

**HARVARD
BUSINESS
REVIEW**

Stop Holding Yourself Back

How to overcome self-limiting beliefs.

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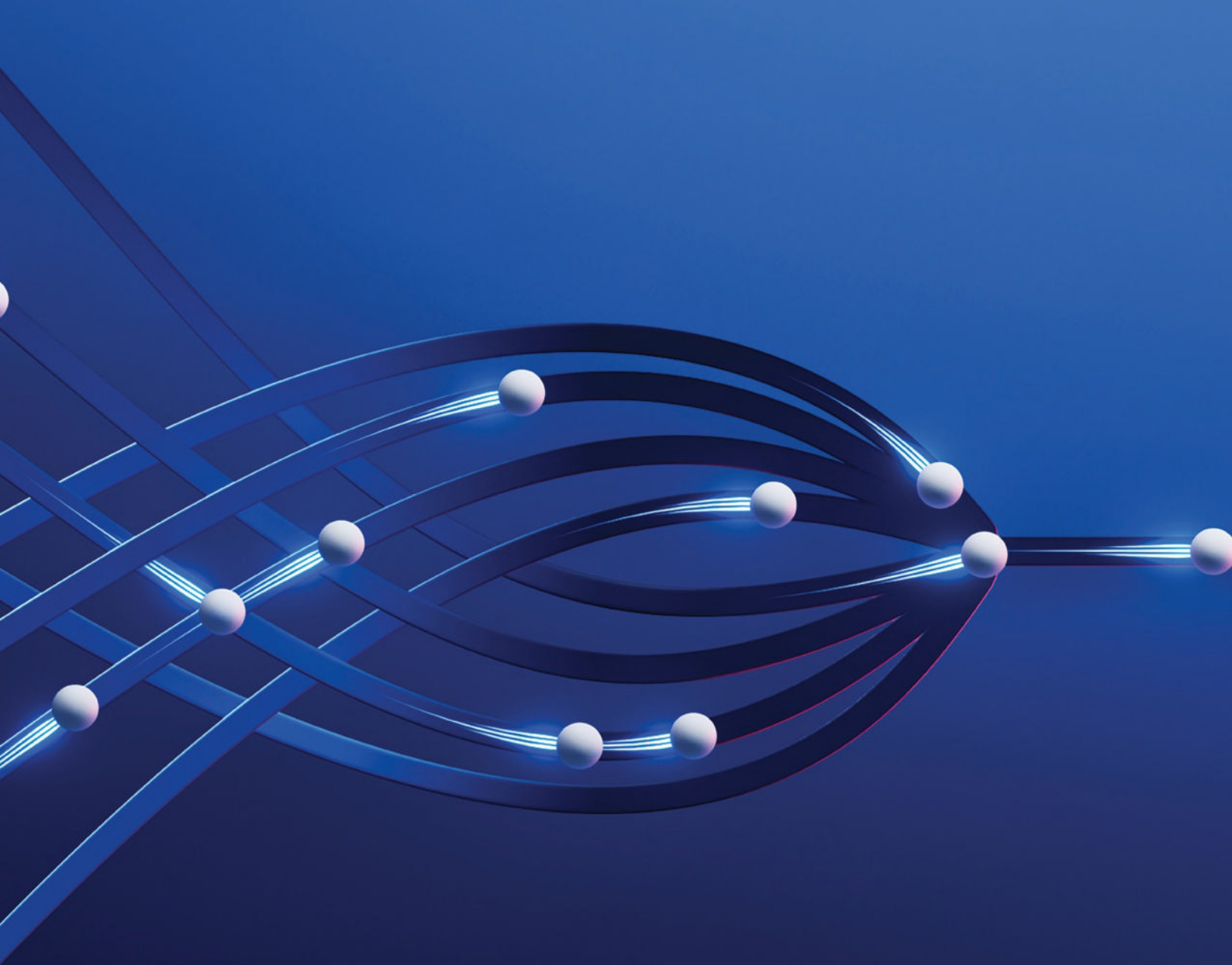
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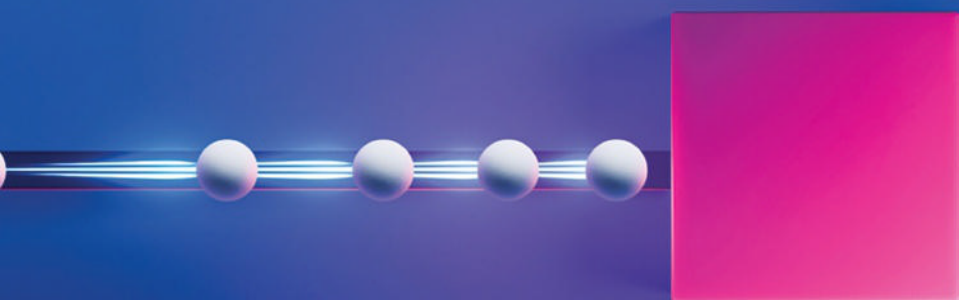




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Keep Breaking Through



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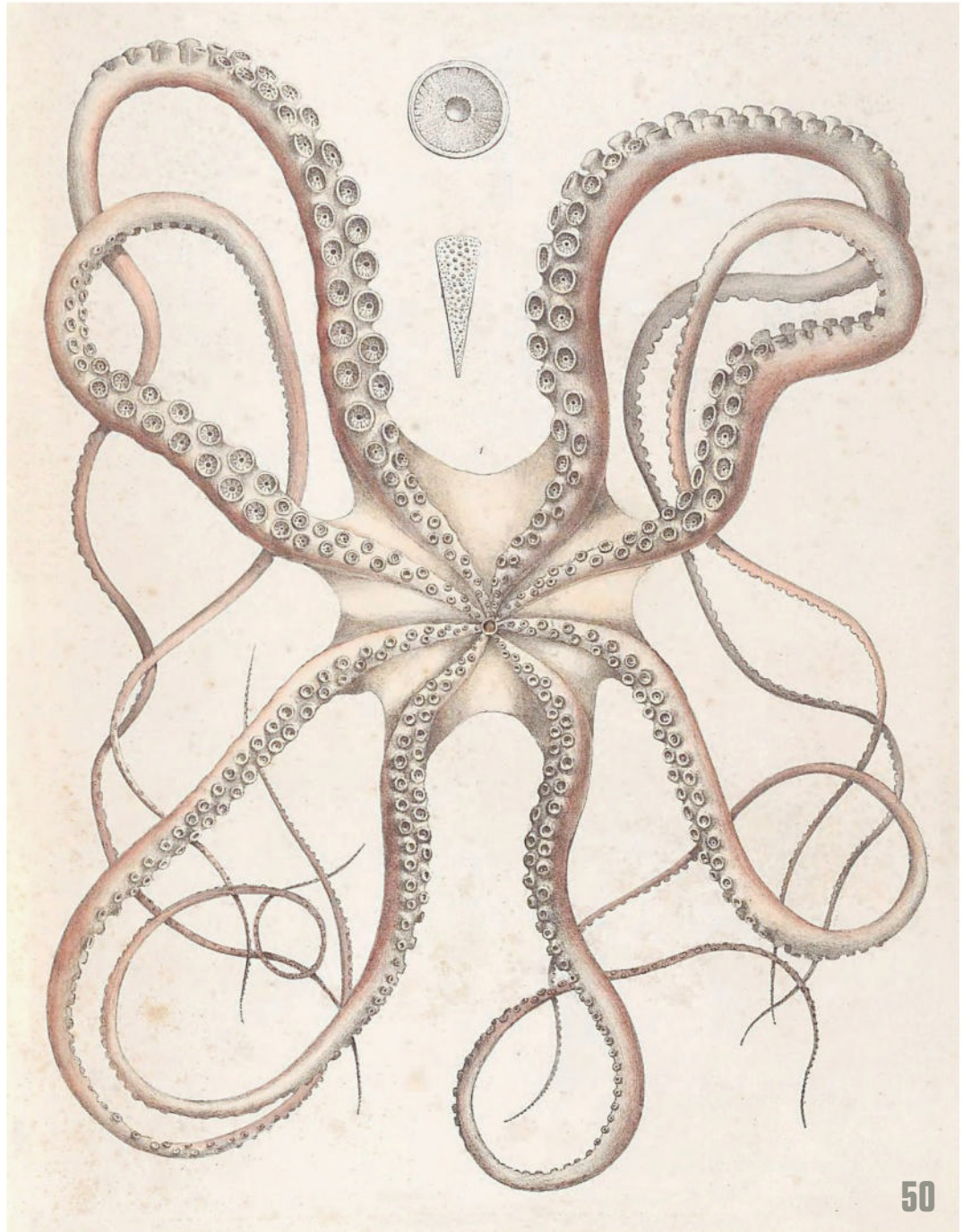
The Surprising Success of Hands-On Leaders

Some of the best CEOs
create systems and
cultures that help
everyone excel at getting
work done.

*Scott Cook and
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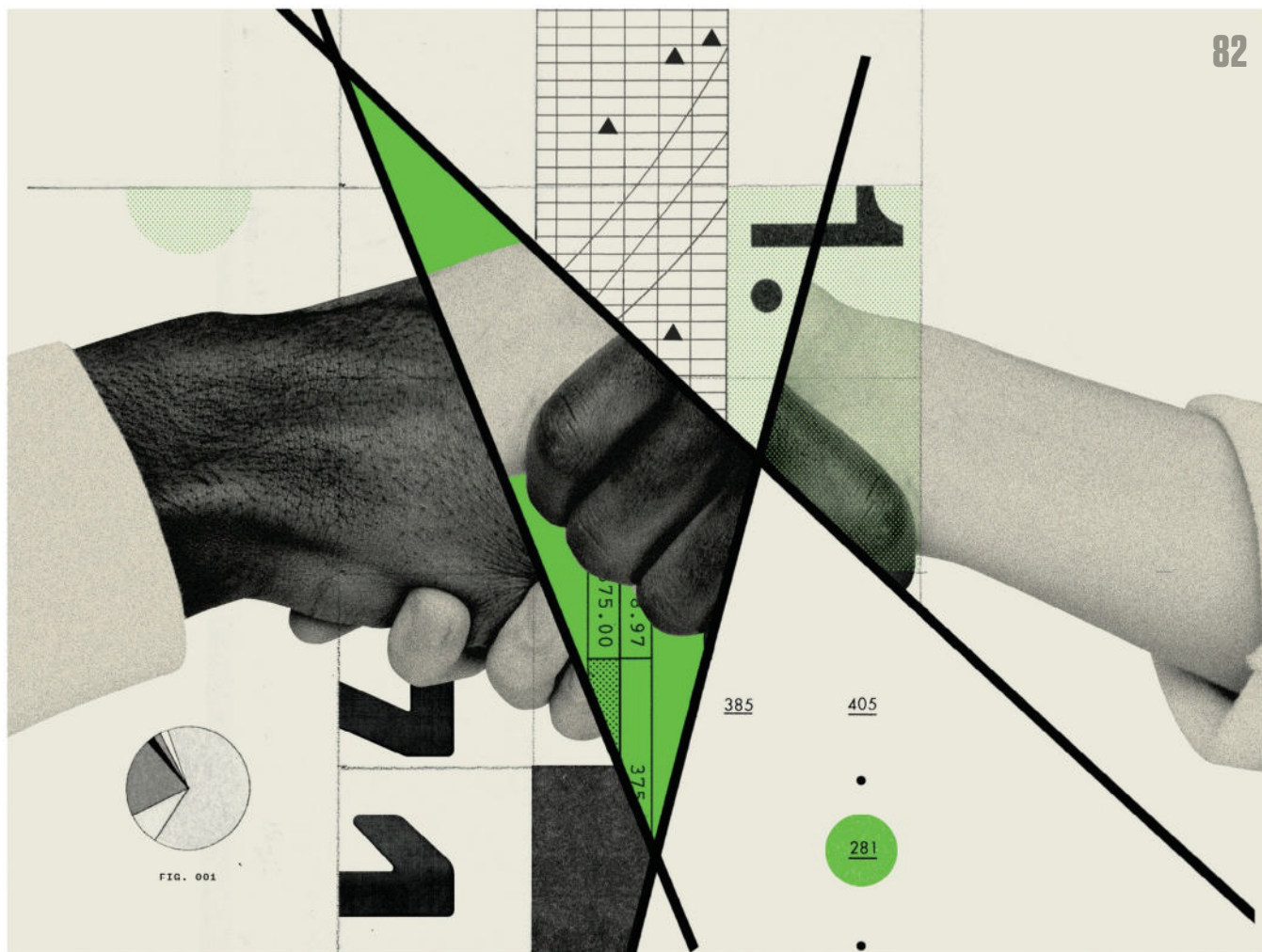
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“Successful PE firms have found a more straightforward way to create surplus value: They’ve learned how to build better businesses faster.”

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CONQUEST HERITAGE

Elegance is an attitude
LONGINES




When Facilities Think, Adapt and Deliver: Powering Business Resilience Through Real Estate

Three Engines Driving Facilities Management Transformation

Tomorrow's FM delivery model isn't one-dimensional. It demands an integrated operating model that unites three distinct but interconnected engines, each playing a different role in creating a system that continuously learns, adapts and stabilizes performance. These engines operate like a system of three interlocking gears: each amplifies the others, and when one is absent, momentum stalls.

01

Self-Optimizing Facilities

That Never Stop Learning

Imagine a building that schedules its own maintenance, adjusts energy usage to occupancy and reallocates labor based on demand, all without human intervention. This is the future of self-optimizing facilities. Capable of continuously learning and improving performance, these facilities use advanced analytics—powered by IoT, AI and centralized data—to strengthen reliability and improve uptime while freeing up talent for higher-value work.

For example, a global manufacturer integrated predictive analytics into its FM operations and reduced equipment downtime by 20%, improving operational efficiency, reliability and sustainability.

When disparate data streams converge into a unified platform, leaders gain immediate clarity into asset performance, energy use and workforce demand—insight that translates into faster, more precise action.

02

Market-Adaptive Supply Chains

Built for Resilience at Scale

Market-adaptive supply chains recast facilities as systems built to absorb economic shocks, overcome labor shortages, navigate global conflict and minimize cybersecurity risks—all while sustaining performance. Global procurement, vendor consolidation and governance, scenario planning and contractual resilience are the mechanisms that translate volatility into stability.

Retailers, for instance, have successfully utilized CBRE's extensive supply chain network, AI and advanced analytics tools during tariff spikes to avoid disruptions in their operations, demonstrating how proactive risk management and integrated technology can safeguard business continuity.

Market-adaptive portfolios elevate procurement into a risk-control instrument at the center of portfolio strategy.

03

Cost-Predictive Operations

Shift Variability to Visibility

Historically, real estate service delivery relied on transactional contracts, fragmented vendors and unpredictable costs. Cost-predictive models replace that variability with outcome-based delivery, unifying labor, supply chains and technology into a system designed for financial clarity.

This approach shifts performance measurement from inputs to outcomes, supported by aligned incentives, dashboards and integrated governance. One global bank applied this model across hundreds of sites, consolidating dozens of vendor contracts into a single outcome-based agreement. The result: spend variability fell by more than 30%, giving its finance team reliable forecasts and freeing leadership to redirect capital toward growth.

Cost-predictive portfolios deliver clarity in cost, cohesion in delivery and the confidence to scale.

What if your facilities could anticipate needs, withstand market disruptions and deliver predictable results at the same time? For many organizations, facilities management (FM) is a behind-the-scenes function. Yet it's one of the most critical levers for operational performance, cost control and business continuity. **Real estate leaders need an FM model that keeps pace with uncertainty and transforms it into an opportunity.**

The Flywheel Effect: Three Engines, One Continuous Motion

The strength of this model is not in its parts but in their integration: when self-optimizing, market-adaptive, and cost-predictive engines operate as one, they generate a flywheel of continuous improvement and accelerating value.

Rather than functioning as separate mechanisms, each gear powers the others, creating a compounding advantage. Together, they function as an operating system that's dynamic, self-reinforcing, and built to scale. Self-optimizing portfolios generate efficiency gains that feed into cost predictability; market-adaptive models safeguard those gains from disruption; and cost-predictive frameworks then lock in the value through aligned incentives.

Working in sync, under a unified strategy, these engines support balanced, resilient real estate portfolios that not only withstand disruption but thrive, delivering consistent, long-term value.

Steps to Build a Future-Ready FM Model

- 1. Diagnose and prioritize.** Pinpoint the risks and inefficiencies that matter most to performance, cost or continuity.
- 2. Centralize intelligence.** Unify systems, data and governance into a single platform for decision-making.
- 3. Build around outcomes.** Reverse-engineer delivery models based on defined success metrics rather than tasks.
- 4. Pilot, measure and scale.** Prove the value at high-impact sites and validate results before scaling strategies across the portfolio.

The C-Suite Dividend: Turning FM into Enterprise Value

At the highest levels of the enterprise, the effects are unmistakable:

- **CFOs** gain greater cost certainty and financial visibility, enabling them to make better capital allocation decisions quickly.
- **COOs** experience improved operational stability, ensuring continuity even under external pressures.
- **CPOs** see strengthened supply assurance and risk mitigation through procurement scale and vendor consolidation.
- **CHROs** achieve fewer disruptions from labor shortages, enabling facilities teams to focus on higher-value, proactive work.

Standing Still is the Riskiest Move

Disruption isn't slowing down. Organizations that delay FM transformation initiatives risk managing today's problems with yesterday's tools. Those that act now will build future-ready portfolios that think, adapt and perform, no matter what comes next.

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1. <https://www.statista.com/statistics/1275029/length-of-downtime-after-ransomware-attack-us>

2. Based on customer data

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A Counterintuitive Approach to Leadership



Amy Bernstein

ONE OF THE HARDEST things about becoming a leader is learning to pull yourself out of the everyday details so that you can focus on the big-picture stuff—vision, strategy, resource allocation, and so forth. That’s what we’re supposed to do—right?

Maybe not. Scott Cook, cofounder of Intuit, and Nitin Nohria, former dean of Harvard Business School, studied four of the world’s top-performing companies—Amazon, Danaher, RELX, and Toyota—and made a discovery. At these companies, they write in “The Surprising Success of Hands-On Leaders” (page 72), the most senior leaders “spend an inordinate amount of time...architecting the day-to-day methods of execution in ways that set the standard and teach others to do work well.”

They’re not micromanaging. These leaders are teaching and

modeling behaviors, Cook and Nohria write, with the goal of building “a system that performs reliably even when they’re not in the room.”

That’s a worthy goal, by any definition of leadership.

I also want to draw your attention to a new section in this issue. It’s called In Focus, and it’s intended to bring you the very best work that HBR.org has published recently on a topic of the moment. We produce our magazine every other month, but each day on HBR.org we publish a wealth of insight on subjects that are urgent right now. In this issue, we focus on “Leading in a Low-Growth Economy.”

As always, I’d love to know what you think of what we’re doing.

Amy
Amy Bernstein
Editor in chief

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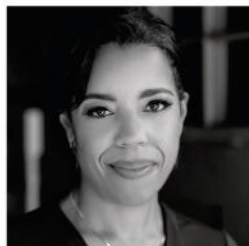
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Contributors



Falling into a professional rut—where progress feels impossible—is one of the most common challenges faced by the executives that **Muriel Wilkins** has coached over the past 20 years. To understand the causes of such stall-outs, she analyzed data from more than 300 clients and found that their biggest obstacles were often self-imposed. In her article in this issue, she shares her insights about the seven mental traps that leaders fall into—and how to break free of them—which are drawn from her book *Leadership Unblocked*.

131 The Hidden Beliefs That Hold Leaders Back



As a child **Julia Minson**, an expert on conflict management at Harvard's Kennedy School, had to learn how to manage disagreements. "I came from Russia with my mom when I was 12, and she married an American with two kids," Minson says. "Imagine being an immigrant in middle school with a new stepfather and step-siblings!" Today her research focuses on how people can overcome their differences and have productive conversations. In her article in this issue, she and her coauthors explain that the words people choose—rather than their mindsets—are the key to resolving conflicts effectively.

108 A Smarter Way to Disagree



Organizations devote a lot of time to debating the technical strengths and weaknesses of generative AI tools. But according to **Bharat Anand**, the new dean of New York University's Stern School of Business and an expert in digital transformation, firms need to focus instead on how to implement the new technologies strategically. To help companies do that, he and his coauthor have created a framework for how to adopt gen AI while minimizing its risk.

118 The Gen AI Playbook for Organizations



Cambridge Judge Business School professor **Christopher Marquis** spent a lot of time in China in the 2010s, just as Xi Jinping was rising to power. Marquis noticed that when the political climate in the country began to shift, executives there became more and more indecisive about their business strategies. The experience got him thinking about how companies successfully navigate periods of uncertainty. In this issue he explains the practices that firms can follow to survive volatility.

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Since his early days as an amateur photographer, **David Oliete Casanova** has been shooting the *castells*—human pyramids constructed during festival celebrations in his native Catalonia. Declared monuments of cultural heritage by UNESCO, *castells* stand for "strength, balance, courage, and common sense," Casanova says, making them an apt image to represent the style of leadership described by Scott Cook and Nitin Nohria in this issue.

