadn’t made the structural adjustments needed to pull off its grand strategy. That inflexibility brought everything to a standstill. “It’s inertia,” McGrath says. “People like to continue to do what they’re doing.”

In today’s ever-shifting global economy, brilliant minds are coming up with great strategies to get ahead. Yet an overwhelming number of these business innovations, cultural transformations and other great-on-paper ideas fail. Leaders will often publicly blame the economy, an upstart rival, the political environment or even the weather. But the truth is a lot simpler: Many of these plans start, but the firms and their leaders aren’t agile enough to make them stick.

Indeed, 44 percent of corporate executives say that their big changes didn’t stick, according to a study co-sponsored by the Economist Intelligence Unit and the Project Management Institute. (Other groups place the failure rate at 70 percent or higher.) Even more startling, nearly half of senior managers admit that the change efforts most commonly fail at the execution phase, according to consulting firm Robert Half International. Yet that awareness clearly doesn’t lead to better results. “Companies are really good at saying ‘you better act this way,’ and not so good at figuring out what they need to do to help people act in that way,” says Greg Shea, a professor at the Wharton School of Business. “That’s hard work.”

It’s also work that is fast becoming a matter of survival in today’s world. Over the last decade, the landscape has become littered with firms that had great ideas to change and still failed. Blockbuster tried to adapt to on-demand video but still went out of business. DaimlerChrysler had a great plan to create the dominant auto company but failed spectacularly executing that plan. Kodak saw the era of digital photography coming, but couldn’t keep itself as the premier name in cameras. (To its credit, Kodak is still around.)

Still, there are leaders who have been able to get their organizations to transform successfully. GE wanted to become more of a global industrials business, so it successfully shed its finance, media and other divisions, and now 70 percent of its business is outside the United States. Coca-Cola reimagined itself as a beverage company, not just soda, and has grown profits by nearly 50 percent over the last decade, even as people in many parts of the world have cut back on drinking Coke. At a basic level, leaders at firms like these have been able to outline a strategy, motivate others to embrace the strategy and put the systems in place to help everyone successfully implement the change. “That’s the magic formula for getting change to happen and getting it to stick,” says Jane Stevenson, global leader for CEO Succession and vice chairman, Board and CEO Services, at Korn Ferry.
The ability to follow through on change—and being agile enough to shift constantly—wasn’t quite so important for most of the 20th century. U.S. automakers had no competition from the 1930s through the 1970s. Telecommunications was strictly regulated for more than a century and dominated by one unchanging firm. Even Western Union was still sending telegrams until 2006. The story wasn’t much different in other developed markets either. Japan built a strong economy based on innovative export-driven firms offering lifelong employment. South Korea had its multi-industry mega-oligopolies. Germany did just fine with its backbone of family-owned small- and mid-sized businesses.

But now upheaval is the norm, not the exception. Every single business sector has gone through strategic shifts, reorganizations, business model reviews and other transformations, usually more than once, in the last 15 years. The rapid evolution in technology is forcing much of the shifting, of course, but there are plenty of other factors, too—including aging baby boomers, the growth of emerging markets and the nature of how people work. Even the once-staid utility sector has embraced change, as the old model has splintered into different organizations generating, transmitting and marketing electricity.

Unfortunately, just because organizations have seen the light on change doesn’t mean they’re particularly good at it. Mergers and acquisitions, some of the most public of big changes, fail to create value anywhere from 70 percent to 90 percent of the time, according to multiple studies (think AOL Time Warner, Sprint Nextel or, for an outside-the-U.S. example, Tata Steel and Corus). Often the obstacles to change are easy to spot. Consultants can lay out one example after another where the execution didn’t match the strategy. There’s the company that wanted to be more client-focused but didn’t ask clients for feedback, or the CEO who wanted to develop a results-oriented culture in his firm but didn’t invest in teaching the employees how to become focused on results.

In McGrath’s case, her chemicals company made inroads on many other procedures to help it become more of a consultant-driven business model, but it didn’t make any changes to the compensation system. People were still getting bonuses based on the amount of product they sold, so they kept pushing products, not services. To be fair, company executives knew they had to get to compensation, McGrath says, but they were holding off because they knew that changing that would be complex. In the end, it would take another year to implement an incentive plan to get the sales force to start building consulting relationships with customers.

Other times, the barriers to successful change aren’t things that show up on a Gantt chart. These internal failures are more behavioral and relationship-driven, sending signals that undermine the intended change. A retailer, for example, could want its senior leaders to become more collaborative, but the individuals are working in an environment where board members openly fight with each other. Or a firm wants its employees to become more agile and empowered but sabotages itself because senior managers constantly point out employee mistakes. And there are plenty of examples of managers demanding improvements in quality standards but backing down the moment there’s a production delay.

Helen Vaid had a fine line in her position at Walmart. As VP for Digital Store Operations, Web and Mobile, she was responsible for the growth and profitability of the massive retailer’s online presence—but knew she needed managers of the physical stores to buy into her strategies. So she told her colleagues that changes were necessary to help solve one common customer complaint: in-store delays. “I have never found anyone who has ever said, ‘I love waiting for this,’” Vaid says. That was a purpose her colleagues, regardless of whether they worked for the online store or the bricks-and-mortar stores, could get behind.

Vaid also made it clear that she trusted her colleagues and empowered them to implement changes. Ironically, the less direct control Vaid had over the strategy, the better the results, she says. “On every single level,
THE AGILE APPROACH

Employees ask, “What’s the point?”
Leaders often say what needs to change but don’t explain the purpose—thus crippling employee motivation.

Solution: Emphasize the “why.” A clear purpose helps drive tough changes.

The current system deters change.
The boss wants to implement a strategy, but the employees are paid to keep the status quo.

Solution: Give employees incentives to follow through and adapt the company’s infrastructure to the new strategy.

Inertia.
High-level executives assume change will happen because they say so.

Solution: Integrate change not as a side project but within people’s workday.

Bad examples are set.
The CEO demands changes without personally adopting them.

Solution: Be self-aware, lead by example and explain how you’ve personally incorporated the change.

All mistakes are punished.
Many leaders don’t accept that change may not be done right the first time, derailing the whole project.

Solution: Share stories. Let workers share their successes and setbacks.

These common obstacles can keep even the best-laid plans from succeeding. Here’s how agile leaders and companies can overcome them.

everyone actually makes more effort and puts a lot more diligence into the choices they are making because they know that the buck stops with them,” she says. The results were impressive. Walmart’s app had fewer than 5 million users in early 2014. By the middle of 2015, it had 22 million users. Vaid is trying for similar successes in her new role as Pizza Hut’s first-ever chief customer officer.

Vaid’s experiences highlight several of the tips that experts say can help make big changes stick. First off, a change program isn’t going to go anywhere if the people who are supposed to carry out the changes aren’t incentivized to actually change. As in many other situations, money talks. But there’s more to motivation than just simply paying people. Giving employees a common sense of purpose is what drives performance. Indeed, not being able to rally employees around a purpose is one of the main reasons big change drives fail. “To grow profits and revenues is not a strategy or a purpose,” says Korn Ferry’s Stevenson.

The purpose doesn’t necessarily have to be as grand as “save the world” or “reinvent capitalism,” either. For example, employees can become excited about cost savings if it means freeing up funds for future projects they want to pursue. And it helps to reinforce change with a set of simple signals sent from the boss. Lisa van den Berg, solutions leader, Korn Ferry’s Strategy Execution and Organizational Development in the Netherlands, suggests bosses boil that message down to five key areas—and deliver them in person when possible, as well as repeating them when problems pop up. “The extra effort has a cost in time and resources, but the impact can be huge,” van den Berg says.

But perhaps the biggest thing leaders can do to help make transformative changes stick is to develop an organization that is agile—both in the company’s structure and its people. The organization has to be designed in a way that lets employees implement big changes.

Tweaks to an organization can come in many forms, from a radical redesign of a supply chain to simply a change of meeting times.
Shea, of the Wharton School, tells a story of a general foreman he got to know during a conference. The foreman was tasked with cutting down production problems on his factory line. Being in a unionized shop, he couldn’t necessarily order the workers to weed out problems or pay them more even if they did. But he tweaked the system by encouraging workers to write down common production problems on a flip chart in the break room, creating a way to routinely update which problems were getting fixed, and, as a bonus, he gave T-shirts to workers who were good at fixing problems. The foreman overseeing all this ended up “really working beyond his pay grade,” an impressed Shea says.

It also helps to have employees who are agile enough to pull off changes. Agile employees are unafraid to challenge the status quo, remain calm in the face of difficulty, take time to reflect on their experiences, are open to learning and often actively seek out challenging situations. In short, they’re perfect to be able to handle change, both now and in the future. Agility can literally pay for itself. A Korn Ferry study found that companies with the greatest rates of highly agile executives produced 25 percent higher profit margins compared with peer companies.

Leaders can go hire agile employees or they can develop them within their existing workforce, even as they are pushing a broader change. Marketing consultant Bonin Bough is devising a digital strategy from the ground up for a mid-sized consumer products firm based in the New York area. The 40-person marketing staff will work out of the offices of the firm’s digital ad agency for six months, and then it’ll spend six months working out of the offices of another digital marketing group. “We’re sitting in their culture, beginning to think like them,” Bough says.

Making transformative changes stick is still hard even with these factors in your favor—but without them, changes are going to be nearly impossible to execute, no matter how good the strategy. Paul Laudicina recognized that, when he was elected CEO of A.T. Kearney in 2006 after he and his fellow partners bought out the struggling consultancy from EDS. Laudicina not only had to re-establish A.T. Kearney’s reputation for high-quality consulting with clients but needed to reinvigorate the staff. He had a turnaround strategy but knew that it had no hope of being executed without getting everyone motivated to make it work. “Virtually no one gave us a chance of survival,” Laudicina says.

He first rallied the 2,500 employees by visiting all 34 offices worldwide and reminded them of the firm’s original purpose: do good work that will deliver value to clients, themselves and the world. He then pushed for a huge investment in employee training and development (much to the chagrin of many of his fellow partners, who only recently had written huge checks to buy the firm). The changes were all-encompassing. “There were not a lot of break-glass-and-pull-lever types of things,” Laudicina says.

But it worked. By the time Laudicina stepped down as CEO at the end of 2012, the firm had 3,000 employees and had grown its revenues by more than 33 percent.
As technology takes away the need to think on the job, workers all over may struggle to find something to do.

By David Berreby
Ever been chased by a hungry bear, an alligator or a shark? If so, you are one remarkably unlucky person. Almost everyone else in our species checked out of the food chain thousands of years ago. As the comedian Louis CK says, we’re troubled by mortgages and traffic and money, but at least we don’t have to worry about, say, cheetahs down at the train station.

What conferred this easy life on Homo sapiens, of course, was 20,000 years of inventing devices to stand in for our muscles. All that time, we have been steadily offloading physical work onto our tools, from flint-tipped arrows and chariots to 747s and Mack trucks. In fact, the human race does so little physical work now that about 40 percent of all adults worldwide are overweight, according to the World Health Organization. A significant fraction of humanity forces itself to exercise—that is, to do physical work that serves no other purpose than to get done—just to stay healthy.

Now comes a new problem, as we move from those muscle helpers to a world of artificial intelligence that, in effect, is full of mind helpers. Indeed, over the past decade, advances in computation and communication have begun yielding tools that do as much work for our minds as mighty machines do for our bodies. Increasingly, experts believe that this combination of disruptions—the Internet of Things, ubiquitous artificial intelligence, machine learning—add up to a revolution that will end up outsourcing mental and even emotional labor as thoroughly as machines now outsource physical labor. And this one, they say, won’t take thousands of years—and it will create all sorts of problems for company leaders with sizable workforces running out of things to do with their heads.
It’s a revolution that will end up outsourcing mental labor as thoroughly as machines now outsource physical labor.
was teaching a class on the Internet,” says Lauren McCarthy, an artist, programmer, and instructor at UCLA’s School of the Arts and Architecture. “And the students kept asking, ‘What is the Internet?’” Having grown up with constant connection, the students didn’t really understand where the bounds of it were, she says. Already, at the dawn of the age of smart cars and smart refrigerators, they’re used to having any information they need at their beck and call.

These digital citizens are rolling smoothly into a world that makes intelligence as omnipresent as information. Already machines collect data, analyze it and use that analysis to perform work that not long ago required a human brain. Today, for example, algorithms tell judges which prisoners should be denied bail, police where to deploy officers and security patrols at airports where to go. Algorithms read X-rays and other results from medical procedures, and offer organizations an approach that scholars at Carnegie-Mellon’s Human-Computer Interaction Institute have dubbed “algorithmic management,” where, as one recent paper put it, “human jobs are assigned, optimized and evaluated through algorithms and tracked data,” rather than the judgments and analyses of managers.

Optimists tout the obvious benefits of having intelligence take up our mental tasks: more productivity, less time spent on busywork, and improved performance and accountability. The economist Jens Ludwig and his colleagues at the University of Chicago Crime Lab developed an algorithm to predict which prisoners would skip out on bail. When tested on a data set of actual case histories, it guessed wrong 8.5 percent of the time. But the judges who worked those cases in real life were wrong 11.3 percent of the time, Ludwig told a conference at NYU Law School’s Brennan Center for Justice last fall. Moreover, he noted, the algorithm could be altered to do better—not something you can say for sure about humans. “There’s nothing more opaque than the inside of a judge’s head,” he said.