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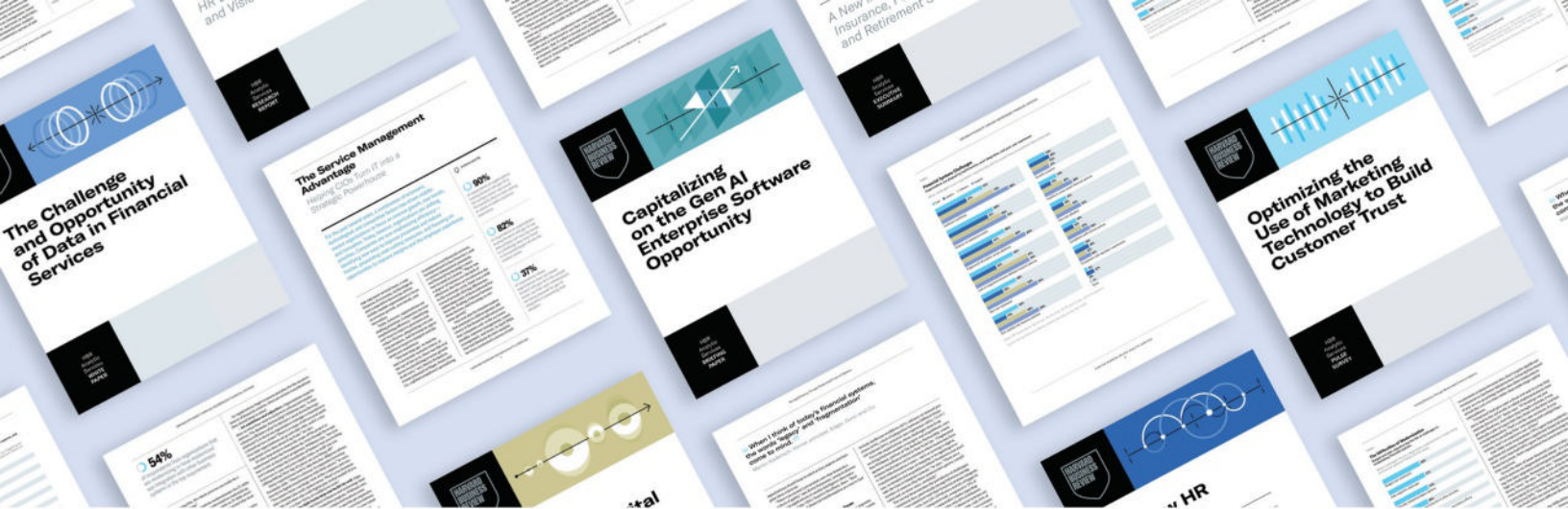
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IN THEORY

Does Your C-Suite Really Operate as a Team?

Most senior executives focus on their functional group, not on their peers.

THE BEST GUITARIST, drummer, keyboard player, and singer don't necessarily make the best band. That's because individual skills don't ensure stellar group performance. New research suggests the same holds true for top executive teams. Companies are hiring the best functional experts to be their chief marketing officer, chief financial officer, and so on, but when these senior executives come together, they don't



To break down silos and get senior leaders working as a true team, companies should set shared goals at the start of each fiscal year.

necessarily gel as a unit. They don't identify primarily as members of the C-suite team, their goals are often misaligned, and they aren't always evaluated on collective results. That needs to change.

That's the conclusion reached by Gartner, the global research and advisory firm, after investigating how well top executives work across disciplines. Researchers conducted two surveys—one of 200 U.S.-based CXOs and another of 303 global CEOs and 153 other global senior executives during 2023 and 2024. Their findings were surprising: Just 31% of C-suite executives considered their peers in the C-suite to be their primary team. According to their analysis, most CMOs identified primarily with the marketing team, CFOs with the finance group, and so on. Although it may seem like a subtle thing, the author concluded that it contributes to behaviors and dynamics that create dysfunction and underperformance. This is concerning, especially given that the same research found that only 34% of CEOs think their C-suites are prepared to handle the challenges companies are facing.

"Most C-suites operate as a group of independent leaders rather than as a unified team," the author writes. In part, that's because companies base promotions on individual skills and performance without sufficiently considering how well an executive will work across functions or as a member of the executive leadership team. And they often compound the disconnect by asking CXOs to meet performance metrics specific to their function. "Business unit success doesn't always equate to collective C-suite success," says Rachel

Juley, a director in the Gartner HR practice and the study's lead author.

Gartner argues that chief human resource officers (CHROs), who are the most attentive to and skilled in dealing with team dynamics, should take the lead to solve this problem. The research suggests that C-suite interactions often go off track because individual leaders are overemphasizing or underemphasizing typical core leadership behaviors of executive teams such as collaboration, conflict resolution, decision-making, executive learning, and influence. A CMO who overemphasizes collaboration, for instance, may try to involve too many departments in decision-making, working hard to build consensus but taking too long to make decisions, leading to delays in, say, new product launches or ad campaigns. A CHRO should monitor whether members of the top team are over- or underemphasizing the core leadership behaviors and compare notes with the CEO to identify persistent patterns.

Beyond keeping an eye on how top executives interact, Gartner recommends three actions to improve how the top team works together:

Create a mitigation plan when necessary. Gartner identified seven intervention tactics that successful CHROs use when an executive's behavior undermines collaboration. They range from mild to intensive and include networking (the least aggressive intervention), peer coaching, executive coaching, reassignment, and dismissal (the most aggressive).

Networking, for example, creates opportunities for C-suite members to exchange information with peers at other companies; an executive with a deeper

network, the thinking goes, is likely to have more collegial relationships and more resources to compare notes with or turn to for advice. Because encouraging senior leaders to network is neither disruptive nor heavy-handed, it's a good first step to improve people's behavior.

Executive coaching—hiring an outside consultant to provide an individual with objective feedback, a sounding board, and a formal plan for development—falls near the middle of the spectrum. This tactic is moderately disruptive (and expensive), so companies should use it only when negative behaviors are severe or repeated frequently. The most aggressive tactic is firing the executive, and naturally, companies should use it as a last resort.

Continually evaluate the team's collaboration and capabilities. Building a successful leadership team requires more than hiring the right people, informally monitoring their behavior, and providing a few timely interventions. It requires deeper ongoing evaluation, with a focus not only on executives' individual performance but also on whether they have what it takes to support the broader C-suite as the company's strategies evolve. Unfortunately, organizations focus mostly on capabilities when they make hiring decisions. And once executives are on board, they continue to be measured on individual performance instead of how well they're working with peers or how their skills align with new needs. Gartner recommends that companies create a formal process with a regular cadence to evaluate C-suite collaboration and capabilities.

Evaluations should be conducted immediately if signs of trouble appear,

such as a spike in employee turnover, a sudden drop in financial performance, or a steep productivity decline. “These triggers create an ideal opportunity for CHROs to ask the CEO, ‘Do we have the right talent within the C-suite?’” the author writes. If a gap exists between the top team’s capabilities and what’s needed for success, the CHRO and CEO should talk about whether one or more roles require an upgrade.

Establish mutual goals. To break down silos and get senior leaders working as a true team, companies should set shared goals at the start of each fiscal year—ambitious goals that C-suite members are accountable for together. Alignment like this helps leaders focus on what they need to accomplish as a group. According to the author, those goals should lead to a short list of strategic priorities for the whole organization. “Establishing mutual goals creates a shared sense of purpose in the C-suite,” Juley says. “A shared purpose leads to sustained, collective high-performance by your leadership team.”

And although the CHRO should focus most intently on building successful dynamics within the C-suite, CEO participation is critical throughout this process. At too many companies, “the CEO hasn’t set one unifying C-level goal, just individual business unit goals,” Juley says. “It’s the CEO’s job to ensure that the mechanisms are in place for everyone to contribute to and accomplish that goal.” ■

HBR Reprint F2506A

 **ABOUT THE RESEARCH** “CHRO Strategies to Elevate C-Suite Performance” (Gartner white paper, 2025)

IN PRACTICE



“We Want What’s in the Best Interest of the Team, Not the Department”

Kim Mota is the chief human resource officer at Barracuda Networks, a cybersecurity company that has seen a high level of C-suite turnover in the past two years. She spoke with HBR about the unique steps Barracuda is taking to ensure its leadership team collaborates well. Edited excerpts of the conversation follow:

What is Barracuda’s approach to building a collaborative C-suite? It starts during the hiring process. At Barracuda every C-level executive interviews every finalist C-level candidate. At other companies, when I hired a C-level executive, finalists interviewed with only a small subset of the C-suite, and we didn’t take into consideration whether they had good chemistry with executives from other departments. At Barracuda we created a scorecard for hiring executive candidates, and many of the categories are related to chemistry. For instance: Can I see myself working with this executive, and can they work with me? Then we’ll meet as a team before we decide. Except for our CEO and CFO, the rest of the C-suite has been with us for less than two years, so much of the team has been hired using this process.

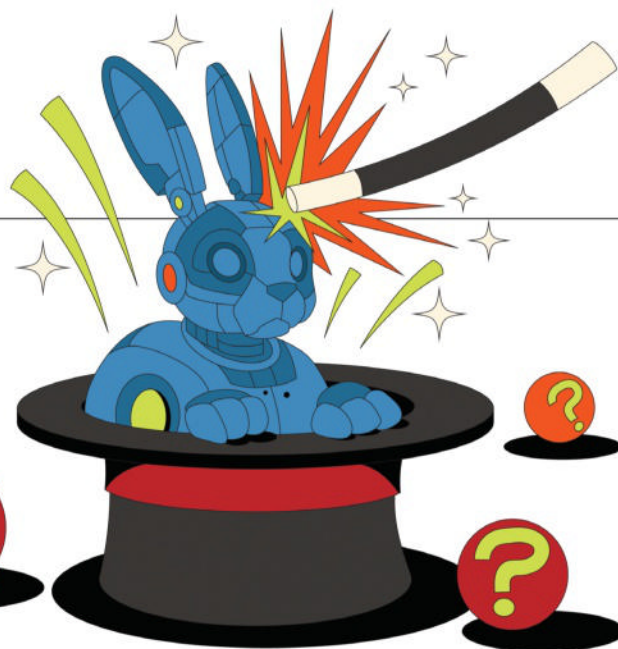
Can you give us an example of someone who scored poorly? We had two final

candidates for a role. One showed an arrogance that didn’t fit our team’s chemistry. He was qualified and intelligent, but he was less humble than the rest of the team. We emphasize that everyone in the C-suite, and at the company, needs one another to succeed. We want what’s in the best interest of the team, not the department. We shouldn’t treat one business unit as if it’s more important than others. We shouldn’t even have the mindset that we run separate units. Obviously, we hired the other candidate, who displayed humility and a focus on teamwork.

Collaboration seems easy when things are going well. But what about when the company is struggling? We had to do two rounds of layoffs this past year. Our C-suite executives sat in a room together solving the problem as a single team. At other companies, the CIO would have deflected blame from the IT department, or the CMO might have blamed the sales department. Everyone would have tried to protect their direct reports by emphasizing the failures of other departments. We didn’t do that.

How often does Barracuda’s C-suite meet? We have virtual meetings every week. We meet in-person at least once a quarter, usually before board meetings. We make it a point to ask about one another’s families and to share personal updates. We want our team to build rapport, and we’re happy to dedicate time to it. This is a common team-building approach for departments and small teams. But I’ve never seen it on the executive level.

How has Barracuda dealt with tension within the C-suite? Direct and head-on is how the executive team deals with tension at Barracuda. When there is tension, I encourage the executive team to have conversations with the other person, so the issues don’t continue to grow. If one leader doesn’t feel they are making progress, I will have a very direct conversation with the exec as well. In most instances when I have had to have that type of conversation with a member of the executive team, up to and including my CEO, the message was received, and the other person was appreciative for the direct and honest feedback. We’re a team here at Barracuda, we’re family, we all want each other to succeed. We don’t have time for tension or conflicts. ■



TECHNOLOGY

Who Embraces AI?

You may think that tech-savvy consumers are the most willing to try AI products and services, while those without know-how are slower adopters. The opposite is more likely.

Across seven studies involving thousands of U.S.-based participants, researchers found that the less people knew about AI and how it worked, the more receptive they were to using it.

In one study 234 undergraduate students were given an AI literacy test and then asked whether they'd use AI tools to do their homework and, if so, how (for generating ideas, writing a first draft, or producing the entire assignment). The researchers found that the worse students performed on the literacy test, the more likely they were to say they'd use AI tools extensively. That was true regardless of whether an assignment was research-based, like a history paper on World War I, or creative, like a poem about falling in love.

In follow-up experiments the researchers examined the relationship

between AI literacy and people's feelings and assumptions about the technology: Did participants fear it? Did they think it was unethical? Awe-inspiring? Surprisingly, the researchers found that people with lower AI literacy believed that AI was less capable and less ethical than did people who had more knowledge—and yet they were still more open to using it. That's because people with low AI literacy were more likely to be dazzled by what the technology could produce. AI's "magical" quality—its ability to create highly polished, detailed content from thin air—fueled their interest in trying it.

"These findings challenge a core assumption in tech adoption: that more education will naturally lead to greater adoption," the authors of the studies write. "In reality, as knowledge about AI grows, interest in AI-powered products and services may diminish."

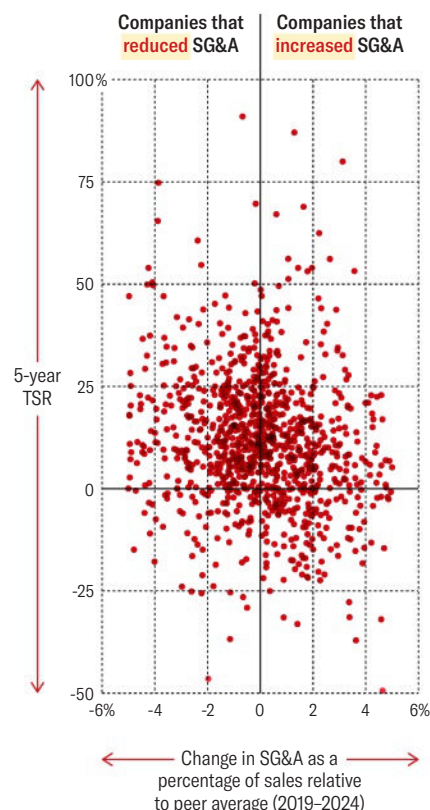


ABOUT THE RESEARCH "Lower Artificial Intelligence Literacy Predicts Greater AI Receptivity," by Stephanie M. Tully, Chiara Longoni, and Gil Appel (Journal of Marketing, 2025)

MANAGING UNCERTAINTY

Cost Cutting Alone May Not Lead to Higher Shareholder Returns

Amid economic instability, many firms make belt-tightening a major strategic priority. However, an analysis of 1,000 Russell 3000 companies from 2019 to 2024 showed that cuts to selling, general, and administrative expenses (SG&A) had no correlation with growth in companies' market value. While operational efficiency is no doubt important, cutting costs in isolation from other strategic changes doesn't necessarily result in superior long-term returns.



Source: AlixPartners analysis

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COLLECTION

KIMPTON

HOTEL
INDIGO

VOCO

Ruby

華邑酒店
HUALUXE

CROWNE
PLAZA

IBEROSTAR
BEACHFRONT RESORTS

EVEN

Holiday Inn Express

Holiday Inn

Garner

avid

ATWELL
SUITES

STAYBRIDGE
SUITES

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REWARDS

EMPLOYEE ENGAGEMENT

When Team Traditions Backfire

Lots of research shows that team rituals help boost employee engagement and loyalty. But when they move from the simple, like a team cheer, to the complex, like an annual holiday party, their value becomes less clear.

In a new study researchers asked U.S. participants to describe their experiences with complex rituals, including corporate offsites, onboarding events, award ceremonies, and holiday gatherings. They discovered patterns in the responses: On the plus side, people said they enjoyed the social connection, the perks (like free food), and the energetic and positive environment those events could create. But people also reported that complex rituals could be time-intensive, eating up working hours and requiring personal sacrifices to attend. What's more, some participants noted that these events encouraged inauthenticity and made them feel undervalued or excluded.

The researchers then examined the effect that complex rituals had on employees' engagement and behavior in the weeks and months after an event. Studies conducted in the United States and Germany found that when employees reported mostly positive experiences at an event, they became more engaged, more helpful toward coworkers, more likely to feel upbeat about the organization, and less likely to search for a new job. However, when employees had mostly negative experiences at an event, those benefits disappeared.



This has important implications for organizational event planning, the researchers say. "It may be easy to focus on a great location, awesome food, and a fun atmosphere....But it is equally important to make sure that negative experiences...are prevented. Otherwise, organizations risk getting zero return on their investment of time, energy, and money," they write.

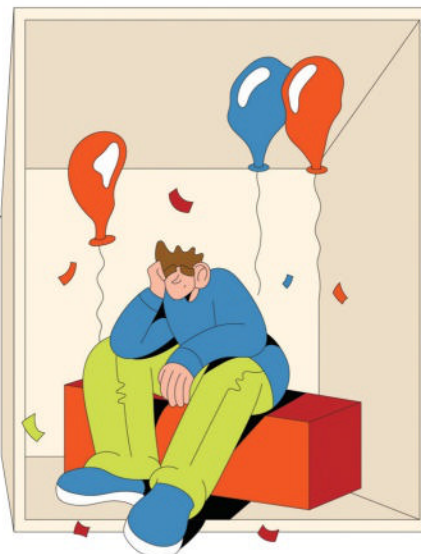
ABOUT THE RESEARCH *"Is Everyone Having a Good Time? The Effects of Complex Organizational Rituals on Employee Engagement and Behavior," by Junhyok Yim et al. (Journal of Management, 2025)*

MOTIVATION

Music Can Help You Focus—to an Extent

The right tunes can make a party lively or a commute more relaxing. But what impact does listening to music have on serious tasks, like focused work? It depends on how much of it you listen to—and on your willpower.

In a lab study 252 U.S. participants created playlists on Spotify and then completed 19 rounds of proofreading, doing the first five rounds in silence



and the next 14 while listening to their playlists. Initially, the music boosted their proofreading scores, but after the seventh round of listening to it, their performance began to dip, eventually becoming worse than when they had worked in silence.

Another study tracked 247 U.S. employees over three weeks. Each week, participants were randomly assigned to listen to either little to no music, one hour more than usual per day, or three hours more than usual per day. They were also asked about their willpower (whether they felt energized or drained by mentally demanding tasks) and filled out daily surveys about their focus and performance. People who listened to music reported having better focus and performance than people who did not. But when the researchers looked closer, they found that music's effect on performance wasn't the same for everyone.

Participants who appeared to have strong willpower (they felt energized by hard tasks) maintained their focus and performance regardless of how much music they heard. But for those whose willpower seemed limited, listening more than usual was associated with significant declines in focus and performance.

PEOPLE WON'T PAY FOR NEW AI FEATURES

Companies have been making big bets on the benefits AI might have for their customers—and spending a lot to develop them. But a survey of 2,354 U.S. adults found that only 8% would be willing to pay extra for additional AI capabilities in the products they use. ZDNet-Aberdeen March 2025 survey

The researchers say that this is probably because listening to music makes demands on cognitive resources, “siphoning attention away from work tasks and leading to performance declines.” That can be especially pernicious for people who feel they are easily depleted by strenuous tasks. Such people should pay attention to how much music they listen to while working, say the researchers. If the amount starts to tip beyond the usual, it may be time to hit the off button.

ABOUT THE RESEARCH “Too Much of a Good Thing? A Multilevel Examination of Listening to Music at Work,” by B.A. Scott et al. (Journal of Applied Psychology, 2025)

DEALMAKING

Low Trust in Negotiations Can Lead to High Gains

Building trust is key to forging successful business partnerships. But a new study found that for first-time negotiations, a shared sense of skepticism may be even more valuable.

Researchers divided 160 MBA students from India into pairs, randomly assigning one person to play a job recruiter and the other a candidate for an open position. Each pair had to negotiate eight issues simultaneously: vacation days, insurance coverage, bonus,

moving expenses, salary, start date, job location, and department. The two parties’ priorities were likely to differ on some issues, requiring trade-offs; with others one party would directly lose while the other gained; and on others the two parties were likely to be compatible. Before each negotiation began, both parties were surveyed regarding their level of trust in other people—for example, by being asked how strongly they agreed with statements like “I believe most people are basically well-intentioned.”

The researchers found that when both members of a pair scored low on trust, their negotiations had the highest joint gains—producing up to 15% more value than other pairings. The

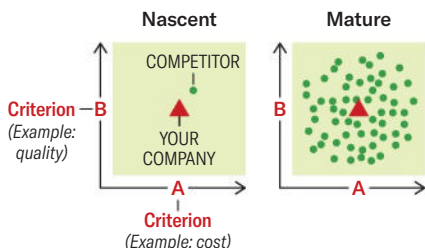
COMPETITIVE STRATEGY

Should Your Company Innovate or Imitate?

Many firms prize innovation, but given the steep cost of failure, is it always advisable? Or might it sometimes be more lucrative to imitate competitors?

Industry maturity

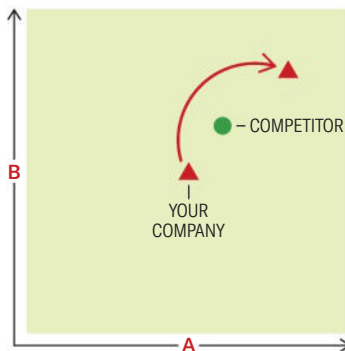
To find the right strategy, companies must first determine whether they operate in a nascent industry with relatively few rivals or in a crowded, mature industry. Next they should plot how they compare with competitors on key industry performance criteria (for example, in the airline industry, on quality and cost).



Source: “When to Innovate and When to Imitate,” by Felipe A. Csaszar, Rebecca Karp, and Maria Roche (HBR.org, 2025)

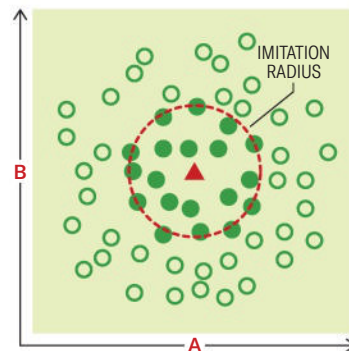
Nascent industry

In nascent industries it’s more advantageous to leapfrog over competitors and chart out new territory. Your company can establish itself as a leader, while others experiment with incremental improvements.



Mature industry

In mature industries it’s better to imitate companies that are near you in the competitive landscape—that is, rivals within your “imitation radius”—rather than distant leaders on the industry’s frontier. Sequential imitation of nearby competitors can help you build important capabilities as you catch up—while attempting to mimic leaders may drain your resources.





In a study of more than 9,000 hosts on Airbnb, researchers found that people who smiled in their profile photos were 3.5% more likely to have their properties booked than people who didn't. The effect was even larger when hosts were men or new to the platform. "Serving with a Smile on Airbnb: Analyzing the Economic Returns and Behavioral Underpinnings of the Host's Smile," by Shunyuan Zhang et al.

researchers say this is likely because dual skepticism inspired more-rigorous questioning and fewer assumptions, which produced smarter agreements.

While low-trust pairs scored the best across the negotiations, pairs with two highly trusting people also performed well on compatible issues, suggesting that being trusting may benefit deals in which both parties have similar aims.

The researchers caution that their study examined negotiators who hadn't collaborated before, so it's possible that for longer-term negotiation partners, trust may play a different, more important role. However, their work provides evidence that strategic caution, when shared, can help create mutual value.



 **ABOUT THE RESEARCH** “*Trust Propensity Congruence in Negotiations: Impacts on Joint Gains*,” by Ruchi Sinha, Sudeep Sharma, and Hillary Anger Elfenbein (Journal of Business and Psychology, 2025)

BUSINESS COMMUNICATION

Why Your PR Team Should Go All Out for a New CEO

Press releases and social media announcements can introduce your new CEO's strengths and expertise to the public and your stakeholders. They can also provide financial benefits to your firm and its new leader, a new study shows.

The study examined 557 CEO successions at S&P 1500 companies that occurred from 2009 to 2013, looking at how frequently and centrally new CEOs

were mentioned in firm communications in the year following succession. It also tracked analysts' ratings in the year following their appointment, and CEOs' pay, turnover, and the number of directorships each executive held over several years.

The researchers found that frequent, significant messaging about new CEOs increased analysts' ratings. Drawing on previous research about analyst ratings and abnormal returns, the researchers estimated that an increase in communication of one standard deviation above the mean was associated with an increase in market capitalization of roughly \$213 million.

CEOs also saw benefits. Above-average communication was associated with a bump in CEO pay—relative to peers—of 184%, a 40% increase in board seats at other companies, and a 40% decrease in turnover.

The researchers say that their study provides evidence that devoting early

resources to publicizing a change in leadership may pay dividends for the firm in the short term and its new leader in the years to come.

 **ABOUT THE RESEARCH** “Agent-Oriented Impression Management: Who Wins When Firms Publicize Their New CEOs?” by Hyunjung Yoon et al. (Journal of Management, 2025)

CREATIVITY

To Find Great Ideas, Try Lowering the Bar

Many firms host hackathons or run idea incubators to spark innovations. But what if the criteria used to pick winning pitches prevents the best ones from moving forward?

That was the question explored by a study that tracked what happened when AppCampus, a tech accelerator run by

Microsoft, Nokia, and Aalto University in Finland, altered how it decided which mobile-phone apps to fund. Over its three years of operation, AppCampus employed three different sets of selection criteria. First, it emphasized novelty and was open to all applicants. Then, it focused on mass-market appeal and developers' success with previous apps. Later, the program became invitation-only and prioritized developers who had already worked with Microsoft or had qualified at prescreening events.

As the criteria became stricter, the accelerator's ability to pick winning apps didn't increase, and in fact, in the last round it got worse: There were more "false negatives" (apps that were rejected by AppCampus but were developed independently and became successful) and "false positives" (funded pitches that either never materialized or had very few downloads) than in the previous rounds.

To determine why, the researchers conducted 126 interviews with the AppCampus staff and board. They identified two causes: First, a developer's past success wasn't a good predictor of the ability to produce a future hit. Second, in the latter rounds experienced developers knew they'd be favored, so they presented their lower-priority projects, saving their best for other investors.

The researchers say that instead of ensuring better investments, additional criteria may cause evaluators to overrely on simple metrics and miss great ideas.

 **ABOUT THE RESEARCH** "Selection Regimes and Selection Errors," by Dmitry Sharapov and Linus Dahlander (Organization Science, 2025)



GENDER

How to Get More Women to Apply for Top Jobs

It's well known that women are underrepresented in both leadership roles and the candidate pools companies select from. Now new research reveals one thing that could help shift the imbalance: citing the gender gap explicitly.

In one experiment 1,002 U.S. participants solved puzzles to earn money. After a few rounds of puzzles, they were asked to choose the payment structure for the final round: They could either earn money for each puzzle completed or compete against other players in a tournament that offered a higher payout to the winners. Before making a decision, half the participants were shown a message stating that women were less likely to enter competitions than men, which could give men an advantage. Among those who didn't see the message, 24% of the women (and 46% of the men) chose the tournament option. In contrast, 56% of the women who saw the message opted to enter the contest.

The researchers then conducted a field experiment with 4,245 U.S. women in partnership with a large executive

job-search platform. After logging into it, half the participants saw a banner saying that a study had found that people underuse job resources, which gave an advantage to candidates who applied to many jobs. The other half saw a banner explaining that women were less likely to compete for jobs, which gave men the upper hand. The researchers found that women who saw the second banner applied to over 20% more jobs on the day they viewed it than the women who saw the message about job resources did.

The researchers believe this happened because women were resisting stereotypes suggesting they were expected to behave a certain way. Learning about the gender gap in competition encouraged women to defy the stereotype and take action, the researchers write.

"Our work demonstrates that women's willingness to compete is shaped by and malleable to perceptions of societal and cultural norms," they say. Their research provides one method of harnessing those norms to encourage top talent to apply for jobs.

 **ABOUT THE RESEARCH** "Can Stereotype Reactance Prompt Women to Compete? A Field Experiment," by Sophia L. Pink et al. (Organization Science, 2025)



How We Did It

The CEO of Advocate Health on Fostering Innovation Through Partnerships

by Eugene A. Woods

THREE YEARS AGO, two major health systems—one rooted in the Midwest, the other in the Southeast—came together to form the third-largest non-profit care system in the nation, called Advocate Health. But that combination wasn't a finish line. It was a launchpad.

Our reason was clear: Healthcare was at an inflection point, and we believed that by joining forces, we could redefine it—for our patients, our teammates, and our communities. Today, Advocate Health spans 69 hospitals

Courtesy of Advocate Health



An engineer might observe a procedure in the morning, refine a prototype in the afternoon, and collaborate with a physician by evening.

and 1,000 care sites, with about 170,000 teammates serving 6 million patients across two regions. Scale alone doesn't transform, however. What matters is how you use it.

We've chosen to leverage our size to drive innovation—through true collaboration that further expands the benefits to our patients. This means forging deep partnerships with leading technology companies, academic institutions, and medtech pioneers. In particular, we're reshaping the future of care through three interconnected areas: artificial intelligence; our new innovation district in Charlotte, North Carolina, called The Pearl; and clinical trials. Together, they position us not only as a healthcare provider but as a living laboratory to advance bold new ideas, with the goal of reimagining a field in dire need of change.

TAKING AI FROM BUZZWORD TO BEDSIDE

Artificial intelligence is poised to transform healthcare, but that will happen only if it is deployed as a core investment to help revive humanity in medicine.

At Advocate Health we've embraced AI not as a hyped-up trend but as a strategic imperative. We are now the largest U.S. healthcare user of Microsoft's Dragon Ambient eXperience (DAX) Copilot—an AI tool that turns audio from patient visits into clinical notes. This saves many of our 21,000 physicians up to an hour a day of administrative work—time they can instead spend with patients. Our 42,000 nurses are also helping to codevelop the use of a similar Microsoft tool.

Beyond documentation, we're partnering with medtech-imaging company Aidoc to help radiologists diagnose brain bleeds in under three minutes, down from 25—time savings that can mean the difference between a patient recovering or suffering long-term disability or death.

We're also working with Microsoft, Artisight, and other companies to build an AI-powered "hospital room of the future" that combines ambient listening, AI-enhanced cameras, and telehealth—used with patient consent. In one example, the system detected seizure-like movements before a patient fell. A remote nurse intervened within seconds via monitor while an on-site nurse arrived in time to prevent harm. Given that there are one million falls in hospitals each year, 30% of which result in injury, that kind of innovation is important. In that moment, technology became a guardian of patient safety, and that system is one we can scale.

In the rural communities we serve, AI platforms also provide 24/7 virtual support, ensuring patients get timely consultations even if specialists don't live nearby. Someone in rural Georgia with a rare cancer is no longer isolated from expertise that's available in Winston-Salem or Milwaukee.

CREATING THE MEDICI EFFECT FOR MEDICINE

In Charlotte we've brought to life a vision inspired by what author Frans Johansson calls the Medici Effect—the recognition that breakthrough innovations often occur at the intersection of different disciplines and industries, and

it therefore behooves us to design for such interactions.

The Pearl, which we opened just this past summer, is a first-of-its-kind innovation district, designed to unite academic, industry, and clinical partners to accelerate the pace of progress. Its anchor is the Wake Forest University School of Medicine, which embeds AI, robotics, and advanced diagnostics into the curriculum. IRCAD—the global leader in minimally invasive surgical training—has also established its exclusive North American headquarters at The Pearl. And distinguishing the district even further, these institutions are colocated with medtech leaders including Siemens, Stryker, Medtronic, Johnson & Johnson, and Boston Scientific, whose professionals operate side by side with students, clinicians, and researchers.

An engineer might observe a procedure in the morning, refine a prototype in the afternoon, and collaborate with a physician by evening. This is the Medici Effect in action—breakthroughs born from the collision of diverse expertise. And it's a testament to the power we see in partnership to co-create a better future.

ACCELERATING CLINICAL TRIAL DISCOVERY

Clinical research is the third area in which partnerships are helping us push boundaries. We are launching the Advocate Health National Center for Clinical Trials (NCCT)—the largest provider-based platform in the country—to enable industry partners to access, often with AI assistance, the right patients from our pool of millions,



as well as relevant anonymized records from over 100 million encounters in our database, in order to move more quickly from the research “bench” to the bedside—and beyond.

The NCCT will create a more efficient path for partners to safely test their newest devices, technologies, drugs, and treatments—and for our patients, from rural Alabama to the South Side of Chicago, to enroll in these trials. For example, we treat approximately 50,000 new cancer patients annually, among the most in the nation for healthcare providers. Now they will have greater access to leading-edge cancer treatments and trials, regardless of geography.

Taken together, these three efforts (AI partnerships, The Pearl, and the NCCT) reflect our vision of Advocate Health as a platform for transformation, and they underscore our core belief that solving healthcare’s toughest challenges demands radical collaboration.

ADVICE FOR INNOVATORS BEYOND HEALTHCARE

While our journey is in healthcare, what we’ve learned should be universal and hopefully helpful for those in other fields seeking to innovate. Here are some of our key strategies and takeaways:

Set a strong foundation so that you can build bridges with others. At Advocate we have worked hard to get our foundation right—an inspiring purpose, an open culture, and a solid infrastructure. And internal surveys show that our teammates, despite all the significant changes of the past few years, are with us. In fact, 85% say they feel proud to be

part of Advocate Health. They believe in the direction we’re heading, and as a result, they’re willing to not just adapt to change but help lead it.

Embrace the unknown. It wouldn’t be called “innovation” if the destination were known. To leap into uncertainty, organizations need more than strategy—they need a specific mindset. At Advocate Health we call it fearless curiosity and unshakable optimism. It’s the belief that the unknown isn’t something to fear—it’s something to explore. And it’s the conviction that progress is possible, even when the path isn’t yet visible.

Seek to drive innovation through true collaboration. Co-create with external experts, design shared spaces for real-time teamwork, and treat partnerships as strategic assets. Too many companies want to sell their latest products and services and walk away. But, given our scale and the life-altering nature of our work, we partner with those willing to design, iterate, and build with us.

Choose partners with whom you have alignment—on purpose as well as vision. For us that means companies and institutions that have a similar outlook on healthcare’s future and leaders who prioritize mutual learning coupled with a heavy dose of humility. Key questions include: Are potential partners here to build something better together, or are they taking a more transactional, win-lose approach? Do our values really align around caring for all, especially the most vulnerable—from patients in the most rural areas to those in the most urban communities we serve? Can we do things bigger, better, faster together than we could do alone?

Innovation that doesn’t serve the underserved is incomplete. Real transformation begins when we ask harder questions: Who is this innovation for? Who might be left behind? AI, genomics, and digital therapeutics all hold promise—but only if we embed ethics and a commitment to access for all from the start.

In fact, one key reason IRCAD chose to partner with us at The Pearl is because we both saw that alignment almost immediately. I traveled to France to sit down with Jacques Marescaux, IRCAD’s founder and president, to talk about what might be possible together—especially to democratize innovation. His goal of teaching a new generation of robot- and AI-assisted surgeons inspired me. Advocate’s commitment to creating new models to connect our large network of facilities and clinicians inspired him. We agreed that an IRCAD North America focusing on specialties like advanced brain, heart, and cancer interventions would help us both make faster progress on behalf of the patients we each serve—not just in well-heeled areas but also in the most challenged. That joint vision propelled us from an initial handshake to the opening of a shared facility in just a few years.

Use scale strategically, not just operationally. Leverage data, reach, and size to create platforms for experimentation. And make sure the effect of your scale is that you can pilot, refine, and deploy solutions faster, rather than get held up in red tape. Any time two or more large organizations work together, there is a risk that new structures will stifle entrepreneurial spirit. That’s why it’s important to form empowered rapid-cycle decision-making groups for every workstream, with direct access to senior leaders who can remove barriers.

On The Pearl project, for example, we had about 30 groups. I joke that The Pearl’s first phase was built faster than



To leap into uncertainty, organizations need more than strategy—they need a specific mindset. At Advocate Health, we call it fearless curiosity and unshakable optimism.



I could complete the renovation on my home, but it's true. We had to open by June 2025 so that we could welcome our first class of medical students, and sometimes there is nothing more motivating than a deadline. Then, just three days after the ribbon cutting, our leadership team met to map out the next phase: new buildings for further innovation to complement our med-tech hub.

THE FUTURE

On my desk sits a bright-red ink stamp that bears the phrase “The way things have always been done” boldly crossed out. It was a gift from Ed Brown, my mentor and our former board chair. He told me to use it often, and I do.

That's because we believe the future belongs not to those who preserve convention but to those who dare to reimagine it.

No single organization can solve society's most pressing challenges alone. Real, lasting change requires a movement—one rooted in deep collaboration across health systems, governments, businesses, nonprofits, and communities.

At Advocate Health we see this kind of innovation as our responsibility. Our commitment is to translate visionary ideas into everyday impact for the millions we serve in a way that is widely accessible and deeply human. We invite others to walk this path with us and to help us shape it, because when we move from imagination to implementation together, we not only transform systems—we transform lives. ■

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Courtesy of Advocate Health

From top to bottom: Part of the surgical ballroom of IRCAD North America, located at The Pearl; Eugene A. Woods officially opens the doors of The Pearl innovation district.



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One Challenge, Four Strategies



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Growth Isn't the Only Way for Companies to Create Value

by [ULRICH PIDUN](#), [VALENTIN SZEKASY](#), [BARBORA HAVELKOVÁ](#), and [ADAM JOB](#)

IT'S A BASIC goal of most companies: to grow revenue each year. But as globalization recedes, populations in many nations grow older (and buy less), and sustainability concerns lead more people to scrutinize the necessity of every purchase, companies are facing headwinds to growth. And while growth can be a particularly powerful differentiator in such a challenging context, it is also particularly risky. Pushing for growth at all costs can end up destroying value rather than creating it, through wasteful investments and the diversion of resources from the core strengths of the firm.

The question thus arises: How can companies build lasting value without growth?

Stability Has Its Perks

To find answers, we studied more than 10,000 companies from North America, Europe, and Japan over the past 20 years. From that cohort, we identified 172 stable firms, defined by steady, near-zero revenue growth throughout the period.

These stable companies delivered shareholder returns similar to market averages, but at 12% lower volatility. This low volatility also correlates with

both greater resilience and longevity: Stable firms were half as likely as the average firm to suffer severe value collapse by losing 90% or more of their market capitalization over the 20-year period we assessed. They are also nearly twice as old as the typical S&P 500 company, averaging almost 100 years of age. Finally, of these stable firms, 57 of them—one in three—managed to outperform the market in terms of total shareholder return (TSR).

If we look more closely at those 57 companies that outperformed, our analysis reveals that these successful, stable companies do not conform to a single profile: They sell to both consumers and businesses, offer products as well as services, and appear across a wide range of industries (though less frequently in fast-growing sectors, where they may be left behind by competitors).

Still, they share some notable similarities. For one, 25% of stable outperformers had an owner with a controlling interest, compared with less than 8% of companies in the S&P 1500—suggesting that a sense of ownership may play a role in enabling a disciplined, long-term-oriented approach to value creation. That is consistent with the observation that stable firms steered clear of the risks that often accompany aggressive growth, such as overly ambitious large-scale mergers or acquisitions, which have a failure rate of 70% to 75%.

Instead, these businesses used four distinct strategies to achieve outperformance in the absence of growth:

1. At your service: The asset-light play. Many businesses facing low-growth prospects react by seeking to acquire

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new customers—often at high cost—but stable outperformers are more likely to maximize value from existing customer relationships. They do this by shifting from physical products with declining demand to asset-light services and software. This approach not only deepens customer ties but also improves margins and lowers asset intensity.

The stable outperformers that made this shift increased their earnings before interest and taxes (EBIT) margins by eight percentage points between 2004 and 2024 on average, driven by 50% lower capital expenditures and 25% lower cost of sales. This enabled them to also achieve an average annual TSR of 9%.

This path is most common in asset-heavy industries undergoing digital transformations or in IT companies becoming more service oriented. More broadly, it may offer an interesting path for businesses facing commoditization or pressure from competitors.

A case in point is Siemens: In 2014 it announced an increased focus on software-as-a-service and digital twin technology. This move reflected a shift from traditional industrial conglomerate to digital industrial innovation leader, embedding software and data-driven services into its core offerings and creating more-resilient revenue streams and deeper customer integration. We found that while pursuing this strategy over the past decade, Siemens achieved an annual TSR of 12%.

2. Take the high-end road: The gross margin play. Mature businesses are often tempted to rely on a strong brand image while cutting costs. However,

enhancing quality can be a more sustainable path to value creation, helping firms establish a difficult-to-erode position and improve their gross margins.

The stable outperformers who “took the high-end road” increased their gross margin by, on average, 12 percentage points over the 20-year sample period. This enabled them to achieve an average annual TSR of 9%, driven mainly by margin expansion and a strong cash-flow contribution.

While we generally observed this strategy among consumer businesses, it may be relevant to many companies operating within a niche—whether because of product uniqueness or specialized expertise. By becoming irreplaceable, these businesses can strengthen their pricing power and move upmarket, whether they produce luxury goods or industrial components.

For example, Morgan Advanced Materials, a UK-based manufacturer of ceramics and carbon materials, developed products with superior thermal resistance, electrical insulation, and mechanical strength to better serve its customers in sectors such as aerospace, semiconductors, and electric vehicles, where components must operate reliably under extreme conditions. We found that Morgan’s superior products led to improved pricing power, doubling its margins over the 20-year period and achieving an annual TSR more than 3% above that of the FTSE 100—while not growing revenues in real terms.

3. No place like in-house: The balance sheet play. When revenue growth is out of reach, balance sheet expansion offers another alternative to create value.

Stable outperformers often grow their asset base through vertical integration to control a larger share of the profit pool and increase their value added. This approach also helps them build a unique asset portfolio that strengthens their differentiated value propositions and competitive moats.

On average the stable outperformers that followed this strategy doubled their total asset base as they vertically integrated. Their control of a larger share of the value chain allowed them to expand their gross margins by eight percentage points on average throughout our observation period. Their investments also yielded high returns: On average firms following this strategy achieved an annual TSR of 9%, driven by a cash flow contribution of 5%.

This strategy is most prevalent in asset-intensive sectors such as industrials, utilities, and materials—but any business with an already-differentiated product and significant market share facing cost pressures from suppliers may find vertical integration a compelling path to value creation.

The hospitality industry offers a striking example. Unlike most hotel chains that franchise their brands to accelerate revenue growth, Whitbread, owner of Premier Inn, the largest hotel brand in the UK, owns all its hotels, directly manages their operations, and even controls digital distribution as well as revenue management by centralizing bookings on a proprietary platform. Although this integrated strategy constrains rapid expansion, consistently delivering a high-quality customer experience is an essential pillar of its competitive advantage—which



Counterintuitively, constraints imposed by low growth can even become powerful catalysts for innovation.

we found has allowed the company to deliver 10% annualized TSR over the past 20 years.

4. Take it to the bank: The dividend play. Rather than aggressively pursuing growth, stable and mature companies often prioritize returning cash to their shareholders. However, without significant revenue growth, it can be challenging for these companies to meet dividend growth expectations and therefore to achieve high TSR. Our analysis identified an alternative strategy for value creation through dividends: providing consistent and predictable payouts that make their stocks behave like bonds.

This approach exhibited dividend volatility one standard deviation below the market average and offered investors greater stability and reduced risk, enabling these companies to outperform the market despite limited growth in revenues, margins, or dividends. These stable outperformers built financial slack, for example, by reducing their debt-to-equity ratios by 30% on average. In this way, they not only achieved a high and stable cash-flow contribution to TSR but also enhanced their valuation multiples by an average of 3% per year.

This strategy can be observed in all industries and sectors but is most applicable for companies with predictable streams of revenues and little fluctuation in investment patterns. Take GATX, a railcar leasing company: It has paid out uninterrupted quarterly dividends since 1919. Over the past 20 years, the firm has not had a reduction in dividend payouts for a single year and has maintained dividend volatility 1.5 standard

deviations below the average of our sample—driving annualized TSR of 12%, fueled almost entirely by cash flow contributions and multiple expansion.