Given a chance to ask a question, a practicing judge in attendance welcomed the algorithmic tool, saying, “We could use all the help we can get.” But he added, “Just don’t do it too well, because judges like to have job security, too.”
DEAD TIME

In job after job, machines are taking work from humans, saving time but leaving people with less to do.

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<td>TRADING STOCKS</td>
<td>A MINUTE OR TWO TO SHOUT ORDER ON FLOOR AND HAVE TRADE RECORDED</td>
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<td>SETTING BAIL FOR A DEFENDANT</td>
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<td>DIAGNOSING CANCER, SUGGESTING TREATMENT PLAN</td>
<td>MULTIPLE HOURS TO READ CASE FILE, SEARCH FOR RELEVANT RESEARCH</td>
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<td>LEARNING TO DRIVE</td>
<td>20 TO 30 HOURS OF LESSONS AND PRACTICE</td>
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<td>DECIDING WHERE TO DEPLOY AIRPORT SECURITY PATROL</td>
<td>MULTIPLE MINUTES TO ASSESS THE CURRENT DAY’S WORK, INFORMED BY YEARS OF EXPERIENCE</td>
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<td>SCHEDULING WORKERS’ SHIFTS EFFICIENTLY AND FAIRLY</td>
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<td>LAYING DOWN BRICK WALKWAY IN FINE HERRINGBONE PATTERN</td>
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The nervous chuckles that greeted that remark are the soundtrack of the AI revolution. They’re the sound of people attracted to machine intelligence’s capacity but worried, too, that the effects on our minds of this much faster revolution will be like the effects of machines on our muscles. This assistance for our mental powers could free us to think great thoughts, have great adventures and make great art. But it may also leave us mentally flabby and inept.

After all, with mental and emotional skills, the operating principle has always been, “Use it or lose it.” Today, we don’t remember phone numbers because our phones know them. Tomorrow, will we remember how to charm our spouses when the phones already have that down pat? The science-fiction writer Liu Cixin believes, as he recently wrote in the New York Times, “A sort of learned helplessness is likely to set in for us, and the idea of work itself may cease to hold meaning.” In the near future of triumphant AI, he wrote, we may end up like docile, pampered pets, being led here and there by a wise machine that knows us better than we know ourselves, “as unaware of its plans for us as a poodle on its way to the groomer’s.”

The problem, as researchers who work on complex automated systems have learned, is that once you’ve given mental work to an app or gadget, you don’t stay interested in doing it yourself. After a while, you aren’t able to do it yourself, any more than an out-of-shape driver could run a marathon.

This is a problem for any complicated system, from airline cockpits to nuclear power plants to self-driving cars because, “Engineers design systems according to what they expect, but by definition can’t predict the unexpected,” says Bruno Berberian, a psychologist who studies how people interact with highly automated systems at the French aerospace lab ONERA in Toulouse. “As soon as we are out of the realm of the expected, human beings will have to get back into the control loop.”

Scientists aren’t alone in thinking about the boundary between enabler and enfeebler. Artists have been playing with that border, too, creating algorithms and gadgets that are transparently weird, in order to get people to take a second look at their assumptions about technology.

But a funny thing often happens to these over-the-top creations. Even as some people find them creepy, someone else accepts them as a helpful piece of tech.

A few years ago, for example, McCarthy designed a gizmo she called the “Happiness Hat.” It was a wool
Algorithms read X-rays for doctors and tell judges which prisoners should be denied bail.

is too shallow and stressed for your own good. The Kolibree smart toothbrush monitors how and where you brush your teeth, then sends the data to a smartphone app that tells you how to do a better job. The Upright smart wearable posture trainer sits on your back and buzzes if you slouch (and tracks performance with a smartphone app, of course). The online Crystal app takes over the job of figuring out a new acquaintance. It analyzes public data about a person to tell you what that person is like—and how to best communicate with him or her. The Romantimatic app for smartphones will even handle the sensitive task of showing people you love them—it will text a significant other at specific times (and suggest words for the message).

Just how much of our mental and emotional lives do we want to leave to machines? And what will we do with the free time we win by delegating to them? Perhaps we’ll need to find the mental equivalent of the gym and exercise our minds for the sake of exercising them. A 2012 study by Gerald Matthews, a psychologist at the Applied Cognition and Training in Immersive Virtual Environments Lab at the University of Central Florida, suggests such mental gymnastics could help people get back in the control loop of a self-driving car. He and his colleagues gave passive passengers a smartphone task—answering trivia questions—and discovered that it led them to be more alert when they had to take control back.

There probably aren’t easy answers to the question of how to deal with the sudden arrival of tools that outsource mental work—in part because there is much we don’t know about how people will interact with powerful AI, and in part because people will probably differ in their needs and preferences.

“When does it go too far?” McCarthy asks. “And when do you find aspects of this that are terrifying, but then when you try it, it actually does something for you? How do you negotiate that, navigate that dissonance?” The answers to such questions aren’t clear. But one thing is certain: It’s time to start asking them.
The Over-70 Crowd
“Starting a business would have been more difficult to do if I were younger.”
— PAUL TASNER, AGE 70

Artwork by: Matthew Gush
Lounging in the lobby of San Francisco’s WeWork office, the trendy collaborative work space, Paul Tasner is wearing jeans with a brick-red pullover, chunky black glasses and a dusting of snowy stubble. To the pitter-patter of others playing table tennis and rapper Cam’ron singing about getting it on, Tasner explains what he brings to his work that he believes sets him apart from the millennials who flank him: a sprawling network, a sincere spirit of collaboration, know-how, drive and a sense of humor. His real selling point, though: experience. More than 40 years of it.

The Bay Area father of four has spent his entire career in consumer-product packaging, eventually acquiring titles like senior director and vice president. When Tasner was laid off during the recession, he could have retired but says he wasn’t ready to give up his work or his comfortable lifestyle. So during a time when others his age were collecting full Social Security benefits, Tasner and his business partner—20 years his junior—decided to build their own profitable business helping companies transition to sustainable packaging. “It would have been more difficult to do if I were younger,” he says.
Tasner is 70 years old, putting him in the same decade as Donald Trump, Larry Ellison and Martha Stewart, all of whom beg employers to consider the question: Has 70 become the new 50? But they also raise another dilemma: What place does the graying-but-young-at-heart have in today’s baby-faced workforce?