What About Talent and Innovation?

Pursuing low-growth strategies does come with several challenges. For one, growth typically means opportunity—for career progression, new skill development, and other means of advancement. If a company isn't actively growing, these opportunities may be more limited, which could make it challenging to attract and retain top talent.

To counter this, companies executing a low-growth approach must be intentional in how they design their talent strategy. Some of the companies in our study leverage their stability to invest in long-term initiatives and partnerships to attract and develop talent. These efforts might include targeted recruiting programs, apprenticeship opportunities focused on specialized skills, industry certifications, or partnerships with local educational institutions. Such channels build community ties and create a consistent stream of candidates.

For example, the UK home builder Persimmon launched the Persimmon Academy in collaboration with local colleges to tap into overlooked labor markets in the regions where it operates. The program, which helps the company access new talent, shape skill development to align with its business needs, and foster stronger engagement across its workforce, has recently been expanded to new regions after its initial success.

Beyond talent pipelines, stable companies can also foster long-term engagement by reimagining the employee value proposition—for example, by highlighting perks such as opportunities for horizontal rather than vertical mobility and focusing on job security, enabled by the reduced volatility of a low-growth strategy. This approach may be particularly appealing to younger workers, many of whom have spent their careers in economically uncertain environments.

For example, Mondelēz International's internal talent marketplace, Match & Grow, lets employees take on short-term projects beyond their usual roles or functions, gaining exposure to new experiences and collaborating with different teams. Since its launch in 2023, more than 25,000 employees have participated in the program.

Another potential challenge for low-growth companies is maintaining an innovative culture—one in which creativity and imagination thrive. Without such a culture, complacency may set in. Yet rather than chasing disruption or innovating to unlock new markets, many of the stable firms in our sample highlight the power of continuous, incremental improvements.

For example, Diageo introduced an innovation team that focuses on integrating emerging technologies and experiences to enhance their existing portfolio; this team developed the world's lightest whiskey bottle for Johnnie Walker Blue Label, as well as an AI-powered virtual concierge that provides personalized cocktail and gift recommendations to consumers of its Seedlip brand.



Counterintuitively, constraints imposed by low growth can even become powerful catalysts for innovation. In fact, rapidly expanding companies sometimes purposefully introduce limitations to their use of resources to encourage creative problem-solving. Patagonia, for instance, has been growing at more than 9% per year (and is therefore not part of our sample), but it self-enforces strict sustainability standards that limit the materials used in making its products. By using only organic or recycled fabrics and urging customers to purchase fewer items, Patagonia has developed pioneering programs like its famous repair and buyback initiatives, central to its value proposition.

THE STRATEGIES AND success of stable outperformers show that growth is not the only path to value creation.

However, company leaders should bear in mind that, while the stable companies we identified could sustain out-performance over decades, their levers may be exhausted at some point: Margins cannot be increased beyond 100%, and dividend volatility cannot fall below zero. Pursuing a strategy of stability does not absolve leaders from having to continue to explore and revisit growth opportunities as conditions evolve. ▀

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In Turbulent Times, Consider “Strategic Subtraction”

by [VIJAY GOVINDARAJAN](#), [DANIEL J. FINKENSTADT](#), and [TOJIN T. EAPEN](#)

TODAY COMPANIES AROUND the world face increasing economic and business uncertainty, thanks to the volatile geopolitical environment and the rise of AI. In these challenging contexts, business leaders are tempted to engage in

“subtractive” tactics, such as cutting costs, streamlining operations, and eliminating waste.

Subtractive actions can be a powerful way of dealing with emerging situations where resources are tight,

 **ULRICH PIDUN** is the leader of the Strategy Lab at the BCG Henderson Institute and a partner at Boston Consulting Group. **VALENTIN SZEKASY** and **BARBORA HAVELKOVÁ** are ambassadors to the Strategy Lab of the BCG Henderson Institute. **ADAM JOB** is the director of the Strategy Lab at the BCG Henderson Institute.



IN FOCUS

Leading in a Low-Growth Economy

but they are shortsighted if the goal is only to improve efficiency at the cost of other objectives, such as resilience and visibility. Rather than simply using subtractive tactics to make indiscriminate cuts, strategic subtraction can help you innovate in a way that positions your organization to withstand the tumult, and even rebound.

This article introduces a “triple test” to help leaders gauge how any subtractive move will affect three essential performance goals: efficiency, resilience, and prominence. We then map out six distinct subtractive transformations you can apply to meet all three objectives in concert.

The Triple Test for Subtractive Strategies

The effective use of subtraction requires a holistic approach that considers multiple performance dimensions beyond efficiency. Begin by asking, “How can we innovate in turbulent times by subtracting to improve efficiency, strengthen resilience, and elevate our prominence?” For any innovation to thrive in 2025’s complex landscape, the use of subtraction must include three interrelated business performance goals:

- *efficiency*: minimizing resources, time, and effort
- *resilience*: adapting to disruptions and maintaining core functionality
- *prominence*: ensuring visibility and appeal to stakeholders

Relentlessly slimming a system for pure efficiency can leave it brittle and invisible, eroding long-term value instead of creating it. For example,

when firms pursued “just in time” inventory as the ultimate cost saver, many discovered during the pandemic that a penny shaved off warehousing was quickly lost to plant shutdowns, empty shelves, and public frustration when the fragile networks snapped. It was evidence that efficiency unsupported by resilience invites operational paralysis and revenue loss.

A starker lesson came from Boeing. Many years of aggressive cost-cutting on the 737 Max program trimmed design hours and testing budgets. However, the subsequent crashes created more than \$20 billion in direct costs and torpedoed decades of brand equity, showing how neglecting trust, reputation, and stakeholder confidence can turn short-term savings into an existential bill.

Subtraction that doesn’t pass the full triple test of efficiency, resilience, and prominence can turn today’s lean victory into tomorrow’s catastrophic liability.

Six Core Subtractive Transformations

So, how can business leaders go beyond efficiency improvements and use subtraction to innovate? Our experience in helping over 100 companies and organizations identify innovation opportunities in turbulent times suggests six distinct ways to apply subtractive thinking to processes, systems, products, and services while balancing efficiency, resilience, and prominence.

Elimination: Remove components, steps, or options entirely. This involves complete or selective removal of

elements that no longer serve essential functions. Elimination can target entire components, specific process steps, low-value options, unnecessary rules, or redundant handoffs.

For example, when IKEA finally discontinued its globally iconic paper catalog in 2021, it removed an entire cost-intensive print channel. That action saved the company an estimated 33,000 tons of paper each year. Efficiency rose through lower production and distribution spend; resilience improved because all product storytelling now updates instantly on digital platforms; and the move burnished prominence by signaling a decisive sustainability stance that resonated with younger shoppers.

Substitution: Replace complex elements with simpler alternatives.

This involves swapping out complicated components, processes, or systems with simpler alternatives that serve the same core function more elegantly. An example is Rwanda’s national health service, which replaced unreliable mountain-road couriers with U.S.-based drone startup Zipline’s battery-powered drones in 2016 to address blood-delivery issues in rural areas. A 2022 study in *The Lancet Global Health* reported a 67% cut in expired blood units as a result. The light, all-electric fleet required less labor and fuel (efficiency) and eliminated the need to traverse hazardous flooded roads (resilience), and the move elevated the country’s global reputation for health-care innovation (prominence).

Consolidation: Combine multiple functions into integrated solutions.

This encompasses both compression of



Relentlessly slimming a system for pure efficiency can leave it brittle and invisible, eroding long-term value instead of creating it.

processes and integration of multiple functions, components, or touchpoints into unified systems that deliver the same value with fewer moving parts.

For instance, Estonia's e-Residency rolls multiple bureaucratic tasks into a single digital ID. Using this system, entrepreneurs worldwide can launch and run an EU-based company entirely online with one smart-card log-in. Paperless filings reduce administrative burdens (efficiency), a cryptographically secure backbone guards continuity (resilience), and the program positions Estonia as a tiny nation punching far above its weight in digital governance (prominence).

Hiding: Conceal complexity while keeping it accessible. Organizations can lighten cognitive load—without sacrificing functionality—by selectively hiding complexity in everyday workflows, processes, and products. Tuck away any nonessential elements from the primary interface while preserving access when needed. For example, an employee-onboarding portal might reveal only the next required step while keeping full policy documents accessible with a single click. Or consider Otter.ai, an AI-powered transcription and collaboration tool. Its “Highlight” feature masks 100% of the transcript until you need it. The AI meeting tool now autogenerates a bite-size summary from user highlights, tucking the verbatim transcript beneath a single click. Teams spend less time scrolling (efficiency), the records are preserved for audits (resilience), and the feature positions Otter as a user-centric productivity champion (prominence).

Pausing: Temporarily suspend system components. Pausing involves strategically suspending features, processes, or services that can be reactivated when conditions change, instead of eliminating them altogether. For example, with Netflix's one-click “pause membership,” subscribers can freeze billing for up to three months instead of canceling outright. This mini-sabbatical saves churn and win-back costs (efficiency), keeps account data intact for seamless reactivation (resilience), and signals empathy toward customers that distinguishes Netflix in the subscription wars (prominence).

Abstraction: Create interface layers that shield users from complexity. This involves building simplified interfaces that translate user inputs into complex backend operations, making sophisticated systems accessible without requiring users to understand the underlying intricacies. Amazon Web Services (AWS) abstracts complex infrastructure management, allowing developers to focus on deployment without dealing with physical servers (efficiency) while accelerating innovation (resilience). The platform's simplified interface masks enormous backend complexity, positioning AWS as the go-to solution for scalable computing (prominence).

How to Make Subtraction a Default Strategy

Leaders can make subtraction a core capability by adopting a few practical strategies—not in isolation, but as part of a broader shift toward doing better by doing less:

Build subtraction into core processes. Subtraction should be embedded into how teams plan and prioritize rather than being treated as a one-off decision. Leaders can introduce “stop doing” reviews alongside traditional goal-setting exercises. In these reviews teams examine their workflows, tools, and deliverables and identify what no longer adds value.

Elimination helps cut extraneous steps that contribute little to no outcomes, while consolidation removes unnecessary handoffs or approval loops. Hiding can be used to remove low-value offerings or services that confuse customers or dilute strategic focus. By building these forms of subtraction into annual or quarterly planning, organizations improve efficiency and maintain strategic alignment without expanding complexity.

Introduce subtractive design challenges. Subtractive design challenges shift problem-solving away from accumulation and toward essential value. Rather than asking teams how to improve a process by adding new elements, ask how the same result can be achieved with fewer steps, features, or constraints.

Consolidation allows teams to condense workflows into fewer steps without loss of quality. Substitution invites smaller, more-elegant solutions that are easier to use and maintain. Abstraction involves replacing complex interfaces with simpler alternatives. Each of these approaches supports efficiency by reducing operational drag. They all also support resilience, since simpler systems are less prone to failure and easier to troubleshoot. Design



Recognizing and honoring subtraction reinforces the idea that removal with strategic intent is a sign of progress, not neglect.

challenges make subtraction a creative constraint rather than a limiting one.

Celebrate subtraction done well.

Subtraction is often overlooked, which makes its benefits easy to ignore. Leaders can encourage recognition by asking teams not only to log what they've stopped doing but also to celebrate that as an achievement. This simple habit turns subtraction into an acknowledged source of value worthy of praise. Techniques such as elimination and pausing help make these removals deliberate accomplishments. Removing a redundant task can improve efficiency by reducing time wasted and deserves recognition as a meaningful contribution. Pausing low-impact projects keeps future options open while allowing leaders to concentrate on current efforts—another strategic decision worth celebrating. Recognizing and honoring subtraction reinforces the idea that removal with strategic intent is a sign of progress, not neglect.

Using Gen AI to Support Subtractive Transformation

Generative AI tools can help you identify subtractive opportunities that humans might miss. For example, for illustrative purposes, we prompted Google Gemini 2.5 and Claude 4 to craft the following subtractive ideas for a large healthcare provider in India using the six approaches described above: “Generate actionable subtractive-innovation ideas for [Company Name] that deliver equal or better value with fewer steps, lower cost, or less

complexity while simultaneously maintaining or boosting resilience and maintaining or improving prominence/visibility. For each [of the six approaches], suggest at least one concrete idea.” The output has been lightly edited for clarity:

- **Elimination:** Eliminate physical outpatient follow-ups for stable chronic conditions using teleconsultations to boost patient convenience (efficiency), ensure care continuity (resilience), and position [Company] as a tech-forward provider (prominence).

- **Substitution:** Replace traditional paper-based patient intake with voice-activated digital forms, reducing data-entry errors (efficiency), improving record accuracy (resilience), and showcasing innovation leadership (prominence).

- **Consolidation:** Consolidate patient touchpoints (appointments, reports, payments, preassessments) into a single mobile app to streamline the patient journey (efficiency), centralize communication (resilience), and enhance digital accessibility (prominence).

- **Hiding:** Implement smart triage systems that hide complexity from patients while ensuring they reach appropriate care levels, reducing wait times (efficiency), maintaining care quality (resilience), and improving patient satisfaction (prominence).

- **Pausing:** Introduce flexible appointment scheduling that allows patients to reschedule appointments without penalties, reducing no-shows (efficiency), maintaining doctor-patient relationships (resilience), and demonstrating patient-centric care (prominence).

- **Abstraction:** Create a single patient portal that abstracts all healthcare interactions behind a unified interface, simplifying access (efficiency), ensuring continuity across services (resilience), and positioning [Company] as a digitally advanced provider (prominence).

By explicitly directing the AI model to consider subtractive options of various types, organizations can overcome the human tendency to add and discover more-elegant solutions that balance multiple performance goals beyond just efficiency.

IN AN ERA when every competitor is racing to add more features, channels, data, and spend, the real differentiator is the courage to remove. Subtraction is neither austerity nor minimalism; it's strategic design. By carving away the nonessential, leaders create the white space where breakthroughs can grow and position their organizations to be first off the blocks when the rebound arrives. ■ **HBR Reprint H08SNU**



VIJAY GOVINDARAJAN is the Coxeter Distinguished Professor at Dartmouth College's Tuck School of Business and the author of *Fusion Strategy: How Real-Time Data and AI Will Power the Industrial Future* (Harvard Business Review Press, 2024).

DANIEL J. FINKENSTADT is a U.S. military officer, an academic researcher, and the principal of Wolf Stake Consulting. He is a coauthor of *Bioinspired Strategic Design: Nature-Inspired Principles for Dynamic Business Environments* (Productivity Press, 2024). **TOJIN T. EAPEN** is the founder of the Center for Creative Foresight, a senior fellow at the Conference Board, and an adviser at StratRocket.



The Right Way to Sunset a Project

by GERALD LEONARD

MOST TEAMS OR organizations know how to start a project—with urgency, alignment, and a well-funded kickoff. But far fewer know how to end one well.

Through my consulting engagements I've seen that sunseting a project is too often treated as a last resort—or avoided entirely. As a result, some leaders—susceptible to the sunk cost fallacy—let projects continue long

after their value has peaked, tying up capital, draining morale, and undermining performance. But strategic leaders make sunseting part of their value-creation cycle. They recognize that a disciplined project-exit strategy is a core leadership skill. Ending a project isn't a retreat—it's a return to focus. When sunseting is handled with clarity, dignity, and value capture, it

becomes a cleanup process and a strategic advantage.

To sunset projects intention-ally, leaders can use a neuroscience-informed approach—the 4 R's framework: Retire, Redirect, Repackage, Reflect.

This framework emerged from two decades of strategic consulting in project portfolio management across *Fortune* 100 firms, federal agencies, and technology companies. I saw firsthand how organizations struggled not just with launching projects but with ending them gracefully. Through post-implementation reviews, resource-mapping sessions, and sunset-planning initiatives, patterns began to emerge. When teams had structure for closure, performance improved, morale recovered faster, and lessons carried forward. The framework integrates principles from neuroscience (for example, cognitive closure and decision fatigue), Project Management Institute (PMI) best practices, and real-world experience helping executive teams declutter portfolios, recover capacity, and reinforce a high-trust culture. Companies that adopted this approach reported clearer prioritization, reduced rework, and increased engagement postsunset—especially when dignity and learning were emphasized throughout the process.

Here's how you can implement it.

1 Retire: End with Purpose, Not Silence

Projects shouldn't be ghosted. And yet, that's how many end: in silence, without acknowledgment or closure.



When sunseting is handled with clarity, dignity, and value capture, it becomes a cleanup process and a strategic advantage.

High-functioning organizations treat the retirement of a project with the same structure they bring to its launch.

Retirement means officially closing the loop, including archiving documentation, closing budget lines, updating project dashboards, and communicating the decision clearly to all stakeholders. This step preserves the integrity of the portfolio. More importantly, it affirms the dignity of the team. It lets them know their work mattered, even if the outcome shifted.

From a leadership psychology perspective, the brain craves closure. According to research, incomplete tasks create lingering mental tension, distracting teams from future goals. Retiring a project correctly frees up cognitive bandwidth—and emotional energy—for what's next.

What you can do. Announce the closure of the project formally. In your note, include the impact, why the project is ending, and what will come next. Essentially, treat this like a send-off, not a shutdown. Invite the project team to contribute to a closure narrative, celebrate key milestones, and share reflections. This reinforces transparency, honors contribution, and models accountable decision-making for the broader organization.

2 Redirect: Reclaim and Reallocate Strategic Capacity

Most organizations underestimate how much capacity is trapped in legacy projects. Redirecting is about recovering that value and reinvesting it in higher-return opportunities.

This includes reassigning team members to other strategic priorities, returning unused budget to the business units, and shifting executive sponsorship to more-viable initiatives. McKinsey's research found that companies that regularly reallocate resources based on changing priorities generate 30% higher total shareholder returns over a decade than those that stick to static planning cycles—a fixed, inflexible approach to strategic or operational planning where decisions are made on a set schedule, often annually or quarterly, and rarely revisited until the next scheduled cycle. Yet, historical data shows that only 25% of firms actively revisit project portfolios (reassessing which projects are still aligned with strategy, reallocating resources, or pausing/sunseting projects) on a rolling basis, such as quarterly.

What you can do. Start by building a “capacity recovery” dashboard to track what people, budgets, and tools are to be returned to the organization after project closures. If you're assigning people to other priorities, help them understand how their next assignment contributes to the organization's larger goals. That clarity builds trust and retains talent. The intent here is to use reallocation as a visible sign of strategic agility—and to celebrate it as a smart use of organizational intelligence, not just an efficiency move.

3 Repackage: Salvage What Still Has Value

Just because a project ends doesn't mean that everything should be

discarded. Sunseting is also a chance to mine intellectual capital—and repurpose it.

This could include the code, design assets, or datasets that may have been created; partner insights that were gathered or vendor relationships that were nurtured; and operational playbooks, training materials, or research that was created specifically for the purposes of the project.

At Microsoft, for example, the development team behind the ill-fated Windows Phone project repurposed significant elements—such as its Continuum interface and authentication protocols—into the company's enterprise cloud tools and Surface device ecosystem. Rather than waste the innovations, they became accelerants for success in other product lines.

Repackaging builds continuity. It also prevents teams from repeating mistakes or reinventing the wheel. When done well, it creates a culture of knowledge recycling that respects effort, even when outcomes shift.

What you can do. Host a “reuse sprint” immediately following the sunset. For example, you can bring together developers (to assess code and technology), strategists (to assess insights), and operations (to identify reusable workflows, templates, and processes). Have your team create a searchable knowledge base and integrate it into onboarding, innovation labs, and cross-functional workshops. As a leader, remember to celebrate the repurposed work in employee performance reviews to reinforce the message that smart reuse is strategic innovation, not secondhand thinking.



4 Reflect: Turn Endings into Enterprise Learning

Reflection is the final—and often most overlooked—movement in the sunset process.

Teams need space to process what happened, extract lessons, and build closure. But this isn't about blame or postmortems. It's about creating a shared narrative that honors effort, highlights learning, and reduces emotional drag.

Without reflection, teams may carry unspoken baggage into their next project, causing them to be cautious, cynical, or risk-averse. Reflecting can make teams sharper and more confident. It sends the message: "This project ended, and here is what we learned. Here is what we'll do better next time."

Some organizations formalize this with the following:

- a sunset retrospective
- a thank-you note from executives
- a knowledge-transfer session for other teams

These rituals build a culture where accountability is shared and closure is normalized.

What you can do. Include sunset reviews in your portfolio governance process, not just project launches or milestone reviews. Standardize a reflection cadence that gives space for honest dialogue and shared learning. Have your team leaders capture insights into a living repository that feeds into future planning. You can also invite cross-team observers to harvest wisdom across domains and reinforce that every ending contributes to enterprise intelligence. Leadership that models open reflection builds

psychological safety and institutional maturity. Teams no longer fear failure; they understand it's part of the rhythm of innovation.

SUNSETTING PROJECTS ISN'T just a cleanup activity—it's a strategic necessity. Portfolio bloat wastes capital, clouds decision-making, and dilutes execution focus.

A report by PMI showed that 11.4% of investment is wasted due to poor project performance. Yet few organizations track the ROI of stopping: how much value is released, how much risk is avoided, and how many opportunities are unlocked when teams are freed to focus elsewhere.

Imagine a dashboard with metrics like resources recovered, initiatives accelerated, lessons documented, and team engagement postclosure. This turns project endings into enterprise assets, not footnotes.

Ending projects well is hard. It takes courage to say, "This no longer serves us." But done right, sunsetting becomes a mark of maturity. When leaders retire projects, redirect resources intelligently, repackage assets strategically, and reflect with the team empathetically, they create a new kind of momentum—one grounded in intention, not inertia. ♥

HBR Reprint H08UDM

 **GERALD LEONARD** is a certified neuro-leadership coach, a TEDx speaker, and the author of *Productivity Smarts: Leaders and Managers Unlock Productivity Secrets from 12 Influential Musicians of the 20th and 21st Century* (PPM Academy Press, 2025).