The labor pool is aging, which means an invaluable knowledge base may soon become obsolete if something isn’t done to plug the brain drain. While millennials may be the largest generation to pass, they don’t have the inherent sophistication to replace men and women who witnessed the enactment of the Civil Rights Act, the energy crisis of the ’70s and the emergence of the World Wide Web. “Companies are going to face urgencies in the very near future if they don’t start looking beyond millennials,” says Mark Schmit, vice president of research at Society of Human Resources Management (SHRM), a professional human resources association headquartered in Virginia. “You’d better have a plan for transitioning knowledge to the next generation.”

Yet, based on SHRM surveys, the majority of companies haven’t made plans to recruit or retain their veteran employees. Human resources departments are frozen by uncertainties of how to professionally integrate baby boomers and their offspring, who have not so quietly seized the reigns. It’s the grand experiment: Can age groups as much as 50 years apart work successfully—and nicely—together? And perhaps even more relevant is whether the impending silver tsunami will be enough to push corporations past their reluctance to consider senior applicants often hobbled by skills sets out of step with the high-tech world of today.

Because, as Andrés Tapia, a global expert on diversity and inclusion and a senior client partner at Korn Ferry, says, “This is the moment to push the panic button.”

Course, neither the brain drain nor the intergenerational challenges come as a surprise. At last count, one in five domestic workers—many of them top executives, lawyers, doctors and in specialized roles—were over age 65, according to the Bureau of Labor Statistics. A rising 7 percent are already over 70. But even among those with the foresight to recognize the crisis that the looming loss of experience is likely to create over the next decade, few will speak on the topic.

Regardless that the number of men who continue to work past the age of 70 has doubled over the past 30 years, recruiters see age as a wild card, pitting wisdom against agility, longevity against loyalty, and intellectual against emotional IQ. The Center on Aging and Work at Boston College reports that a quarter of companies surveyed say they are hesitant to hire older workers. “It’s still a rarity that you would advertise age,” says Leslie Gaines-Ross, a reputation strategist for CEOs and corporations at Weber Shandwick, a global public relations firm. But there are signs some organizations are figuring out ways to accentuate the talents of a group that many have dismissed as superannuated.

Ten years ago, when Tasner interviewed at an industrial start-up selling sustainable, non-toxic household cleaners, he says his age felt like the gorilla in the room. But their response was, “How long do you think people stay here? We’re looking for a solid two to three years.” As a young company, Tasner says they wanted a veteran who could serve as a mentor.

There isn’t much data specific to hiring or career transitioning for this age group, but anecdotally most say they go into consulting rather than new full-time positions. That’s partly by choice; as grandparents or caregivers, they want the flexibility and the freedom of not working for someone else. Nor do companies want to take on the healthcare costs. The other reason, says Nick Corcodilos, a Silicon Valley headhunter since 1979: HR departments haven’t caught up to the age-quake. Rather than identifying the qualities and characteristics best suited for the position, he says companies sort résumés using superficial algorithms and LinkedIn profiles. “Once you give up your spot in the game, it’s hard to get back in,” says Jacquelyn James, co-director of the Center on Aging and Work at Boston College.
Roger Locy, who is cresting 70 this year, has worked in nuclear power since 1966, after joining the Navy out of high school. He says the main difference between entry-level and senior nuclear operators such as himself is one knows how and the other knows why—an important distinction when a complex crisis like Fukushima arises. In other words, it’s imperative the industry has veterans like Locy around to call on in case of emergency.

Perhaps the high stakes are what have forced the nuclear industry to figure out the key to successfully transferring power between the generations. At least part of the answer has been to keep its older workers engaged. This significant segment of the energy sector is expected to be hit especially hard over the next few years as the Nuclear Energy Institute estimates nearly 40 percent of its workforce will be eligible for retirement by 2018, creating an immediate need for roughly 20,000 skilled laborers. Often, Locy says, he finds himself the oldest in the room, prompting a predictable quip: “Do you know they let kids operate nuclear reactors now?”

Just a few months but many golf rounds after Locy retired in 2006, a plant in nearby Oswego came calling. Locy returned as a contractor, which afforded him a flexible three-day schedule and the mental freedom to leave his work at work. He’s now part of a team tasked with developing strategies should another Fukushima-like catastrophe strike, which has him working 10-hour days, six days a week. “We have new guys who are smart, but they just don’t have the experience,” Locy says. “Having someone around they can ask questions is a big benefit.”

Common assumptions say that millennials don’t listen and baby boomers bristle at the prospect of change. But Locy hasn’t found it difficult to navigate the intergenerational relationships, pointing to the time he was paired with a 23-year-old female engineer on a project. It was an ideal counterbalance of skills: She tapped him to answer questions and double-check her work, and he let her handle the Excel spreadsheets. “I don’t do that stuff,” he chuckles. Two main factors have kept Locy working well past retirement age: The companies have made it financially worthwhile, not insulting him with offers half of what they would present to someone 20 years younger. And they’ve given him challenging, meaningful work.

“We have new guys who are smart, but they just don’t have the experience. Having someone around they can ask questions is a big benefit.”
—ROGER LOCY, AGE 70

OLDER AMERICANS IN THE WORKFORCE

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<th>Age Group</th>
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<tr>
<td>70–74</td>
<td>2.2 million</td>
<td>18.4%</td>
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<tr>
<td>75+</td>
<td>1.6 million</td>
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The Hoodie Challenge

Millennial and silver-haired workers may be decades apart, but experts say these steps can help them team up better.

GIVE THEM SPACE...
While millennials prefer open environments, boomers still value having individual space. So create open work areas, but also dedicated quiet areas.

...BUT DON’T BUILD WALLS
Use desk partitions as a happy compromise between full cubicles and an open plan. They offer privacy but also easy communication with neighbors.

ENCOURAGE MENTORING
According to one Harvard study, 65 percent of boomers say millennials look to them for advice, while three-quarters of millennials say they enjoy working with boomers.

PART OF THE CROWD
Older workers are looking for social relationships, research shows. Encourage inclusion and create opportunities for different ages to get to know one another.

THE BEST BENEFITS
Some company benefits that look great for boomers are useless to younger workers, and vice versa. Create options for everything from tuition assistance to elder care and financial counseling services.

CUSTOMIZE PERFORMANCE EVALUATIONS
Use the same metric but review work differently. Boomers prefer written evaluations and sit-downs; millennials want more immediate, on-the-go feedback.
Experts say the key to blending workforces with such a huge generation gap is to avoid ignoring the issues and begin looking for solutions. In today's start-up economy, younger managers are either afraid to manage people significantly older or try to exert too much authority, which veterans often rebuff. Companies that have been successful, though, are able to empower and engage, which on a logistic level might mean making sure to schedule meetings when older workers, if working part-time or remotely, are in the office. Video conferencing is another tool for keeping them engaged, while offering age-appropriate health and family benefits also can help.

Research also shows older workers are looking for social relationships. That may be one reason Peter Cappelli, director of the Wharton School's Center for Human Resources and author of the book "Managing the Older Worker," believes it's best to keep diverse age groups mingled in the office. Evidence suggests that mixed-age groups tend to get along better and perform better than groups of the same age, so there is actually less conflict than if you have a room full of 20-somethings. "The 70-year-old is not in competition with the 25-year-old," he says, making them more apt to help each other.

That may be because their goals are different. According to a Pew Research Center survey, the biggest difference between the generations is work ethic: Younger workers go after money and the next promotion, while their elders are motivated by a greater mission. The generational mix also benefits creativity. Many have suggested that diverse teams spanning gender, culture and age spark the greatest innovation, and that creativity can often be an outgrowth of connecting contrasting ideas. "Senior members bring a perspective that completely colors and changes the dynamic," says Henry Watkins, vice president of business development for the Medici Group, a strategy and innovation firm.

Of course, there are obvious downsides of the geriatric demographic: They may be luddites, fossilized in their ways, or burnt out or lethargic, and—it’s true—the clock is ticking. But researchers are discovering that some cognitive abilities don’t peak until later in life. A study published in the Journal of Applied Psychology last year measured mental abilities among executive job applicants across the age spectrum. Generally, older executives scored modestly lower than younger ones, with the largest drop-offs for subjects older than 60, which is why positions like air-traffic controllers have a mandatory retirement age of 56. Yet age has a positive correlation with higher crystallized intelligence, which measures experience-based knowledge such as verbal capability and emotional IQ. Widespread cognitive-ability tests used for narrowing candidate pools often don’t measure these attributes.

While cognitive decline starts in a person’s 20s, a University of California, San Francisco neuroscience lab has found that exercise, meditation and engagement in the arts and sciences can halt the backslide. So a mentally and physically active 70-year-old might be more astute than a loafer half her age. There’s also little research that shows lower cognitive ability affects job performance. That’s certainly how our gray-haired man working alongside the hoodie-wearing futures of industry sees it. Tasner say he’s as motivated now as at any other point in his career. He enjoys a sense of purpose in a society that in many ways has written off older individuals. Still, does Tasner feel old here? He takes a sip of his murky 2 o’clock beer and looks around. “No. I feel more out of step with my peers playing golf three times a week.” ●
Can business schools keep up with today’s frenzied world? Kellogg School of Management’s Sally Blount is taking some bold steps.
EVEN YEARS AGO, Sally Blount, dean of Northwestern University’s Kellogg School of Management, arrived in Evanston, Ill., and announced a seven-year plan to transform the school. The campaign focused on a goal no smaller than reinventing management education as we know it, including a $350 million fund-raising effort that would culminate with a state-of-the-art “global hub” facility. Every new dean likes to make such headline-grabbing promises. These actually happened.

In all, the school raised more than $330 million. It began offering dozens of new courses, and expanded its global partnerships and degree offerings. Several new senior leaders joined the team, and a new branding campaign was created.

All of which has been a result of savvy timing, because in recent years, few other forms of higher education have needed as much change as the MBA. To be sure, despite some recent softening in applications, the MBA is clearly among the most successful education products of the past 100 years, surpassing a degree in education as the most popular in terms of graduating students. But you only need to ponder all the gyrations in business—a new global economy, digitalization, the gig network—to understand the challenges the MBA has faced to keep up. And then there’s higher education itself: Would anyone have guessed the true impact of online options a decade or two ago?

“The MBA is a tremendous success story. It is also the focus of tremendous change,” says John A. Byrne, founder and editor-in-chief of Poets & Quants, an influential website that covers graduate business schools.

Indeed, just take a look at the changes at the so-called Magnificent Seven business schools, which includes Kellogg as well as Harvard, Wharton, Stanford, Booth, Columbia and MIT Sloan. In addition to a continued commitment to academic research, many of these schools now focus on the more modern skills needed for innovation, entrepreneurship and team leadership, all with a more international flavor. High-level executives can step out of the corner office and spend a year updating their trade. And the top B-schools are big into building, erecting gleaming complexes that mirror the high-tech, high-paced environment students will face in the job market.
But of the M7, only one has Dean Blount. For starters, she’s the first woman to become top dean at any of them, a milestone that can get lost when comparing her accomplishments, which include serving as undergrad dean at NYU’s Stern School of Business, where she helped open an Abu Dhabi campus and secure the school’s first $15 million gift. Not surprisingly, you’ll find her name tied to places like the Aspen Institute (advisory board), the World Economic Forum of Latin America (regional summit co-chair) and a huge conglomerate (Abbott Laboratories board member).

Byrne describes her as a master strategist with a long-term vision, a deep intellectual and world-class fund-raiser who understands the value of barnstorming at alumni events. All these traits, he believes, were critical toward steering Kellogg into making the kind of changes most tradition-bound institutions take decades to do. “When you consider the constraints of academic institutions, her work is even more remarkable,” he says.

“We’re seeing a democratization of knowledge that probably hasn’t been true since the printing press.”

Yet with all this hyper-success comes nagging concerns that, at least in the B-school world, will never be enough. In our chat with Dean Blount, we intended to focus on the future of MBA programs, but couldn’t resist asking for her insights into the corporate world, the global economy and how academia can shape them both. It was quite an education.
Let’s talk about the difference between being in business—in your case, the administrative side of running B-schools—versus studying business.

Dean Sally Blount: What’s really clear when you work with professors is that it’s quite frankly an IQ business. How smart are you? What kind of taste do you have for good questions and how to answer them? But in administration, you learn that leading an organization isn’t about IQ, it’s about things like social intelligence, emotional intelligence and what I call “organizational intelligence.”

What do you mean?

Blount: Social intelligence is how you manage relationships, especially one-on-one and in small groups—how you coach people and bring people along. Organizational intelligence is the ability to see flows among human systems—to understand that when you move this piece it’s going to have an effect down there. When you’re leading at 50,000 feet, which is what I do as a dean, you’ve got to understand when you move one piece other pieces move, and be able to predict how that’s going to happen.

B-schools are in a state of flux. What kinds of changes are happening?

Blount: We’re seeing a transformation of many industries in the 21st century. And education has not been immune. With the whole development of online content, we are seeing a democratization of knowledge that probably hasn’t been true since the printing press.

There is an opportunity now for people in the farthest reaches of the world to get access to course content from the world’s greatest universities for free. That’s amazing. Even if you live out
in Mongolia and you’re far from any college or university, you can actually see some of the best minds teaching and have access to that. That’s profound, that’s powerful, and it’s exciting for the future of humankind.

So we’re in an era of online versus face-to-face education and some serious price competition.