Q&A

Robert Sutton on Communicating Difficult Decisions as a Leader

ONE OF THE responsibilities of leaders is to deliver bad news: The company is pulling the plug on a beloved project, forgoing raises or bonuses, implementing return-to-office mandates—or even eliminating jobs. In a weak economy, more companies make these choices, requiring leaders to communicate them in a way that minimizes the damage to employee morale.

Robert Sutton began thinking about that challenge as a doctoral student at the University of Michigan in the early 1980s. For his dissertation he studied how managers dealt with workers during plant and store



IN FOCUS

Leading in a Low-Growth Economy

closings. With a series of colleagues, including Robert Kahn and Jeffrey Pfeffer, Sutton further developed these ideas, and in 2009 he articulated them in a classic HBR article: “How to Be a Good Boss in a Bad Economy.”

The core advice: To reduce trauma and anxiety caused by painful business decisions, good leaders must try to offer predictability (by sharing information and behaving transparently), understanding (by explaining why changes are happening), control (by making people feel like they have a say in what’s happening), and compassion (by trying to put themselves in other people’s shoes). “If you give people as much information as you can about what will happen...and when it will happen, they will prepare to the extent they can and suffer less,” Sutton wrote. “Just as important, they can learn to relax in the absence of such a warning.”

In 2025, amid efforts to downsize America’s federal workforce, fears about how AI will reshape roles and responsibilities, and rising tension around hybrid work and job security, this advice feels as relevant as ever. Sutton spoke with HBR about what’s changed since the article was first published—and what remains true. Here are excerpts of the conversation:

HBR: Your original piece was published during the Great Recession. Today the economy is growing and the stock market is at record highs, yet we’re still seeing significant anxiety and organizational upheaval. What’s driving that?

SUTTON: There’s research that shows there are contagion effects with layoffs. During the pandemic many of the tech

companies started doing layoffs, despite being profitable, and the sense here in Silicon Valley was that many of them were doing it in large part because competitors were, too. That trend has continued, and not just at tech companies. Many companies are citing AI and saying technology is allowing them to do more with fewer workers, though it’s not clear how much of that is true and how much of that is just a smoke screen. And some of it is just that there are sadistic leaders who take pleasure in doing it. Firing people can make them feel powerful or tough: “I can cut more than you can.” Some of this is performative and egotistical.

Can you cite examples of leaders who illustrate the right way to deliver bad news? In the original article, I cited Bill Campbell, the legendary Silicon Valley coach and executive. He’s since passed away. Two more recent examples are Ben Horowitz of Andreessen Horowitz, the venture capital firm, and Brian Chesky of Airbnb. Ben wrote a fantastic essay called “The Right Way to Lay People Off,” in which he describes doing three rounds of cuts at a startup he led without poisoning the culture, which is hard to do. When the pandemic began, Airbnb downsized 25% of its employees. Brian’s approach, starting with his memo announcing the move, was a textbook case of offering predictability, understanding, control, and compassion. He explained exactly why they were doing it. He let everyone keep their company laptops for job hunting. He gave generous severance and immediate vesting of stock options. He let departing employees stay for a few

days to say goodbye to colleagues and wrap things up. You’d be amazed by how many well-run companies still cut off people’s email immediately. It’s like they try to disappear you into the vapor. That creates a lack of control—and it doesn’t make sense.

Have the transparency and optics created by sites like Glassdoor and LinkedIn changed the way companies deliver bad news? That’s one hypothesis. But there’s a countervailing force, which is that journalism has declined significantly since then, too. There are fewer reporters, and newspapers are now owned by billionaires who stymie independent journalism. So the alternative hypothesis is companies have less check on their behavior than they used to. And even though someone can complain about a leader on LinkedIn, most people won’t do that because they know their posts are searchable and could hurt their careers in the future.

In our hybrid work world, unpleasant decisions are often delivered via Zoom. Is that better or worse than doing it face-to-face? In the old days, when a company was cutting employees, you’d see people go into a conference room and come out crying, one after another. Doing it by video may be less embarrassing for them. It may be easier for managers, too, because they don’t have to see the employee in person, and they can end the conversation unilaterally. And in some ways, if the person being laid off has a conversation with their boss, whether on video or in person, they’re lucky. Some companies just send an email telling people their role



is eliminated, without a conversation. In 2020 the e-scooter company Bird laid off 406 employees during a two-minute Zoom call in which an off-camera HR person told the assembled group their jobs were eliminated. Some employees thought the announcement was prerecorded. The CEO denied that but later said he regretted not offering employees one-on-one meetings.

In an economy that's as uncertain as this one, how can leaders offer people predictability? In the article, I refer to Martin Seligman's research on London air-raid sirens during World War II, and experiments in which animals received electric shocks at different intervals. This and other research show that when bad things happen unpredictably, it causes people to live with a constant state of anxiety. So as a leader, offer whatever reassurance you can honestly give. I've seen CEOs say, "We will not have layoffs during the next four months," and while that may not sound very reassuring, it tells people that they're safe for now.

Here at Stanford our budgets are under pressure because of federal

research cuts, just as they are at Harvard. I admire how the new dean at Stanford's Graduate School of Business recently sent out a memo saying that as of right now our business school isn't planning any staff reductions. She's not saying it will never happen, but she's offering what understanding and predictability she can, even at this difficult moment.

When you look back on the 2009 article, is there anything you'd change? The headline. I never liked characterizing this as something that happens only in bad economies, because it happens in economies of all kinds. Staff reductions were once primarily cyclical, but today they also happen in very profitable companies—Walmart, Google, Facebook, Amazon, Microsoft. And companies have to make other difficult decisions, like killing projects, all the time. Right now the return-to-office mandates are an example of that: They aren't related to the economy. It was a mistake to say the article was about managing "in a bad economy." I made that argument to HBR at the time, but I lost. I learned

from that, and now I fight harder to have approval over headlines.

We've talked a lot about layoffs. How does your framework apply to other difficult business decisions? I believe the framework is useful for helping leaders implement any decision that might threaten their people's job security, prestige, or pay. Just last week, I was talking to the head of a new AI solutions group that was doing work that overlapped with an older group in her company. She told me that her CEO heard rumblings that the leader of the existing group saw the new group as competitors, and the leader was worried that his older group (including him) was now seen as less important, would get less interesting work, and might be eliminated. The CEO met with that stressed-out leader and emphasized how much he admired and valued both him and his team's work. He informed the leader that he didn't yet know what the new team's charter would be, because it was under development. But the CEO assured the leader he wouldn't take away any of the older team's projects for at least two months (if it all). And that even if the older team was eventually disbanded or merged with the new team, no members of the team would be demoted, laid off, or get pay cuts. In the conversation the CEO treated that troubled leader with compassion and provided him and his team with a lot of predictability. The assurances of employment stability also gave team members objective and perceived control over their work and lives. That's a model for how to communicate in a time of uncertainty. ■

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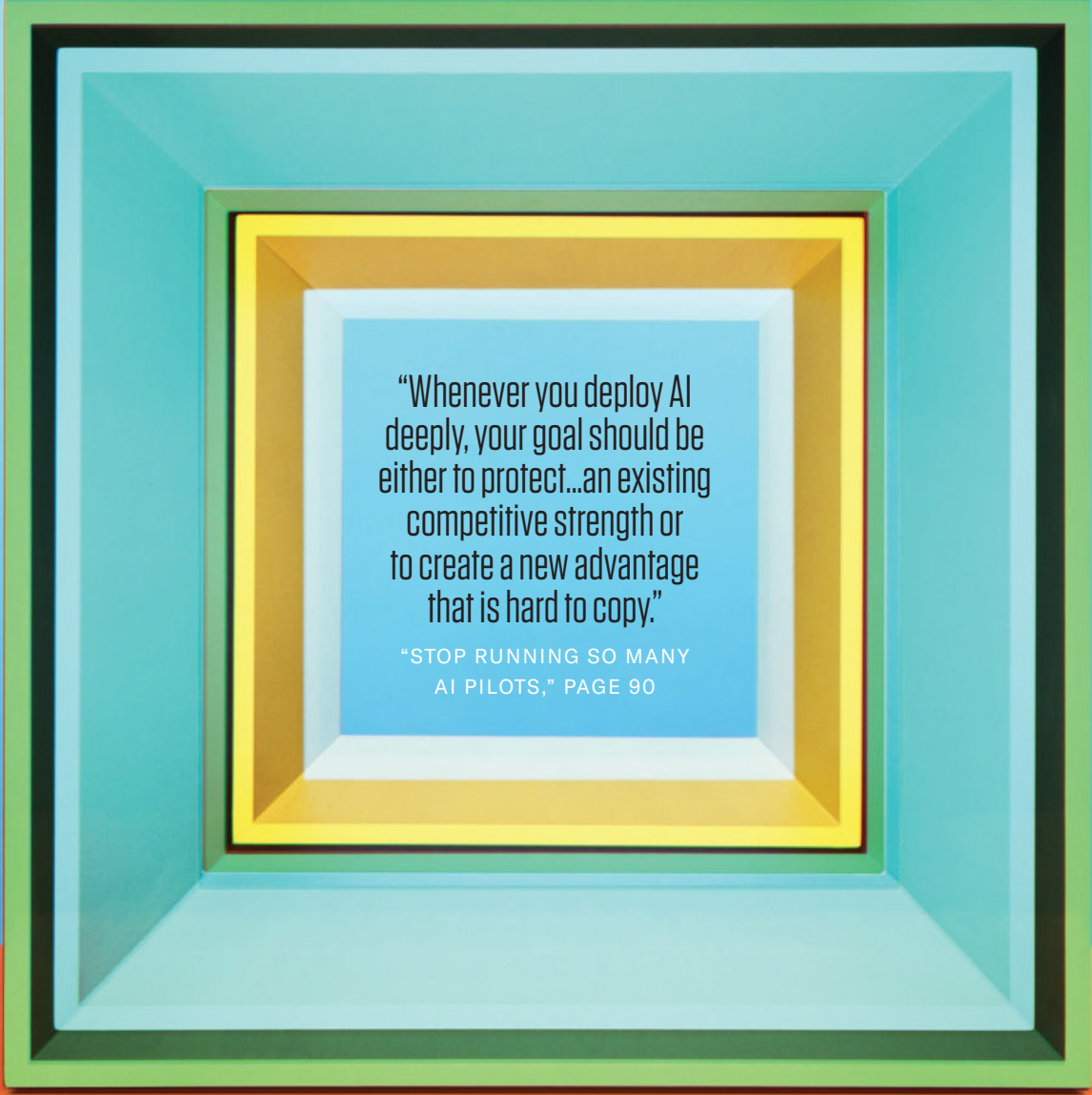
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“Whenever you deploy AI deeply, your goal should be either to protect...an existing competitive strength or to create a new advantage that is hard to copy.”

“STOP RUNNING SO MANY
AI PILOTS,” PAGE 90



CHANGE
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Become an *Octopus* Organization

*How your
company can adapt to
a complex world.*



AUTHORS

Jana Werner

*Executive in residence,
Amazon Web Services*

Phil Le-Brun

*Executive in residence,
Amazon Web Services*



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The

metaphor for business organizations has long been the machine. Like machines, most companies are designed to create efficient, predictable outcomes; minimize risk; and eliminate variation. For decades this model—built on standardization, specialization, and control—helped companies create and deliver products with unfailing efficiency. And in some cases, it still does.

But the world has changed since this model was perfected. In talking to and working with CEOs and senior executives at hundreds of companies, we came to realize that the typical corporation is rather like the Tin Man in *The Wizard of Oz*. He was a rigid and clumsy character, slow to move and react. He could take instructions but showed little initiative. Too often, we find organizations today in the same state Dorothy found him in—rusted solid, waiting for an outside fix of oil just to get moving again.

These companies, which we call “Tin Man Orgs,” were optimized for an era of mass production, adherence to process, and top-down planning. They struggle to cope with a complex world in which success depends on adapting and discovering—on building genuine, trust-based relationships with customers, employees, and their broader environment. Work today is less transactional and more relational. Customers have more choice, and so do employees. People don’t want to be managed; they want to be inspired. They don’t want to be told; they want to be heard.

What strikes us when we work with customers and leaders in Tin Man Orgs is that many know how they operate is holding them back. In response they have sought an escape through transformations, large-scale initiatives aimed at





IDEA IN BRIEF

THE PROBLEM

Companies struggle to cope with a complex world in which success comes from adapting and discovering. Despite trillions in investments over the past 20 years, just 12% of their transformation efforts show sustainable performance gains.

WHY IT HAPPENS

Most companies are designed to deliver efficient, predictable outcomes and eliminate variation. That model works in a world focused on mass production, but companies must evolve as the world does.

THE SOLUTION

Companies must transition to a new paradigm: the Octopus Organization, inspired by the remarkably adaptive, curious, and intelligent sea dweller.



modernizing operations, embracing digital technologies, and cultivating agility. But despite the trillions of companies that have invested in these initiatives over the past two decades, the results are underwhelming: Just 12% of transformations create sustainable performance gains, even after three years.

In this article we call for a fundamentally different paradigm: the Octopus Organization, inspired by the remarkably adaptive, curious, and intelligent sea dweller. That animal, whose arms can think and act independently yet work in perfect concert, offers a model for building companies that can thrive in complexity and embrace continuous change. Octopus Orgs tap the intelligence of their people, integrating a range of efforts naturally and gracefully. They sense subtle signals, learning and shifting course at speed to navigate uncertainty.

What's Different About Octopus Orgs?

The need for the Octopus Org arises from a fundamental mismatch: Most companies are built for a complicated world, but the one they now inhabit is irrevocably complex. Understanding the distinction between these two states is crucial to grasping why traditional organizational models are faltering and why the Octopus Org offers a more viable path forward.

As systems theory informs us, a complicated world is one of blueprints and recipes. Think of a jet engine: It has thousands of parts and requires immense expertise to assemble, but its processes are knowable, repeatable, and produce a predictable result. If a part breaks, you find the root cause and fix it. This is the world the Tin Man Org was designed for, an environment where a company's strategy can be optimized through analysis, specialization, and control, with no inherent uncertainty.

A complex world, however, is more like the ocean, the home of the octopus—where a small shift in the current can create unpredictable effects miles away. The shifts and unpredictability make it difficult to navigate; you can only sense, respond, and learn from the flow. This is the world the Octopus Org is designed for, an environment where success comes not from rigid control but from distributed intelligence, continuous learning, and adaptation.

To get a sense of what this looks like in a business setting, think of how most companies structure strategy meetings.

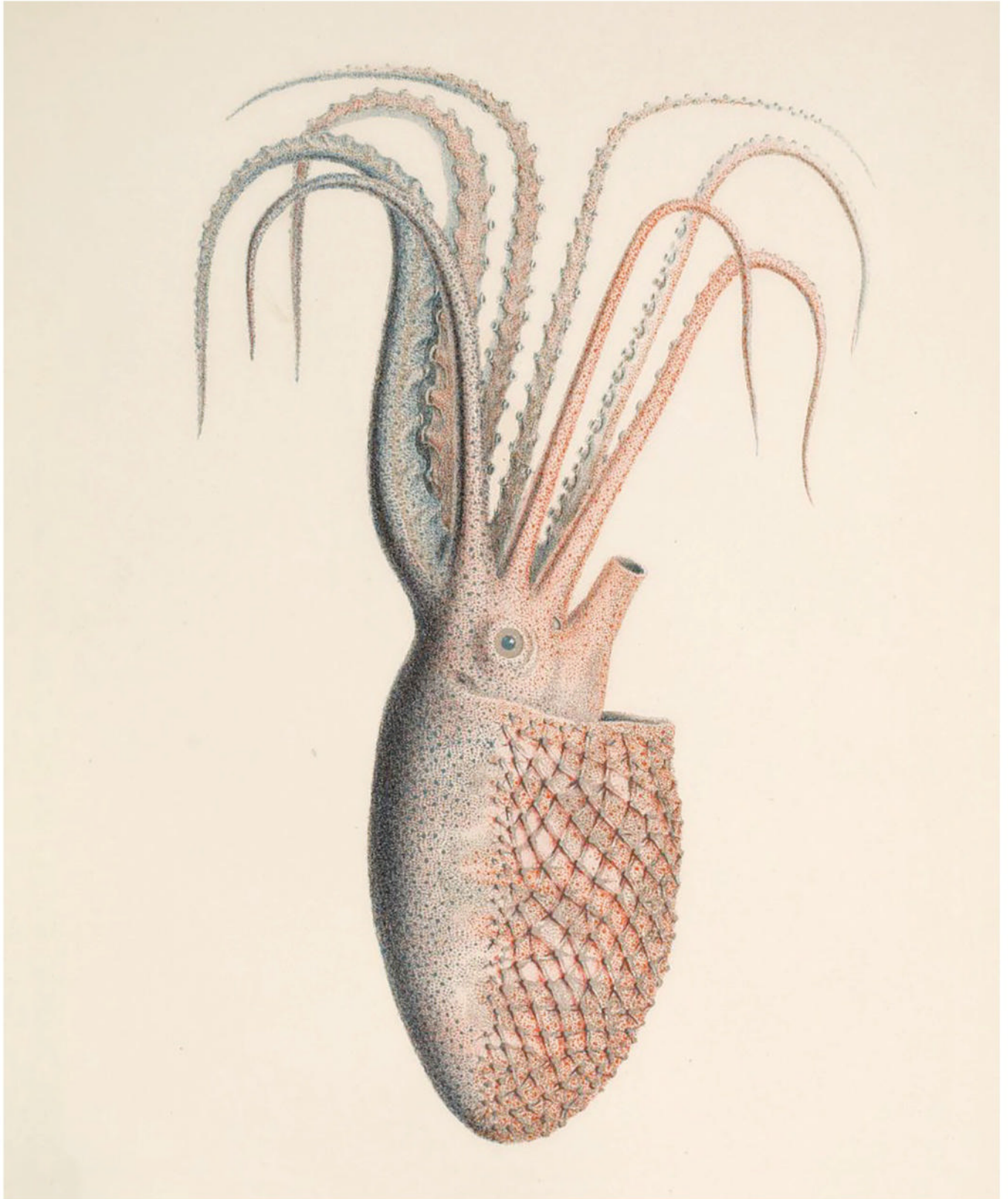
The very design of the typical meeting room—dominated by a large screen for presentations, often with no whiteboard in sight—signals that it is a space for the consumption of information, not the creation of ideas. Speakers adhere to a set agenda, deliver carefully prepared slides, and stick to their allotted time. Questions are reserved for the end and are often perfunctory or performative. The information flow is tightly controlled and consistently structured.

In the Octopus Org, by comparison, meetings have clearly defined outcomes but not always a fixed agenda. Leaders encourage people to surface ideas rapidly and ask provocative questions. You'll often find a diverse group from across the company—frontline workers and executives, new and tenured voices—gathered around a whiteboard. Contributors build on and challenge one another's arguments. Conversation flows, tangents are explored, and unexpected connections emerge.

You can also spot the differences when you visit call centers. At a Tin Man call center, reps stick to scripts and decision trees dictated by an algorithm. The agent is a process executor held to metrics that reward the volume of resolutions. Over at the Octopus call center, meanwhile, agents own the customer's problem. They actively listen, empathize, and tailor solutions to the individual, with a discretionary budget to ensure a good outcome. There's a sense of human-centered problem solving, of genuine connection. This feeling of ownership ignites a dissatisfaction with the status quo—an innate desire not just to solve the immediate problem but to hunt down its root cause. Octopus agents become innovators on behalf of customers, eliminating friction, automating away recurring issues, and building intelligent agents to handle entire categories of repeat problems—in other words, improving the organization itself.

And look at how Tin Man Orgs treat innovation as a department, creating innovation labs that are physically and culturally isolated. Teams develop ideas in isolation and then hand them off (along with all the integration and real-world challenges they haven't accounted for) to "the business" for implementation. Octopus Orgs, in contrast, understand that innovation is a distributed capability, the daily, obsessive work of meeting customer needs in ever better ways. They create mechanisms for invention everywhere, entrusting small, decentralized teams with end-to-end ownership of customer problems. This ensures the people closest to the customer are the ones who experiment, learn, and build what's coming next.

Ultimately, all of these Octopus Org behaviors—from how they hold meetings to how they run call centers—orbit around a single, nonnegotiable question: "Does this create more value for our customers?" Asking it relentlessly causes a chain reaction. The obsessive focus drives





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ABOUT THE ART

These archival illustrations are sourced from the Biodiversity Heritage Library, the world's largest open-access digital library dedicated to the documentation of life on Earth.

employee engagement because people can see a direct link between what they do and the impact they have on customers, which in turn fuels the innovation and resilience needed to thrive. The rewards are cultural, profound, and measurable. Research shows that customer-obsessed companies not only are more than three times as likely to lead their industries in revenue growth but also achieve profitability premiums of around 23% over their Tin Man peers.

Get Your Head in the Right Place

When we explain the Octopus Org to leaders, they often ask for the framework, the playbook, the step-by-step plan. But those are Tin Man questions. An organization doesn't become an Octopus in a linear, tidy fashion. Lasting change comes from shifting how people see the world and behave. Like building a strong marriage or family, it's a messy, emergent process, not one realized by following a blueprint. It requires a fundamental shift in mindset, guided by three principles:

Make changes with people, not to them. Tap into the collective intelligence, experience, and motivation of the people closest to key business challenges. If your people aren't identifying what's holding them back or suggesting solutions and experimenting to achieve them, then you're not evolving into an Octopus Org.

Entwine learning and impact. Embed experiments into your daily work rather than running them separately. But note that the goal isn't merely to change; it's to improve by discovering what truly works. Not every experiment will yield the expected impact, but it always needs to yield learning. Change that isn't linked to value and deep learning is not useful. For example, if you attempt to overhaul meetings by cutting their length, are you making better decisions and finding better ways to have constructive conflict? Or are you just creating shorter, less effective meetings?