**Blount:** Face-to-face face education is expensive because it’s not highly scalable. You’re putting 60 people in a classroom to deliver a course fresh each time. But people are going to be less willing to pay for low-quality face-to-face education if they can get high quality online, and in the long run that means a complete restructuring of the higher education market, where over time we’re probably going to see a reduction in the number of face-to-face organizations that deliver education and a separating of great online content. There’s going to be a group of more elite schools that continue to provide the face-to-face environments, like the degree programs that we do here at Kellogg.

**But in your mind, can technology here enhance the classroom brand of teaching?**

**Blount:** Yes, we’re better able to tailor learning to different kinds of minds. It used to be if you were not good at listening to a talking head in a classroom—if that wasn’t how you took in learning—it was harder for you to excel at school. But now, if you’re more visual, there’s PowerPoint to help you track a verbal argument. Or, if you are better able to listen while you do something else (you have a different kind of attention span), you can listen to the content over and over again. At some schools, people frequently go back and forth between going to class and re-listening to content online.
How do you balance the need to be current—keeping up on all the disruptions in the business world—with the need to teach core principles?

Blount: Well, let’s be clear, the foundational truths that social scientists have been uncovering for the last century haven’t changed. The foundations of microeconomics haven’t changed. So where we do our innovation in education is in the electives, after you finish the core courses.

Tell us your theories on the “wormhole decade.”

Blount: The first decade of the 21st century was one of profound change, and everybody was acting like it was just normal. Change is normal, but this was fundamentally disruptive change. In the course of 10 years, for example, the so-called BRIC countries, which hadn’t even been named at the beginning of that wormhole decade, were accounting for maybe 5 percent to 6 percent of world GDP, and by the end of the decade they were nearly 20 percent.

Big change.

Blount: This is a world where we don’t know the new rules yet. Who would’ve guessed that the start-up app called Uber would disrupt the taxi industry around the world? It happened in such a very short period of time. In fact, Uber was founded during that wormhole decade, in 2010. It’s industry after industry after industry. So what we have to think about and what we’re talking to our students about is this profound decade has led to a decade of disequilibrium, which is what we’re in.

Can you talk about what that all means for leadership?

Blount: We have to remember human organizations can only change so fast. We talk about all the speed and rapidity, but the reality is, large human organizations move relatively slowly. One of the things we have to remind people is that there is time. And the thing that we need from leaders is a calmness, a confidence that there will be time to solve the problems and address the challenges, as long as you’re forward-facing and clear.

What else should leaders of the future know?

Blount: You have to have a clarity of purpose, which always begins with the customer. Why is your organization here? Every organization, no matter the sector—government, not for profit, business—has a customer. They exist to meet somebody’s needs.

Note: Questions and answers were edited for clarity and space.
Like Kellogg, several B-schools are opening modern facilities that project business environments of the future.

**Yale School of Management**
Opened: 2014
Cost: $243 million

**University of South Carolina Darla Moore School of Business**
Opened: 2014
Cost: $107 million

**University of Texas McCombs School of Business**
Est. opening: Late 2017
Est. cost: $172 million
Save $200.00 with Promo Code KORN
For more details and to register visit www.HRTechConference.com
The BlackBerry Underground

The once king of smartphones still has legions of fans.

BY CHRISTOPHER R. O’DEA

They look pretty much like the rest of us until they need to make a call. That’s when suddenly they will take out a smallish device so universally known to one (older) generation and totally foreign to any others. Ranging from tech gurus to celebrities to CEOs, they have revealed themselves as members of the BlackBerry Underground.

It’s hard to fathom now—in the age of the emoji—that the BlackBerry was once the apex predator of smartphones. As recently as the turn of the 21st century, reaching for your BlackBerry—to answer an e-mail poolside, for example—marked one as a digital Jedi.
No more. Though still 23 million strong, according to company figures, BlackBerry users are but a fraction of the 1.5 billion users in the total global smartphone market. Newer BlackBerry versions are still widely sold, but finding BlackBerry gear in its prior forms can mean navigating an online wilderness of digital flea markets where sellers—some of suspect provenance—hawk everything from the penny ante, such as earphones for early

speakerless models, to the holy grail: purportedly brand-new “unlocked” devices that allow Underground members to pop in a SIM card from any mobile service provider and reconnect to their networks.

If there’s a safe space for the BlackBerry Underground, it would be CrackBerry.com. The high priest of all things BlackBerry is website co-founder Kevin Michaluk, who reigns as CrackBerry Kevin. “It was my first love in the smartphone game,” says Michaluk.

The kid from rural Manitoba almost missed his date with the device, which became well known for its iconic keyboard that types with a reassuring clicking sound. “Second day of work, somebody from IT came down and gave me a BlackBerry,” he says. “It was this ugly thing. I didn’t touch it for two weeks. Then I started to use the darn thing, and I’m like, ‘Oh my god! How did I ever live without this?’” And he hasn’t lived without it since. Out with friends one night in 2006, staring at their BlackBerries instead of talking to each other, “one guy said, ‘CrackBerry,’” Michaluk recalls. “I said, ‘dot com,’ and went home and bought the domain.” Webster’s sealed his fate when it added CrackBerry to the dictionary as the New Word of the Year.

On the site, CrackBerry Kevin’s demo videos are catnip to the BlackBerry Underground, and he’s penned the urtext of the Underground, “CrackBerry: True Tales of BlackBerry Use and Abuse,” a book that documents the primal experiences of early adopters who turned the idiom “all thumbs” into the smartphone industry.

A major goal of Underground members is acquiring backup devices. It takes effort. But for the thumb-driven, there’s no other option. “I strongly prefer the BlackBerry—and 95 percent of the reason is the keyboard,” says John W. Rutledge, president and CEO of Oxford Capital Group, one of the leading hospitality real estate investment and development companies in the U.S. “I run my life with hundreds of e-mails a day with team members internally and externally,” he adds. “I am just dramatically more productive and efficient when I’m typing with my thumbs on this keyboard.”

While he’s all about taking calculated risks in business—his current project will reframe Chicago’s skyline around a new 56-story residential tower—Rutledge has minimized the risk of being caught without his BlackBerry Classic. “I bought several of them and have some backups in storage should they discontinue them.”

Stockpiling reserves is de rigueur. Riding an elevator in New York City recently, Michaluk commented on his neighbor’s BlackBerry 8700.
BlackBerry fans love their keyboards. Our author, a BlackBerry loyalist but also a user of other devices, tried three devices and made an interesting discovery.

**THE TASKS:**
Type, “The quick brown fox jumps over the lazy dog,” which uses all letters in the English alphabet, and calculate a 15 percent tip on an $89 bill.