Do less to achieve more. Resist the urge to solve problems by adding another program or process. Look for where you can take things away—a process, a gatekeeper function, a dependency, an unproductive practice. Start small, at the business unit or team level. As new solutions take hold, let a frequent taste of progress engage people and build momentum for the long term. We worked with one organization that banned PowerPoint presentations in strategy meetings

for six months. Removing a tool that often obscured meaning forced leaders to speak with greater clarity. Focusing on smaller changes in shorter increments creates more opportunities for impact—and the more frequently people experience progress, the more likely they are to be and stay engaged.

These kinds of shifts won't happen all at once. Especially in large organizations, there will often be Octopus-like parts and Tin Man parts coexisting. But you can find things to improve almost anywhere in the company. Here's how to spot them.

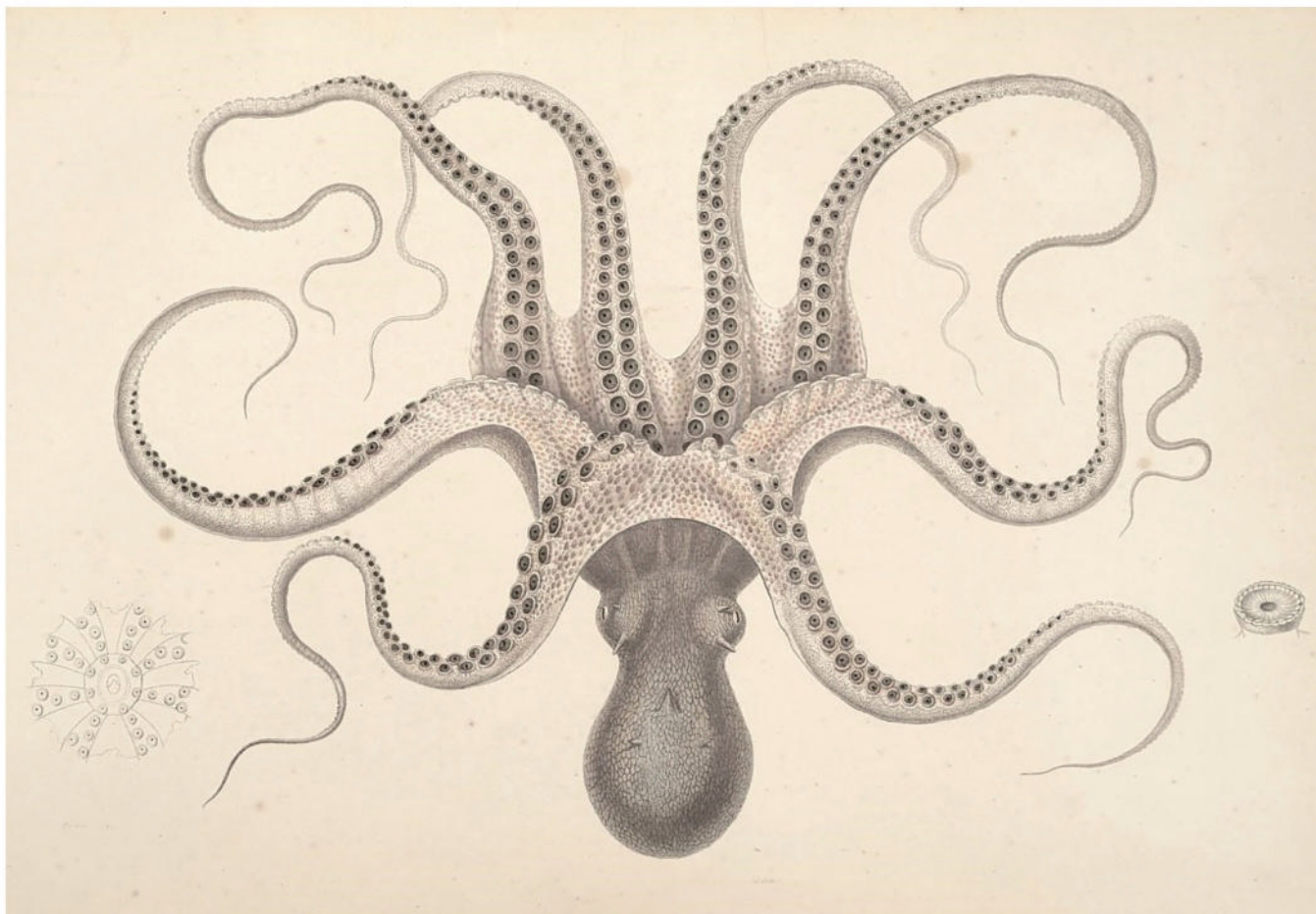
Identify and Change Antipatterns

The journey to becoming a more adaptable organization begins with identifying what's holding you back. In our careers leading large-scale change—working directly with executives and frontline teams, driving major initiatives, and rearchitecting systems of work—we've seen most companies are not stuck because of unique problems. Most make the same, predictable mistakes again and again.

We call them *antipatterns*: conditioned, formulaic responses to complex challenges that, despite good intentions and surface-level appeal, consistently make things worse. While countless antipatterns exist, the most damaging ones we've encountered fall into three broad categories:

Behaviors that compromise clarity. Leaders often overestimate the degree to which people share an understanding of what the organization is there to do, and how. At most companies, mission statements are vague, generic, and handed down from on high, while strategies and goals are abstract, like "Increase EBITDA by 50% by 202X." Information is jealously hoarded in silos, and messages get diluted as they pass through layers of management. The result, inevitably, is missing context about what to solve for and how to make decisions.

Behaviors that undermine ownership. Leaders love to say things like "People are our greatest asset," but in Tin Man Orgs humans are treated as (and even called) resources and capital, which makes employees feel like small cogs in large machines. They are forbidden or discouraged from doing much without permission; risk is eliminated through compliance. Managers micromanage, assuming that people need to be prodded for productivity. Failure creates more fear of



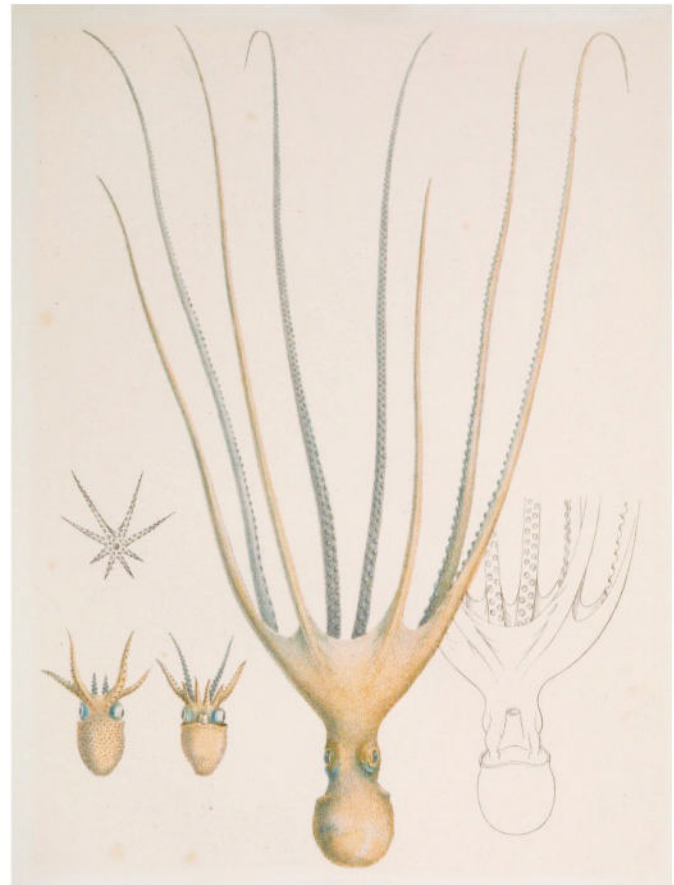
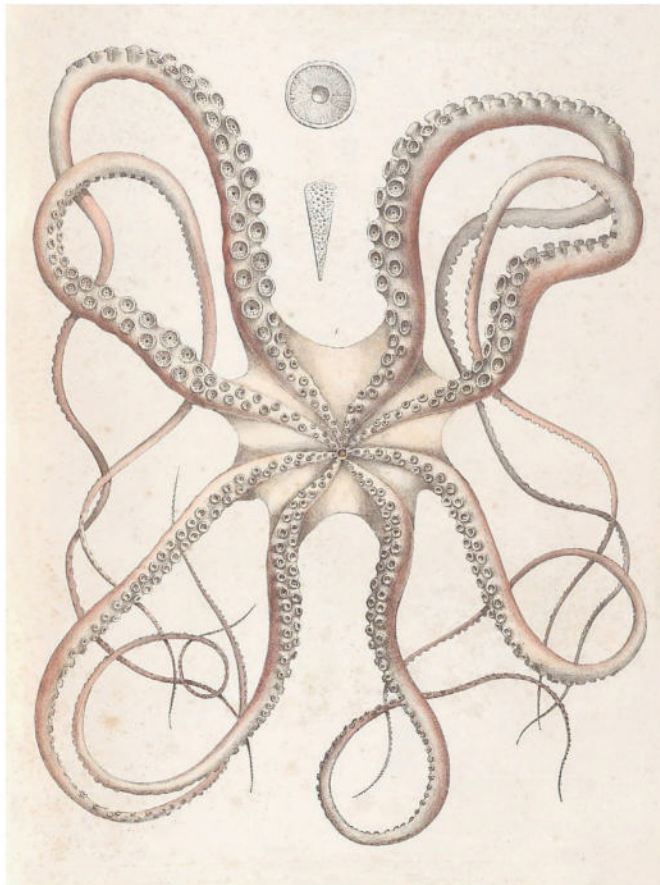
ownership. Inevitably, people disengage. But being cogs is not our inherent state. A large body of research shows that humans evolve from infancy to proactively engage and own. It's intuitive—just think of toddlers' innate interest in and desire to gain mastery of their inner and outer worlds. They explore, manipulate, and understand—to own ("Mine!"). Research puts the cost of suppressing this human drive at a whopping \$8.9 trillion annually in lost productivity.

Behaviors that stifle curiosity. Without curiosity, organizations calcify, optimizing what they already know while becoming blind to emerging threats and opportunities. In an Octopus Org, curiosity is the essential engine of adaptation, driving deep customer empathy and exploration of what's possible. Executives may claim they're seeking curious and creative thinkers, but they clearly aren't: One study found that while 73% of executives recognized curiosity and imagination as critical, only 9% of employees felt their leaders supported those traits, such as by encouraging them to be curious and to explore new ideas. The gap between what organizations preach and what they do (that is, rewarding

predictability) is only going to widen as artificial intelligence proliferates, removing routines and demanding more nuanced, creative problem solving from humans.

The good news is that antipatterns are easy to spot if you know where to look. Listen for the unspoken feedback in meetings—the shrugs and eye rolls. Talk to new hires who still question “the way things are done,” and ask departing employees why they're really leaving. These conversations, along with recurring frustrations that turn up in surveys and help desk tickets, will point you to the issues that matter most.

Once you've identified a few antipatterns, see which one generates the most energy and where ownership naturally gravitates. This could be the person most passionate about solving the problem. Or consider empowering a respected skeptic to tackle it; as Jessica Hall, chief product officer of the global food delivery giant Just Eat Takeaway, told us, converting a long-tenured critic into a champion can be a powerful catalyst for real change. Then adopt a classic learning loop, as follows:



Hypothesize. Define a hypothesis and an experiment about an expected impact or learning. Failure can't be feared. Proving a hypothesis wrong—and in doing so, learning—is just as valuable as proving it right. The intent here is to let people close to the work and to the customer figure out what changes are likely to succeed, and to keep doing so. Drawing on the insights of the renowned environmental scientist and educator Donella Meadows, we group potential interventions into a hierarchy:

→ **Adjusting parameters.** These are quick, inexpensive tweaks to settings and thresholds within your existing processes that don't change the underlying system. At one supermarket company, for example, the number of approvers for expenses was reduced from 11 to two. Such tweaks generally have an immediately visible, if limited, impact on a company's performance.

→ **Tuning the system's engine.** These changes require more time and effort but have a bigger payoff. They may reshape how the system behaves by adjusting its feedback loops. The changes could include strengthening balancing loops that self-correct problems (like having customer

complaints trigger a root-cause analysis) or amplifying reinforcing loops where success breeds more success (like creating a recognition program that inspires higher performance). They may also adjust how information flows. For example, a software company created a live, unfiltered feed of customer support tickets and social media complaints, displaying it on a large monitor in the main engineering bay. Previously, this information was summarized in monthly reports. Making the feed visible had a powerful effect: Engineers, now viscerally connected to customer pain, began proactively addressing issues that had been deprioritized.

→ **Rewriting the organization's DNA.** These are the most transformative interventions. They include changing the rules of the system (for example, shifting from bureaucratic approvals to principle-based decisions); resetting goals (by, say, optimizing for customer lifetime value instead of quarterly profit); and the most powerful lever of all: shifting the mental model from which the system arises (moving from a core belief in command and control to one of agency and trust, for example). These changes are inexpensive to introduce but can take time for people to internalize,

requiring intensive communication and reinforcement through new incentives.

Experiment. Having formulated a hypothesis and selected your levers, the next step is to test the new method through an experiment. In our experience, experiments take one of three basic forms:

→ **Stopping something.** True to our principles, an Octopus experiment is often about not doing something anymore. For example, when he was the CEO of Netflix, Reed Hastings eliminated the company's formal vacation policy and tracking system. The experiment was to replace a bureaucratic obstacle with a simple principle of adult behavior: "Act in Netflix's best interests." This approach removed a source of administrative friction and demonstrated a profound level of trust in employees' ability to manage their time and responsibilities.

→ **Deviating from an existing process.** At Google, the job interview process had ballooned, with the number of interviewers growing over time. The company changed the process by requiring executive approval for any candidate to face more than four interviews, inserting productive friction that forced teams to be more decisive. At Starbucks, Howard Behar, former president of the North American business, moved the company away from writing prescriptive manuals for baristas. Instead managers started explaining to people what was expected of them and why, giving them agency and ownership to decide how best to serve customers.

→ **Piloting a new practice, process, or tool.** A good example comes from Coca-Cola. To meet fixed launch dates for events such as the Olympics and the World Cup, former CIO Miriam McLemore had to reinvent the company's traditional approval processes, where skeptical gatekeepers' default response to new ideas was "no." She shifted the system of governance to a guardrail mindset where former gatekeepers provided safe boundaries within which teams could innovate to deliver outcomes. This transformed the dynamic from adversarial to collaborative, shifting the fundamental question from a tentative "Can we get this approved?" to a powerful "How will we get this done together?"

Timescales on experiments will vary. Cutting the duration of a daily meeting from 30 minutes to 25, or putting a "jargon jar" (like a swear jar, but for business jargon) in a team's work area, can be tested over the course of a week. Moving from annual to dynamic budgeting, by contrast, will take time to set up. Fundamental changes may need more than a year to deliver visible effects on culture and performance. New practices often feel awkward initially but can evolve into cherished routines over time. A colleague of ours, for instance, introduced "raising a light" moments in our team meetings to share good news. What began with some hesitation has since blossomed into a custom the group looks forward to eagerly.



In general, your first experiments should be as small as possible, making the potential downside feel less scary. And as with a good lab experiment, have a fire extinguisher handy in case things get out of control. This might be a budget to manage unexpected costs, a backup team to step in without judgment and help, or even a prewritten "we're trying something here" memo to send out if things go sideways.

Reflect and reframe. Following an experiment, you may be tempted to jump to one of two conclusions: "It worked! Make all meetings 25 minutes!" or "It failed! Let's not try that ever again!" Octopus Orgs resist that urge. Just because shorter meetings may help the finance team doesn't mean they won't throttle the product group.

That is why Octopus Orgs engage in double-loop learning—a practice of analyzing not just the result but the underlying assumptions and mental models that shaped the experiment in the first place. What didn't happen that you expected to? What unexpected side effects did you see? What does that teach you about how the organization really works? By drilling down past the surface-level results, teams uncover the systemic issues, assumptions, and mental models that are often the real barriers to progress.

The U.S. Army's after-action review (AAR) is a master class in institutionalizing double-loop learning. If a training mission fails—say, a platoon is ambushed on the main road to a village—the easy, single-loop conclusion is to blame the lieutenant for choosing an obvious route. The AAR's blameless process, however, forces a deeper inquiry. Instead of just asking what happened, the facilitator pushes further: "Lieutenant, you knew that road was a risk. Why did it seem like the best option at the time?" The answer might reveal that the drone intelligence was flawed or that the orders overemphasized speed. The team then moves beyond correcting a tactical error to questioning its core assumptions about intelligence and strategy, improving the very system that guides its actions.

Once you've found and tested your solution to an antipattern, you'll be ready for the next challenge.

Help the Behavior Spread

After a few successful experiments, the immediate leadership impulse is to ask, "So, how do we scale this?" The



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MANAGEMENT



Embracing the Octopus Org approach is less about learning a new set of skills and more about unlearning a career's worth of habits.

question, however well-intentioned, betrays a Tin Man view. Scaling is typically shorthand for a top-down mandate to implement a uniform process organization-wide. But doing so strips away local ownership and separates the original learning from the future doing, treating those who weren't in the experiment as mere order-takers. Scaling assumes that what works here will work everywhere.

Octopus Orgs don't default to scaling. They adopt a mindset of what entrepreneur Aaron Dignan calls "spreading": creating the conditions for ideas and practices to flow organically, pulled from team to team based on need and local context. A successful practice (or the removal of one) inspires curiosity in another group, which then adapts the idea to fit its unique challenges.

Take the case of Stephen Brozovich, who was a web developer working on Amazon's landing page 20 years ago, when web technology was not nearly as streamlined as it is now. Editors would send him product and promotional images weekly for posting. At the time, Stephen could upload them only using an arcane command-line interface that required memorizing image names, complex file paths, and other information. There was no way to search the images visually. He got tired of wasting his time by reuploading images that were already on the server, so he taught himself to code just enough to build a program that enabled visual searching.

The program worked so well that soon all Amazon web developers and designers and several other groups were using it too. Eventually someone created an international version. There was no mandate or promotion of the tool. It was pulled through the organization because it worked. That's spreading in action.

Revise Your Leadership Model

For leaders, embracing the Octopus Org approach is less about learning a new set of skills and more about unlearning a career's worth of habits. In the Octopus model, a leader's primary job is to work on the system, not in it. They become system architects, obsessed with improving the environment that enables others to excel. Instead of directing every task, they default to trusting others to execute and focus on removing bureaucratic friction, clarifying purpose, cultivating psychological safety, and making sure the ownership for

outcomes is clear. This mindset is grounded in humility—in the understanding that they are temporary caretakers of something valuable that will outlast them, which is what allows them to unlock the potential in others.

This shift manifests most clearly in how leaders communicate. They replace commanding with questioning, making learning their primary role. You see it in the way they listen—redirecting their mental energy away from forming a reply and toward fully understanding what the other person is saying. They dedicate a disproportionate amount of their time to refining and repeating the "why" of the topic at hand, knowing that providing this strategic context is the ultimate act of enablement. They understand that creating the conditions for success—and driving changes of mindset and behavior patterns—is a far more effective and sustainable way to lead than trying to be the source of that success.

IF YOU SEE a real octopus in the wild, one of the first things you'll notice are its huge, inquisitive eyes, often looking into the distance. At the same time, its tentacles are experiencing, exploring, and manipulating its surroundings. If it needs to, the octopus will change its color or texture, or reshape itself based on what it learns about the immediate environment and what's on the horizon. The animal's intelligence and fluidity are beautiful and inspiring.

Becoming an Octopus Org will allow you to look across the business landscape while you adapt—agile and flowing—to what's happening right now in your company and environment. As we support organizations in their Octopus journeys, we find time and again that the challenges they face are known and the answers are in reach—if they just create clarity, provide ownership, and foster curiosity. With a little practice, your company, too, can achieve the same beautiful existence as our eight-armed friend. ♥

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JANA WERNER and **PHIL LE-BRUN** are executives in residence at Amazon Web Services, where they advise Fortune 500 executive teams on designing adaptive, customer-centric organizations. They are the authors of the forthcoming book *The Octopus Organization: A Guide to Thriving in a World of Continuous Transformation* (Harvard Business Review Press), from which this article is adapted.



Saudi FDA: A New Innovator in the Field of Food Safety

As Saudi Arabia's ambitious Vision 2030 program transforms the nation into a nexus of cultural riches and scientific innovation, one key player, the Saudi Food & Drug Authority (SFDA), is leveraging advanced technologies and ideas to benefit the population in the region and worldwide.

By integrating advanced artificial intelligence into its practices and strengthening international safety standards, this comprehensive regulatory and scientific authority demonstrates its increasing influence as a research hub and leader domestically and globally.

"All our regulations are grounded in scientific data, which informs our decision making," says His Excellency Dr. Hisham Saad Aljadhey, CEO of the SFDA. "By harnessing the potential of emerging technologies, including AI, we are creating a collaborative environment that supports research and innovation. Through these efforts, we remain steadfast in our commitment to ensuring the safety and integrity of our food supply, a cornerstone of public health."

The Multimethod Approach

To safeguard food integrity and authenticity, the SFDA has emerged as a pioneer in detecting and preventing food fraud—the

misrepresentation of food products' origins, ingredients, or purity that threatens consumers' safety and producers' and distributors' reputation and revenue.

The SFDA's initiative against fraud is rooted in conventional chemical analysis for testing food quality and composition. In 2021, the authority established specialized laboratories to introduce more scientifically precise fingerprinting. Having introduced these parallel operations into this category-leading multimethod approach, scientists can now more effectively evaluate authenticity and prevent food fraud. The multimethod approach protects some of the most visible—and vulnerable—Saudi food sectors, including milk, honey, olive oil, coffee, and tea.