**THE RESULTS:**
(in seconds)

<table>
<thead>
<tr>
<th>Device</th>
<th>Typing</th>
<th>Tipping</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackBerry Bold 9900</td>
<td>12.2</td>
<td>7.7</td>
</tr>
<tr>
<td>iPhone 6s</td>
<td>18.5</td>
<td>4.3</td>
</tr>
<tr>
<td>LG Android Tablet</td>
<td>14.1</td>
<td>5.4</td>
</tr>
</tbody>
</table>

**THE CONCLUSION:**
Though the results are unscientific, it appears writing speed may be faster on BlackBerry’s trusty tactile keyboards. But even longtime users may find calculating to be faster on other devices.

The owner of the 2006-vintage device shot back, “Kid, I love it so much I have 12 more sitting in my desk, so if they break or they quit selling them, I still have this thing because I love it that much.”

Facing the future without a BlackBerry is devastating. Just ask Kim Kardashian. The world’s highest-profile BlackBerry user, Kardashian scoured eBay for years to snag replacements for her discontinued Bold. Her world came crashing down last summer. “Sooo my BlackBerry Bold died. I can’t find any more on eBay,” the reality TV star tweeted. “Reality is starting to set in and I’m getting sad.”

BlackBerry is about to reward loyalists with a new device that adds a big screen and Android apps. It’s a head turner, Michaluk says, light years ahead of the ugly duckling that first won CrackBerry Kevin’s heart. “It looks awesome,” he says.

Being busy refashioning Chicago’s cityscape, Rutledge hadn’t heard the news. When he did, the developer cut to the chase: “Is the new one going to have the keyboard that we like? As long as I have my real keyboard, then I’m happy.”

No worries, says Michaluk. “Your thumbs are right there as you’re typing. It felt very BlackBerry.”
The Cheesy Business Lunch

BY SHANNON SIMS

BRIE TO CHEBRIS, BE READY TO KNOW YOUR CHEESES.

Imagine yourself sitting down to a business lunch at one of the more esteemed restaurants in Milan or Paris. Inside, the walls are lined with premium wines, the tablecloth is ironed, the silver polished. You peruse through a wine list with your colleagues, and then, just when you thought the decision-making was finished, a waiter pulls up beside you with a cart of 50 different cheeses. With a napkin draped over his forearm, he asks you to choose a few.

The trouble begins. To you, the cheeses all look pretty much the same, like stacked beige and yellow wedges. Not only can you not tell the difference between them—or why some are priced more than others—you can’t even identify what language their labels are written in. Époisses? Sottocenere? Chebris? Harbison? Suddenly, despite years spent refining your palette and developing an acumen for fine wine, you feel like you’re out of your element.
You aren’t alone. More diners are finding themselves in similar bins, overwhelmed by snooty-sounding cheese names while trying to order a cheese plate at a fine restaurant. In fact, many people become so flummoxed with the cheese choices that they often end up punting the choice to the waiter.

And that’s a shame, because cheese is going the way of wine. Justin Trosclair, one of the top cheese experts in the world and a former winner of the Cheesemonger Invitational, notes that over the past couple decades, “the cheese market has gotten a lot more sophisticated and knowledgeable, and as a result, the cheese industry’s standards have risen.”

The cheese industry has experienced a recent boom, and these days cheese is big business. According to the Specialty Food Association, in the United States today, the average American consumes 34 pounds of cheese a year, representing a more than 40 percent increase in cheese consumption over the past 25 years. In the U.S. alone, the specialty cheese market hit $17 billion in 2015, growing nearly 5 percent on the year over the past few years. And globally, the cheese market is expected to exceed $100 billion by 2019.

The increased demand has, of course, put cheesemakers around the world to work, and as a result, the number of artisan cheeses consumers can choose from in restaurants continues to increase. And these cheeses are not the deli-bound options of the past. Today, some of the cheeses available in fine restaurants are aged for years in caves, some are flavored with truffles and coffee grinds, and some are sweeping awards around the world for their complexity of taste.

Not surprisingly, the prices are starting to match the effort, with some even clocking in anywhere between $50 to $500 per pound. It may sound like caviar pricing for cheddar, but from the grass the cows eat to the washing of the rinds, cheesemaking has become a fine and highly profitable art.

All of this means that now is the time to go ahead and brush up a bit on your cheese knowledge before you sit down to that business lunch.

“If you’re out to eat with people you’d like to impress, it’s definitely in your interest to know how to navigate a cheese menu,” says Trosclair.

The easiest and tastiest way to break into the world of cheese is by visiting a well-stocked cheese shop with well-trained cheesemongers (yes, that’s what cheese curators are called). If you are lucky enough, you’ll find your way to Murray’s in New York, La Cave à Fromage in London, Formaggi Ocello in Sydney or De Kaaskamer in Amsterdam. In the store, you’ll be overwhelmed by options, so you should focus on finding a type of cheese you enjoy. Do you like the tongue-tingle of raw cow’s milk cheeses, or the crystal-like crunch of aged hard cheeses? Do you prefer your cheese pure and light like fresh goat cheese, or stinky and heavy like gooey triple-cream brie? Sample liberally, and if you find one cheese you love, sample the other cheeses from that cheesemaker. And be sure to try the expensive stuff, since that’s often what shows up on fine-dining restaurant menus. Take notes, and even consider buying a cheese journal, which, like a wine journal, helps cheese lovers keep track of their favorites.

“Just like no one expects you to know every wine on the menu, no one expects you to know every cheese,” observes Trosclair. His advice: “Stick to styles, just like you might with wine, because having a basic knowledge of styles will go a long way.” Especially at that next expense-account meal.

DID YOU KNOW...

Like wine or even beer, there are now magazines aimed at the cheese lover. Pick up a subscription to Culture: The Word on Cheese or Cheese Connoisseur to make learning about cheese easy.

Most major cities, from Denver to Dubai, have at least one great cheese shop where a cheesemonger is happy to help interested cheese newcomers learn more.

At the 2016 World Cheese Awards, a Norwegian cheese called Kraftkar took first place. At the 2016 American Cheese Society Awards, a Wisconsin cheese named Little Mountain won best in show.

Two of the most expensive cheeses in the world are Swedish moose cheese and Serbian donkey cheese. Both cost around $500 per pound.
Summer Reads, Summer Insights

Our list of paradigm-shifting business books.

BY CHRIS TAYLOR

The most agile leaders never want to stop learning. They’re always facing new challenges, developing new skills and making fresh connections. It’s a mentality that lets them develop great strategies and motivate people.

Fortunately, summer provides even the hyper-busy with rare beach breaks to do some quick reading of business books that can offer some key insights. Nearly everyone knows about “The Effective Executive” (first published 50 years ago) and “The 7 Habits of Highly Effective People” (25 million copies sold and counting), so we asked several executives for their recommendations on books—some new, some not—that made them more agile.