Milk and Honey

Few foods have such deep importance to Saudi history, culture, and public health as honey. Saudis consume 320 grams a year,

double the global rate. The Kingdom protects the bees that produce two prized varieties: Talh, sourced from acacia blossom nectar, and Sidr, derived from ziziphus plants. Both are susceptible to fraudulent representation.

The SFDA established unique fingerprints for Saudi honey by collecting samples from verified sources and applying the multimethod approach to its data, pairing traditional analysis—documenting each variety's origin, valley name, and bee species—with chemical and physical metadata, including metabolite profiles, mineral content, and pH levels. These combined data sets support a robust science-based reference to protect domestic honey against deceptive trade practices.

The multimethod approach has applications far beyond honey. Using such sophisticated techniques and technology as Fourier-transform infrared spectroscopy (FTIR), isotope ratio, nuclear magnetic resonance (NMR), and high-resolution mass spectrometry (HRMS), the SFDA is now enhancing its methods of detecting adulteration in other Saudi staples, such as milk and olive oil, with greater precision, accuracy, and reliability.

And the success of this strategy extends beyond the national borders. As part of its future strategy, the SFDA will share its successful multimethod approach with neighboring countries and other international partners. Adopting these universal food-testing methods and quality standards will improve trade operations and supply chains throughout the Middle East and Africa, Europe, and around the globe.

The Digital Employee

AI plays a central role in the SFDA's strategy and process enhancements. To detect fraud with maximum efficiency, the SFDA is now developing a vast data set that will support SFDA's new AI lab (SAIL).

To streamline and improve operations, the authority introduced the Digital Employee. This AI-driven tool automates the collection, integration, and analysis of large data volumes to help decision makers respond rapidly to any threats against food safety.

The SFDA's ongoing initiatives are a central component of the Vision 2030 program, reflecting Saudi Arabia's emergence as a global leader in science and technology.





Is This a Moment for Strategic Hibernation?

A new model for business resilience in a politically turbulent era.



BUSINESS &
SOCIETY



AUTHOR

Christopher Marquis

Professor, Cambridge Judge Business School



PHOTOGRAPHER TODD SANCHIONI



BUSINESS &
SOCIETY



ABOUT THE ART

Todd Sanchioni's photographs of covered cars explore how their draped forms evoke both protection and mystery.

In 1919 the United States
Congress passed an amend-
ment to the Constitution
prohibiting the manufacture,
sale, and transportation
of intoxicating liquors. Not
surprisingly, prohibition devas-
tated American breweries.

Of the more than 1,300 brewers in operation in 1915, fewer than 100 survived. Yet some that made it through remain among the most iconic names in the business, such as Anheuser-Busch, Coors, Miller, Pabst, and Yuengling.

They survived by implementing a concept I call *strategic hibernation*—a form of purposeful retreat that allows companies to preserve capabilities critical to their missions during hostile political and cultural cycles, and then quickly ramp up again when the tide turns. Some brewers, for example, repurposed equipment to produce soft drinks, malt extracts, or even dyes, which were in short supply after World War I. Anheuser-Busch sold dozens of nonalcoholic products, including infant formula and ice cream. Miller produced Vivo (a “near beer”), soft drinks, and malted milk. When prohibition was lifted, these brewers came roaring back into the alcohol business.

In an era marked by economic turbulence, business leaders today find themselves navigating a whiplash of regulatory measures on issues such as trade, climate change, and diversity and inclusion. These executives would be well served by examining how companies have successfully managed historical moments of sharp political change, such as biotech firms amid the George W. Bush–era stem cell restrictions, Indian banks during the period of intense regulatory oversight that started in the 1980s, and Chinese tech firms under Xi Jinping.

Conventional strategy responses to such challenges typically include exit, voice, and loyalty. For example, Uber exited several Southeast Asian markets in 2018 by selling its operations to local rival Grab, recognizing the significant regulatory and competitive hurdles. Tesla used its voice by lobbying against dealership protection laws in multiple U.S. states to preserve its direct-to-consumer sales model. Apple showed loyalty by agreeing to host Chinese users’ iCloud data on local servers managed by a state-affiliated partner to comply with Chinese cybersecurity law. These firms used predictable, differentiated responses to complex political and regulatory landscapes.

All three responses, however, can have drawbacks. Exit may mean losing competitive footholds. Voice could escalate conflict, opening firms up to attacks by politicians and consumers. And loyalty may dilute a company’s reputation for ethical behavior.

Strategic hibernation offers a fourth option: quietly preserving internal capacities while reducing external exposure. This approach is not simply about cutting back—which is often executives’ instinct during turbulence and uncertainty—or pivoting away from the challenging area. It’s about building flexibility and discreetly preserving the firm’s options—knowing when to turn down the volume without walking away. In our politicized environment, that might mean reworking DEI departments to focus on culture or talent, or continuing climate initiatives under the umbrella of resilience or future-proofing. The point is that the activities continue, at least in a minimally viable form. Such a strategy allows firms to retain what they need to reenter key areas with momentum once the environment becomes more favorable.

In this article I discuss three examples that demonstrate the keys to a successful hibernation: first, maintain core



Strategic hibernation is about building flexibility and discreetly preserving the firm's options—knowing when to turn down the volume without walking away.



IDEA IN BRIEF

THE PROBLEM

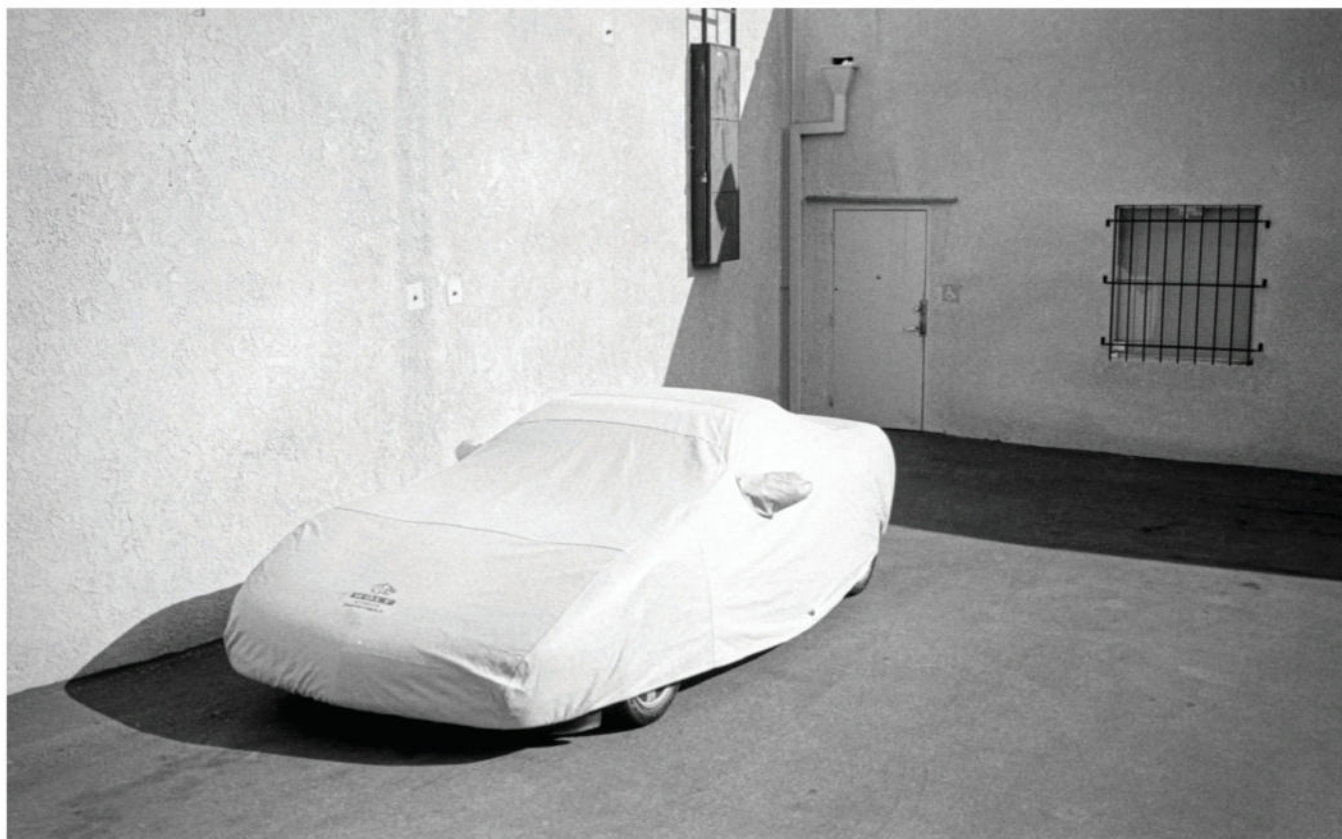
In today's political climate, companies face growing risks from sudden shifts in policy and public opinion. Traditional strategies—such as speaking out against policies or shutting down high-potential businesses—can be costly, polarizing, or ethically compromising.

THE SOLUTION

A different option—strategic hibernation—helps firms quietly preserve core capabilities while minimizing external exposure, so they can reemerge quickly when conditions improve. This approach balances discretion with preparedness, keeping the firm focused on its mission while sustaining its critical assets.

THE NEXT STEPS

Leaders can execute strategic hibernation by maintaining key assets and talent even during downturns, investing in political risk analysis to anticipate favorable shifts, and managing public visibility to protect credibility without abandoning long-term goals.



assets; second, invest in political risk analysis; and third, be disciplined about external visibility.

KEEP THE LIGHTS ON

The first step in strategic hibernation is to maintain the company's core assets. One of the most illuminating examples comes from 2001, when the Bush administration imposed limits on federally funded embryonic stem cell research, a decision that was driven by the politics of abortion. To respond, many biotech firms adopted strategies to preserve their scientific capacity while avoiding political firestorms.

This decision to pause rather than pivot to new research areas or abandon their missions, which included the research

and development of cutting-edge therapies that relied on stem cells, was driven in part by the firms' core values. Many were grounded in the belief that embryonic stem cells had transformative medical potential for a range of uses, from treating spinal cord injuries to curing or managing degenerative diseases. The approach also reflected the foresight that the government's policy would likely be reversed. In retrospect, we can see the following pattern in the tactics deployed to maintain core capabilities.

First, biotech firms recognized the ideological nature of the opposition and believed future administrations would be more supportive of scientific freedom and biomedical innovation. They understood that the Bush-era restrictions were rooted in the Republican Party's religious and pro-life base, so they expected that a future Democratic



A key element of strategic hibernation is political risk analysis, including monitoring political signals, identifying policy inflection points, and planning for a shift in the wind.

administration might reverse these policies, which occurred under President Obama in 2009.

How could they be confident in this prediction? Public opinion polling and the federated nature of the U.S. political system both clearly demonstrated that opposition to embryonic stem cell research was not monolithic. Several states countered the federal restrictions with public funding initiatives, such as California's Proposition 71, passed in 2004, which committed \$3 billion in state funding for stem cell research. Companies like ViaCyte, based in San Diego, leveraged this funding to advance diabetes therapies.

Second, it was clear that many other countries were enthusiastic about this line of research, as they stepped in to offer funding. While their resources paled in comparison to what was being withheld in the United States, they still provided a lifeline for firms. These signals—from state-level investments to global partnerships—indicated that stem cell research was not only surviving but thriving outside U.S. federal constraints, reinforcing the rationale for a strategic pause rather than a strategic pivot.

The alternative sources of funding also let biotech firms maintain the infrastructure and workforces that later allowed them to resume the paused work. Importantly, firms faced with these restrictions did not play a passive waiting game—they managed their risk dynamically to preserve their values and options, such as by offshoring key operations to more-permissive environments. For instance, California-based biotechnology company Geron collaborated with the University of Edinburgh on therapeutic stem cell research. Many leading U.S. stem cell researchers and companies moved their research to Singapore, which had a more favorable regulatory and investment environment.

U.S. biotech firms also retained core teams, managed IP portfolios, and continued research that did not require direct work with stem cells. They focused instead on areas including data analysis, bioinformatics modeling, protocol development, and intellectual property planning. This way, the firms could sustain scientific progress, protect knowledge capital, and remain ready to restart high-cost experimental research as soon as the policy barriers lifted. Douglas Melton, codirector of the Harvard Stem Cell Institute, explained that complying with the Bush-era restrictions in a way that did not abandon the work required extreme care,

such as by creating new ways to segregate and label experimental materials and procedures.

These strategies allowed research ecosystems to stay intact—albeit partially inactive—until federal support could be restored. And while they kept their heads down in the United States, the firms weren't entirely silent. When they did speak, they often did so collectively, issuing group statements to diffuse their individual exposure. For instance, in 2001 executives from the Massachusetts biotech company Advanced Cell Technology (ACT)—notably Michael West, Jose Cibelli, and Robert Lanza—secured the signatures of eighty Nobel laureates in a letter to *Science* advocating for federal funding. Their public engagements extended to testimonies before the National Bioethics Advisory Commission and the U.S. Senate. It's not clear if this effort actually had an impact, but it showed that lobbying doesn't need to stop during periods of hibernation.

As a result, many of the biotech firms were able to thrive when the policy was reversed in 2009. For example, in 2014 ACT rebranded as Ocata Therapeutics and in 2016 was acquired by Astellas Pharma for \$379 million, reflecting the value of its preserved capabilities and foresight. In 2022 ViaCyte was acquired by Vertex Pharmaceuticals for \$320 million, with clinical trials underway using embryonic stem cell-derived pancreatic progenitor cells.

KEEP YOUR EAR TO THE GROUND

Strategic hibernators must make a risky gamble—they may find themselves waiting indefinitely for their ship to come in instead of taking steps to pivot their businesses. Thus, the strategy works only if firms see the possibility of aligning their core commercial activities with regulatory policy in the future. The second element of strategic hibernation is political risk analysis, including monitoring political signals, identifying policy inflection points, and planning for a shift in the wind.

Starting in 1980, Indian banks faced enormous constraints initiated by the government, including tightly controlled interest rates, credit allocation, and state-dominated banking. Many private banks had little room to compete. Yet rather than exit or conform completely, some firms maintained their organizational structures, management



BUSINESS & SOCIETY

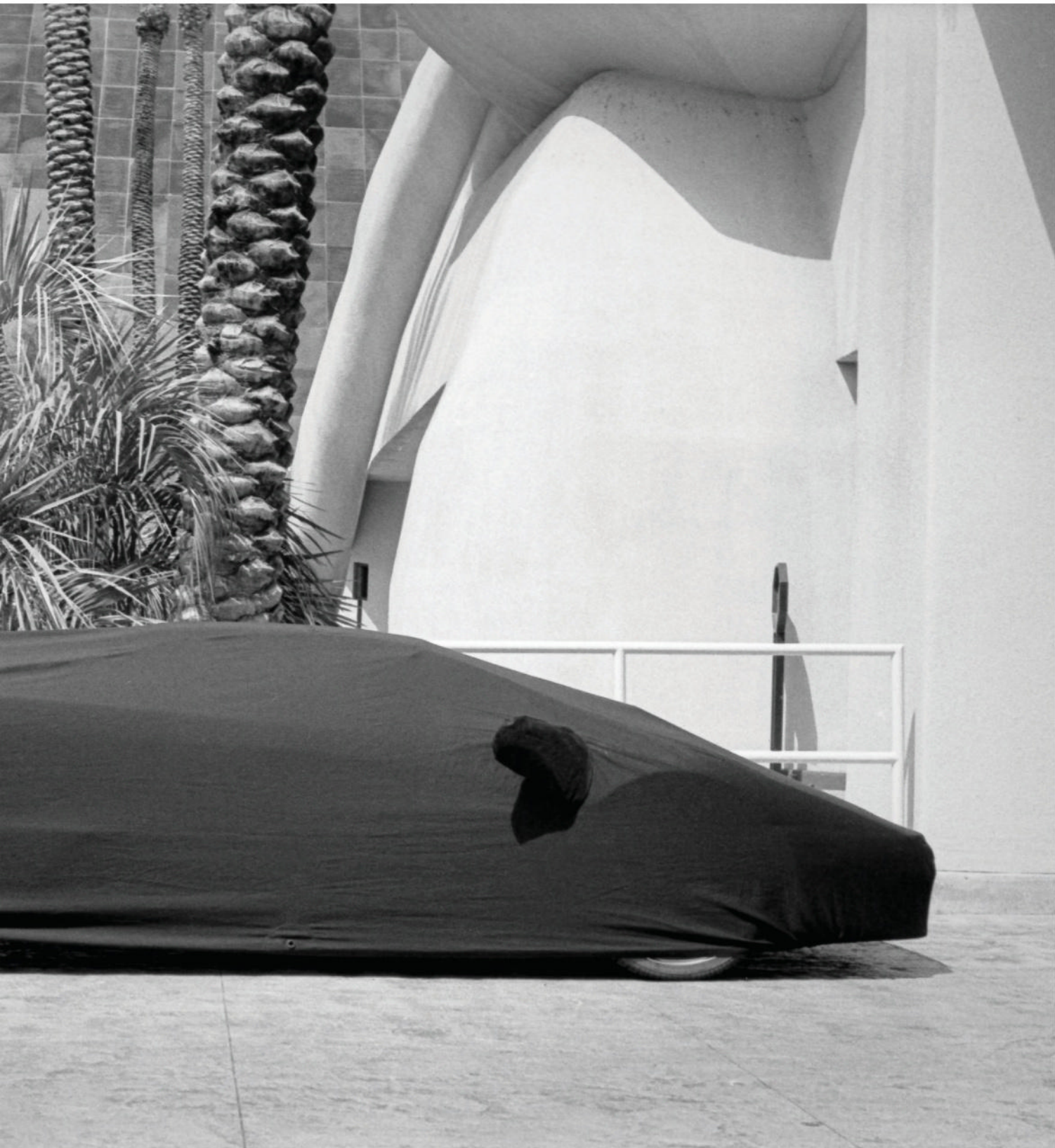
practices, and lending expertise in anticipation of the sector's eventual liberalization.

A research study published in *Organization Science* found that banks headquartered in politically pluralistic environments, particularly Delhi, were more likely to lie low as a proactive strategy, because these firms had closer proximity to regulatory discussions, enabling them to better anticipate the direction of reforms. For example, the Jammu & Kashmir Bank (J&K Bank) managed not only to survive but also to embed itself deeply into the economic and social fabric of the Jammu and Kashmir state. When national banks like the State Bank of India and Punjab National Bank started to shut down branches in the late 1980s, J&K Bank, which is owned by the state and classified as a private bank, remained operational by carefully monitoring and anticipating the national government's requirements, particularly with regard to servicing rural areas through loans to farmers, small businesses, and households, often with flexible repayment terms. Because the bank is owned by the state, it functioned as a quasi-government institution that disbursed government salaries and funded local infrastructure. These efforts maintained trust among locals and contributed to the bank's becoming a "lender of last resort."

In another example, Vysya Bank, an Indian private bank founded in 1930, established two independently operating subsidiaries in 1987 to provide equipment leasing (Vysya Bank Leasing) and home mortgaging services (Vysya Bank Housing Finance). Despite constraints on its core banking operations, these ventures allowed Vysya to retain credit expertise, internal underwriting systems, and revenue channels.

When India initiated financial liberalization in the 1990s, the banks that hibernated and had an eye toward that future were able to scale quickly, regain market share, and introduce innovations. Quantitative results from the *Organization Science* study confirm this: Banks that laid low during the 1981–1990 period saw significantly higher return on assets post-liberalization than peers that adapted too fully to the prior regulatory regime. Banks that were not as plugged into the regulatory scene did not fare as well. For example, the research points out that two less politically connected private lenders—Bank of Madura and Nedungadi







Bank—were ultimately absorbed by larger competitors (ICICI Bank and Punjab National Bank, respectively). Observers suggested that their lack of informational advantage, based on political proximity, may have put them at a disadvantage.

The Indian banking case underscores a central lesson: Hibernation creates an advantage only when firms have the external awareness to seize a future opportunity and retain the right internal capabilities. Doing so can mean closely monitoring political signals, understanding policy inflection points, and investing in the preservation of assets such as talent, market relationships, and core systems.

BE STRATEGIC IN YOUR SPEECH

A third key element of strategic hibernation is being disciplined about external visibility. In politically volatile environments, firms in strategic hibernation can rarely afford to speak freely—or to stop speaking entirely. The most resilient organizations learn to walk a careful line: speaking just enough to signal their alignment with the party line, but not so much that they lose internal coherence. In China under Xi Jinping, for example, the state has increasingly asserted control over private enterprise, and leading technology firms have had to master the art of flying below the radar.

Since 2020 China's crackdown on tech firms has pushed companies like Alibaba and Tencent to adapt their messaging to state priorities. Alibaba cofounder Jack Ma's outspoken embrace of Western-style disruption backfired: After criticizing regulators, he mostly vanished from public view until early 2025, and the \$37 billion IPO of his financial services company Ant Financial was suspended. In contrast, Tencent kept a lower profile, emphasizing state-aligned themes like "common prosperity" and its role in digital public infrastructure (for example, WeChat's integration into e-government), and voluntarily curtailing youth gaming hours even before regulatory mandates for it were imposed. That strategy appears to have paid off. While Alibaba's market value has plummeted by over \$600 billion from its 2020 peak, Tencent has been far more resilient. Its valuation also fell following the crackdown, but in the last three years its stock has averaged more than a 15% annual return, while Alibaba's has fallen more than 3%.

Along similar lines, sustainability-minded firms in the United States must decide how to handle the political backlash against climate action. Do they continue investing in green technology? Do they draw attention to it if they do? In recent years a number of companies have continued to keep their ESG activities ticking along behind the scenes but have become less outspoken about them. For example, a recent global survey of 1,400 sustainability executives found that many companies were "actively decreasing their climate communications." This backtracking has been particularly pronounced in the United States: Among a sample of S&P 500 firms, only 49% issued press releases about their sustainability reports in 2024, down from 75% in 2021.