Own It: The Power of Women at Work

Sallie Krawcheck
Crown Business, 2017

The usual CEO stereotype is very Type A—someone hard-nosed who takes no prisoners. For a woman to succeed in that environment, the conventional wisdom went, they had to be just as hardcore.

To which Sallie Krawcheck says: no, no, no. The former CEO of Smith Barney, head of Merrill Lynch, and chief financial officer for Citigroup says that women are actually perfectly suited to a changing business world. Women tend to be more long-term-oriented and risk-aware, and they value collaboration and communication over the command-and-control leadership styles of yore.

One of the book’s fans: Alexandra Lebenthal, Wall Street bond queen and head of Lebenthal & Co. “It’s great advice not just for young women starting out, but for experienced businesswomen like myself,” she says. “[Krawcheck] isn’t afraid to take failure and make it part of her brand in a positive way.”

Tools of Titans: The Tactics, Routines, and Habits of Billionaires, Icons, and World-Class Performers

Tim Ferriss
Houghton Mifflin Harcourt, 2016

“The 4-Hour Workweek” may sound like a manual for laziness, but Tim Ferriss’ best-selling smash was actually a guide for supercharging productivity. By multiplying output during work hours, you enable a richer and more rewarding life.

“Tools for Titans” could be considered the next phase of that movement, talking to the rich and famous about specific steps to enable extreme achievement. Behind every successful individual, there are mundane matters like how they organize the workday, how they maximize energy, what books they read for inspiration—and Ferriss has made it his mission to unearth all these microsolutions.

One loyal reader: Kevin Gibbon, CEO of shipping start-up Shyp. The tome is “filled with the best advice on how to reach peak performance—it covers everything from how to deal with haters to making the most of your morning routines,” he says. “As CEO of a fast-growing start-up, I find the gems on finding and cultivating top talent incredibly valuable.”

Micro-Resilience: Minor Shifts for Major Boosts in Focus, Drive, and Energy

Bonnie St. John and Allen P. Haines
Center Street, 2017

When we seek to improve our lives and careers, we tend to look for huge, dramatic solutions. But what if the real answer were obtained by looking small?

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When we seek to improve our lives and careers, we tend to look for huge, dramatic solutions. But what if the real answer were obtained by looking small?
That’s the conclusion of former Paralympian (and Rhodes Scholar) Bonnie St. John and co-author Allen Haines. By digging into the latest neurological and physiological research, they found that making seemingly minor tweaks in our daily routines—what we are focusing on, what we are eating and drinking, how much we work or how much we rest—can actually lead to gigantic results.

St. John’s science-based, hour-by-hour tips can cumulatively lead to impressive performance boosts, says Bernard Tyson, chair and CEO of Kaiser Permanente—especially in milieus like Tyson’s, healthcare, where workforces can use all the resilience they can muster.

Shoe Dog: A Memoir by the Creator of Nike
Phil Knight
Scribner, 2016

Almost everyone knows the name of the iconic founder of Nike, but not many know the specifics of how Phil Knight created the athletics giant. The whole $30 billion operation started with 50 bucks borrowed from his dad to sell shoes out of the trunk of his old Plymouth Valiant.

As a result, Knight faced all the typical start-up problems—from scarce funding to the opposition of powerful, established players in the field—before hooking up with famed track coach Bill Bowerman and creating the success story we know today.

Someone who couldn’t stop turning the pages: Charlotte Jones Anderson, the executive VP of the Dallas Cowboys and daughter of famed owner Jerry Jones. “Many of the words of wisdom that Phil Knight gained inspiration from, and motivated others with, are very similar to those my father has preached to me my entire career,” she says.

Only the Paranoid Survive: How to Avoid the Crisis Points That Challenge Every Company
Andrew S. Grove

A book doesn’t have to be new to deserve a place in your summer beach bag. So consider this classic by the late Andy Grove, former chief of Intel, the world’s largest chipmaker. In it, the author shares his obsession with rapid change—and the proper response to it—a highly useful skill for our tumultuous times.

The book’s original iteration may have come out in 1996, but Grove’s book couldn’t be timelier. He writes about the critical nature of “strategic inflection points”—those moments of massive change that can either kill a company or spur it to greater heights.

Lynx Equity president Brad Nathan loves Grove’s “paranoid” take on modern business. “I worry all the time,” he admits. “In order to fix problems, you need to be worried.”

Photography: Randall Cordero
When was the last time somebody told you he or she worked in sales and you just fell out of your seat impressed? Or asked for an autograph? Let's face it, as technology continues to be the steady drumbeat of business, the world belongs to the innovators, the entrepreneurs and the developers who can create the toys of the future.

And yet there's something so true about a line from “Death of a Salesman”: The only thing you got in this world is what you can sell. Written decades ago, it still makes plenty of sense—after all, there's no point creating some great gadget or software if no one knows how to sell it.

Which brings me to some recent white papers you can find on our website (kornferryinstitute.com) that suggest companies have forgotten this. Or at least they're drifting pretty far away from sales-centric leadership. In a paper by Rick Sklarin, senior client partner in our Global Technology Industry practice, we learn something kind of startling: Of the 10 top publicly traded U.S. tech firms, which combined sell more than $850 billion in gadgets, software and services, only one has a CEO with a primary background in sales. Pull the telescope a little farther back, and you find that only eight of the top 100 tech CEOs do. Only about a third have any sales experience at all.

Obviously, early-stage tech firms need leaders who come from the innovation and production sides to develop all new devices and software. But the firms in this survey are a long way from the garage. Wouldn't it make sense to have some CEO benchwarmers who know how to sell the stuff?

My own theory—which is backed by some of our other new research—suggests that sales as an important skill set just keeps moving off everyone's radars. That includes all the new job hunters. According to a survey of more than 1,000 hiring leaders, the hardest job to fill these days is in sales.

Take note, that's ahead of engineering, finance, even IT.

But maybe that's because most people don't really understand how sales jobs have changed. Salespeople once could educate people about a product or service to help close the deal. But consumers today can get almost all of that from social media and Google. “It’s difficult for a salesperson to surprise a customer with a fact or feature,” says Bill Sebra, chief operating executive for Korn Ferry Futurestep.

So today’s true “salesperson” is more consultant-like, with a wide range of expertise to help buyers solve problems. This is all more about relationship building and the ability to get help from throughout the firm—in effect, not just closing but also forming the deal. This is just the latest example—and take note, as it’s a theme in this issue’s cover story—of how agility has become such a core skill.

All of which kind of smothers that old-fashioned image of a one-dimensional Willy Loman or even a slick Madison Avenue salesperson, and makes the work every bit as challenging as, say, software development in Silicon Valley. And every bit as important. The trick now is convincing companies to elevate the potential future for top sales execs.

But for that to happen—well, it may take a bit of a sales job.
2017 GLOBAL BOARD LEADERS’ SUMMIT
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