But in such an environment, simply decreasing communication carries risks. A key challenge of strategic hibernation, for instance, is avoiding mission drift, such as through "greenhushing"—when companies soften or withdraw their sustainability messaging to avoid scrutiny. Poorly executed hibernation strategies can deter top ESG talent, attract misaligned investors, and erode the company's internal conviction, creating confusion about priorities and cynicism about values. Leaders must resist thinking that silence is safety; instead, they need to carefully consider how to maintain the company's values and long-term objectives.

For many organizations, even if they're talking about the topic less, their climate investments are continuing and are a clear signal of their commitment. In the tech industry, Microsoft, Google, and Salesforce have all continued investing in decarbonization and sustainability-related businesses. For instance, they've created tools to help other companies both manage their progress in developing lower-carbon energy sources for data centers and maintain their net-zero goals.

Similar processes are taking place in the DEI arena. In the wake of legal rulings, legislative rollbacks, and ideological backlash, firms are scaling back their public-facing comments. Yet they're continuing internal investments to retain robust hiring pipelines, support employee resource groups, and expand mentorship and leadership development for underrepresented groups. CNBC reports that some companies are continuing their DEI work by rebranding the efforts with terms such as "belonging," "cultural competency," and "employee engagement."



In politically volatile environments, firms in strategic hibernation can rarely afford to speak freely—or to stop speaking entirely. Resilient organizations learn to walk a careful line.



Across the climate and DEI domains, firms appear to be operating not only with the understanding that much of the world still cares about these issues but also with the expectation that the current resistance in the United States may be ideologically driven and so is likely to wane over time. Thus, these moves reflect recalibration rather than abandonment. They also signal to investors and employees that the firms haven't lost their sense of direction and that their missions endure, even if press releases are fewer and branding is less explicit.

IN A WORLD where political headwinds are growing stronger and reputational risks more volatile, successful strategic hibernation depends on three things: maintaining core

assets, investing in political risk analysis, and being disciplined about external visibility. The goal isn't to stand still—it's to build quietly, align deeply, and prepare to reemerge when conditions shift. The firms that will lead in the long run are not those that are loudest in challenging times, but those that navigate such periods with clarity of purpose and control of their exposure. To respond to an age of backlash and whiplash, the smartest strategy may be to advance steadily—just below the radar.  **HBR Reprint R2506D**



CHRISTOPHER MARQUIS is the Sinyi Professor of Chinese Management at the University of Cambridge's Judge Business School. He is the author of *The Profiteers: How Business Privatizes Profits and Socializes Costs* (PublicAffairs, 2024).



LEADERSHIP

The Surprising Success of Hands-n Leaders

Some of the best CEOs
create systems and cultures
that help everyone excel
at getting work done.



AUTHORS

Scott Cook
Cofounder, Intuit

Nitin Nohria
*Professor, Harvard
Business School*



PHOTOGRAPHER DAVID OLIETE CASANOVA







LEADERSHIP



ABOUT THE ART

David Olliete Casanova photographs the *Castells de Tarragona*, the human-tower competition that takes place biennially in the city of Tarragona in Catalonia, Spain.

When we talk with business leaders, one question we seek to understand is this:

With all the tasks you could prioritize and the limited hours available each day, how do you choose what to work on?

Among most CEOs, there's broad consensus: Senior leaders should focus on the "what"—purpose, vision, strategy, goals, resource allocation, and assembling a capable team. To protect their time for those high-level priorities, they must delegate the day-to-day operating decisions (the "how") to subordinates. Peter Drucker, arguably the most influential thinker on the manager's role, wrote, "The executive is not supposed to be a handyman. He is supposed to be a builder." In the New CEO Workshop program that one of us (Nitin) coleads at Harvard Business School, the faculty admonish new chief executives to move beyond execution and focus on the big picture. They say, "To truly be the chief executive officer, you need to stop behaving like the chief *operating* officer." Leaders who get too deep into the details of execution are typically criticized as being micromanagers.

Yet when we study some of the world's top-performing firms, we see a contradictory set of behaviors. These are companies where the CEOs and senior leaders care deeply about the "how"—that is, how people do their work—spending significant amounts of time observing the way middle managers and frontline employees work and designing systems and modeling behaviors that guide the methods people use to perform their tasks.





These are companies where the CEOs and senior leaders care deeply about the “how”—that is, how people do their work.



IDEA IN BRIEF

THE PROBLEM

Conventional leadership theory warns CEOs against focusing too much on day-to-day operations, urging them instead to concentrate on vision, strategy, and delegation. However, this model overlooks how deep engagement in execution can drive enduring success.

THE SOLUTION

Leaders at high-performing firms like Amazon, Danaher, RELX, and Toyota defy this norm. They actively shape how work is done—coaching teams, obsessing over customer-focused metrics, architecting systems of execution, using experiments for decisions, and teaching operational tool kits—embedding excellence into daily practices.

THE PAYOFF

By mastering both the “what” and the “how,” these CEOs create cultures of continuous improvement, distributed decision-making, and lasting performance. Their disciplined, hands-on involvement becomes a source of sustained competitive advantage.



They don't meddle—they coach. They don't override—they elevate. They don't hoard decision rights—they teach others how to make sound decisions on their own.

For this article we've conducted intensive research on four extraordinarily high-performing firms: Amazon, Danaher, RELX, and Toyota. We've visited their facilities, interviewed more than 20 executives, and read much of what's been written about the factors that have led to their success. On the surface these four organizations have few attributes in common. They operate in different industries on three different continents and have diverse histories spanning family-run, founder-run, and professionally managed structures. One was born in the internet age, one in the early 1980s, and two are more than a century old.

The commonality is that each company has leaders who embrace a contrarian view of what a CEO should prioritize. Our study put a particular focus on Jeff Bezos, who founded and led Amazon for its first 27 years; Larry Culp, who led Danaher from 2000 to 2014, went on to steer a remarkable turnaround at General Electric from 2017 to 2024, and remains the CEO of GE Aerospace; Erik Engstrom, who led RELX's then-largest division starting in 2004 and has been the CEO of RELX since 2009; and Eiji Toyoda, who led Toyota from the 1960s into the 1990s. (He died in 2013.) Leaders like these reject the model in which a CEO is primarily a delegator; instead, they see the chief executive as a vital participant in shaping how work gets done.

To be sure, many CEOs would claim they care about execution. What distinguishes the leaders of these high-performing firms is their sustained and close attention to behaviors and systems. They are not inserting themselves into every decision or displacing their teams. Instead, they act as teachers and system builders: They're present in the work not to control it or make every decision themselves but to model standards, sharpen problem-solving, and establish behavioral norms that enable others to act with autonomy and discipline. They don't meddle—they coach. They don't override—they elevate. They don't hoard decision rights—they teach others how to make sound decisions on their own. Their involvement is not disempowering—it is energizing. And it is purposeful: to build a system that performs reliably even when they're not in the room.

In this article we will explore how these company leaders created or sustained systems and cultures in which leaders prioritize managing the how alongside the what. We'll showcase the techniques they've used to do this. We'll parse the



difference between obsessive attention to detail (a positive) and micromanaging (a negative). And we'll examine how creating an operating culture that's passionate about the how can be an underappreciated source of durable competitive advantage.

In the course of our study, we found five core principles that guide hands-on leaders. Let's look at each one in turn.

They Obsess Over the Metrics That Customers Value

RELX is a 200-year-old London-based company formerly known as Reed Elsevier. In 1995 *Forbes* magazine predicted the company's business model would make it "the first casualty of the internet." In fact, since becoming its CEO, Engstrom has transformed RELX (its name since 2015) into a technology-driven information and analytics powerhouse—one that the London Stock Exchange last year named as the best-performing stock in the 40-year history of the FTSE 100 Index.

Engstrom, who was a McKinsey consultant and an executive at two publishing houses before assuming leadership of RELX, did that by coaching every RELX employee to obsess over "customer value"—the benefit the customer realizes from using a product. He has been repeating the same questions for 20 years: How does the customer measure value? How do we know? How do we measure that? How does using this product improve the customer's economics? How do we know how much better off the customer is with our product—and how do we know that it is better on that metric than the alternatives are?

All too often when companies talk about customer metrics, they look at numbers such as customer acquisition cost, customer retention, lifetime value, and average transaction size—metrics that reflect how a customer benefits the company. In contrast, the how-obsessed CEOs we've studied focus on metrics that reflect how the company benefits the customer. Consider two examples at Amazon. Many companies say they offer low prices. But Bezos has held his group accountable for actually delivering the lowest prices and had a team build a bot to continually track Amazon's and rivals' prices on 1,000 items. The bot reprices a product if a competitor's price drops. This enables Amazon to consistently offer customers what they want—the lowest prices on the widest assortment of goods. Bezos also realized that fast, reliable delivery is important to online shoppers. So he directed a team to build systems to measure precisely how long each package takes to get from order to delivery—then held the order fulfillment teams accountable. This approach has helped Amazon make deliveries progressively faster: reducing a week to two days to, in some cases, hours.



LEADERSHIP

Focusing deeply on how the company creates and delivers value for its customers was a cornerstone of the practices of the leaders we studied. According to our interviews, people in the organization don't experience this specific kind of detail orientation as micromanaging. Rather, it creates mission clarity. When leaders show how much they personally care about what matters most to customers, attending to details becomes a shared norm for every employee—which expands the decision rights of those close to the front lines.

They Architect the Way Work Gets Done

Amazon was founded in 1995, and by 2003 it was a large company—a survivor of the dot-com bust and a darling of the internet age. Yet inside the company, employees were already seeing alarming signs that it was becoming slow and bureaucratic. "To many of us, Amazon feels more like a tectonic plate than an F-16," one engineering leader wrote in a memo that year. That frank admission, along with other signs of sluggish decision-making, led Bezos and his lieutenants Rick Dalzell and Jeff Wilke to rethink the way product teams worked—putting a relentless focus on speed. (Disclosure: One of us, Scott, served on Amazon's board from 1997 to 2002 and remains a shareholder.)

Bezos, one of the most analyzed leaders of his generation, brought a unique background to his work. Raised by a family of tinkerers, he studied engineering and worked at a detail-oriented New York City hedge fund before driving west to found his online bookstore. In the early days he built desks and packed boxes himself—and even as Amazon grew he was determined to keep a hand in the work, identifying and removing barriers that slowed teams down. He redesigned work to create a system of independent, decoupled teams who were guided by a set of hows dramatically different from prior practices at Amazon and other large tech companies. For example, most software companies require teams to utilize one another's code to increase efficiency. To increase velocity and reduce dependency, Amazon does the opposite: Its software teams are mostly free to choose whether they use common services or create their own building blocks of code. This results in duplicative work and some inconsistencies in the user experience, but Bezos justifies it by saying he'd "rather have two than none."



LEADERSHIP

Some of Amazon's managerial innovations have become celebrated. For example, teams adhere to the "two-pizza rule," limiting team size to only as many people as can be fed by two pizzas (typically eight or fewer). PowerPoint presentations are forbidden because they lull participants into passivity; instead, Amazon requires every proposal to be written in a narrative memo of six pages or fewer, to deliver more detailed thinking than is typically found in slide presentations. After all the meeting attendees read the memo closely, they have a nonhierarchical, no-holds-barred debate. The goal is to interrogate everything thoroughly, and vigorous dissent is encouraged. Before stepping down as CEO, Bezos participated in hundreds of these meetings himself. Instead of sitting back and waiting for the CEO to make the decision, everyone at Amazon is expected to speak up and disagree—even with Bezos or his successor, Andy Jassy. Once a determination is made, the CEO supports the path forward, knowing that most conclusions are provisional and can be revisited as new information comes in—what Amazon calls "two-way-door decisions."

This is what we mean when we say leaders architect the way work gets done. It's not about changing org charts. It's about shifting decision rights closer to the front lines—and equipping those teams with the tools and frameworks that allow them to act. Those include customer-value metrics, structured memos, and experimentation protocols. It's difficult work because it often requires leaders to give up control—to redistribute authority, remove approvals, and reduce the frictions that slow teams down. When done well, it promotes speed, clarity, and autonomy—which is why Amazon, a giant company, continues to launch innovative products and services quickly.

All four leaders we studied recognized that frontline teams are key to creating and delivering value for customers, whether they are internal or external. They made it their personal mission to design work processes so that employees are empowered with the tools and support they need and don't hit obstacles that slow them down.

They Use Experiments to Make Decisions

Toyota may be best understood as a system of nested experiments—from the assembly line to the CEO's office. This

approach stems from the Toyota Production System (TPS), developed after World War II by Eiji Toyoda and Taiichi Ohno. Their system is built upon two pillars: continuous improvement (*kaizen*), which drives relentless pursuit of better ways of working, and respect for people, which empowers employees and suppliers to contribute their creativity and judgment. The resulting system is both highly efficient and profoundly human centered. One principle is this: Decisions are not made by rank or hunch—they are tested. That makes for better decisions, and it commits leaders at every level to humble learning. Everyone—from frontline workers to executives—is expected to propose ideas and test them through structured experiments.

At Toyota frontline workers are coached to redesign their own workflows—a responsibility that in other companies would be reserved for specialists or managers. That's why visitors to Toyota's production lines are often surprised to find racks and jigs made of light plastic piping rather than heavy steel. The point is not permanence. It's adaptability. Toyota wants it to be easy for workers to modify the equipment they use.

Plant managers test their own proposals against alternatives from subordinates to see what actually works best. Even Toyota's CEOs test their ideas when possible. In the 1980s, when Toyoda wanted to evaluate whether Toyota could manufacture cars in the United States, he didn't make a strategic declaration—he ran an experiment. He persuaded General Motors to let him reopen a shuttered GM plant in California under Toyota management. The experiment was a success, and that led Toyota to begin manufacturing in Kentucky.

This commitment to experimentation shapes the culture. In their 1999 HBR article on the Toyota Production System, Steven Spear and H. Kent Bowen observed that "the scientific method is so ingrained at Toyota" that it prevents command-and-control dynamics and instead "stimulates workers and managers to engage in the kind of experimentation that is widely recognized as the cornerstone of a learning organization."

That helps explain why hands-on leaders aren't seen as micromanagers. When CEOs join in testing an idea—demanding that data, not hierarchy, decides—they elevate teams rather than override them. Authority comes not from opinion but from evidence.

They Lead by Teaching the Tool Kit

On several Sundays each year, 100 Danaher executives are flown from around the world to a single Danaher location. These leaders hail from different business units and functional roles, but for the following week they focus on a single set of tasks.



Is this a secret project? An emergency response to a crisis? No—this is a standard training practice at Danaher. The executives are divided into 10 teams of 10, each assigned to address a real business problem using Danaher’s *kaizen* method. Starting on Monday, each team follows the structured steps of *kaizen*: Know the customer and what they want, observe to understand the problem, analyze root causes via data, brainstorm countermeasures, and rapidly prototype. By Friday morning, each team will have implemented solutions and measured results. These weeks are not just about solving problems—they’re about learning, and teaching, Danaher’s system of hows.

When executives are hired from the outside, they aren’t given the roles they were hired for right away. Instead they spend two months in an immersive boot camp that inculcates them in Danaher’s tool kit, including concepts such as the voice of the customer, value stream mapping, standard work, policy deployment, and *kaizen* problem-solving. As Culp puts it: “We force division presidents to develop a command of the how so that they can teach the how. They shouldn’t say, ‘Go do that’ but instead, ‘Come do it with me.’”

You can feel the difference in meetings. Jim Lico, the CEO of Danaher’s spin-off Fortive, describes it this way: “It’s

easy to set goals, to say the sales goal should be 9%, not 6%. What’s hard is teaching and instilling the tools to get there.” If Lico spends six hours in a business review, just 30 minutes might be devoted to reviewing financials. “The rest is applying the tools to improving the business,” he says.

In interviews for this article, Culp described using the same approach at GE. He believes hands-on, in-the-trenches work isn’t a phase to outgrow. “Too many leaders treat this work as developmental,” he says. “The best leaders don’t. They know the real fun is getting in with the team and getting their hands dirty. As a CEO you choose how you spend your time. There are many constituencies that make shrill demands for your time. You must attend to them, but you can’t allow yourself to get distracted from staying rooted in the real daily work of the organization.”

They Strive to Be Better, Faster, Cheaper—Every Year, Forever

Continuous improvement—driven and modeled by the CEO—is a defining feature of the companies we studied. At RELX, Engstrom distilled this ethos into a deceptively simple mantra: “Better, faster, cheaper—every year, forever.” But



what sets RELX apart is not the language, it's the discipline. Engstrom expects every team to translate that phrase into measurable outcomes, continually. Whether they're improving fraud detection rates for insurers or shortening the time to legal insight for lawyers, teams are expected to show how each iteration delivers more customer value than the last. Because the bar never stops rising, each success becomes the baseline for the next cycle of improvement.

These leaders reject the logic of transformation—the idea that performance improves through occasional, heroic interventions. They don't aim for one-shot breakthroughs. They build systems, habits, and norms that make improvement the standard business, practiced every day.

Toyota won't use the word "solution." Problems don't get solved—they get managed with successive countermeasures and interventions, which are always open to refinement. The mindset is that any improvement can be made better. The danger of thinking in terms of transformation is that it assumes the job will one day be completed.

A deep belief these leaders share is that if you don't commit to continuous improvement, you eventually set yourself up to need transformation. You get out of shape. And when you do, you can't just go to the gym for a few weeks and expect to be fit. These companies work the improvement muscle every day. They stay in shape.

At Danaher, Culp embedded this ethic throughout the architecture of the Danaher Business System. *Kaizen* events, structured problem-solving, operational reviews, and leadership rotations became integral to the operating rhythm. Learning wasn't an initiative. It was built into the way work got done. The result: a culture in which improvement isn't episodic but is systematic—and self-sustaining.

Toyota exemplifies this approach with its practices of *kaizen* and *hansei* (Japanese for "self-reflection"). Leaders model both, surfacing small failures, asking probing questions, and using every issue to try to improve the system. Vulnerable reflection isn't considered a weakness. It's considered a strength that makes the company sharper over time.

At Amazon, Bezos built infrastructure that enabled constant learning—creating systems that were fast, cheap, and scalable. His mantra that “failure and invention are inseparable twins” was institutionalized in A/B testing protocols and real-time dashboards. The result: improvements that compound.

In these companies continuous improvement is not something to get through. It’s the way they work. And it starts at the top.

Why Is This Approach So Hard to Copy?

For decades, Toyota has welcomed outsiders into its factories to observe its production systems firsthand. Bezos has articulated Amazon’s management philosophy with striking transparency in his shareholder letters. Culp, after stepping down from Danaher and before becoming the CEO of General Electric, taught at Harvard Business School—sharing the leadership principles that underpinned Danaher’s performance. These leaders haven’t kept their methods secret; in fact, they’ve gone out of their way to make them visible.

And yet few companies have succeeded in replicating their approach. Why is that?

Part of the answer lies in how we continue to define the CEO’s role. In most organizations the CEO is still expected to articulate the vision, shape the strategy, allocate resources, and assemble a capable team. These responsibilities matter. But they often rest on an implicit assumption: that a CEO adds the most value by staying above the operational fray. Even when leaders see the merits of being more engaged, they are often constrained—by organizational norms, by board expectations, or by their own reluctance to let go of a familiar playbook.

Moving from this conventional model to one where the CEO is the chief architect and role model of the systems of execution requires more than a behavioral change. It requires a redefinition of leadership itself—one that challenges long-held assumptions. That kind of identity shift is difficult, especially for leaders who rose through the ranks by mastering the traditional model.

A second challenge is the rarity of a particular kind of discipline: the ability to move fluidly between altitude and detail. The leaders we studied know how to dive into specifics without getting lost in them. They know how to engage on the front lines without undercutting local initiative. They have trained themselves to see the link between seemingly small execution methods and large-scale outcomes. They are not dabblers. When they get into the details, they do so with intent—using their presence to model, teach, and reinforce the behaviors they want to



spread. This kind of situational judgment—when to zoom in, when to step back, and how to do both without disrupting the rhythm of the organization—is not easily taught. And it cannot be faked.

But perhaps most fundamentally, this is not a leadership style defined by isolated behaviors that can be grafted onto an existing model. It is a system—a tightly woven set of practices, norms, mechanisms, and beliefs. The habits we’ve described—an obsession with customer-defined value, the rigorous use of data, distributed decision-making, structured experimentation and reflection, relentless improvement, and leading by teaching—are mutually reinforcing. They gain power not on their own but through integration. You cannot mandate six-page memos and expect to get Amazon’s innovation engine. You cannot simply borrow *kaizen* and hope to replicate Danaher’s operating consistency. The system matters—and the CEO’s role in designing, modeling, and reinforcing that system is essential.

From the outside these practices may appear simple. But sustaining them requires uncommon depth of care, of consistency, and of lived commitment. That is what sets these leaders apart—not just that they care about execution but that they embed that care into the very fabric of how their organizations operate.

THE LEADER’S TASK is often framed as setting the vision and aligning people around it. The leaders of Amazon, Danaher, RELX, and Toyota perform that work differently. They spend an inordinate amount of time alongside frontline workers, architecting the day-to-day methods of execution in ways that set the standard and teach others to do work well—even when the leader leaves the room. These leaders are just as invested in the how as they are in the what, and they’ve built systems and cultures that drive the entire organization to adopt that mindset. The superior performance that has resulted from this way of leading is lasting proof of its power. ■

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SCOTT COOK is a cofounder and the chairman of the executive committee of Intuit. **NITIN NOHRIA** is the George F. Baker Jr. and Distinguished Service University Professor at Harvard Business School, where he served as the 10th dean, from 2010 to 2020.



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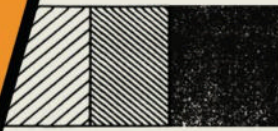
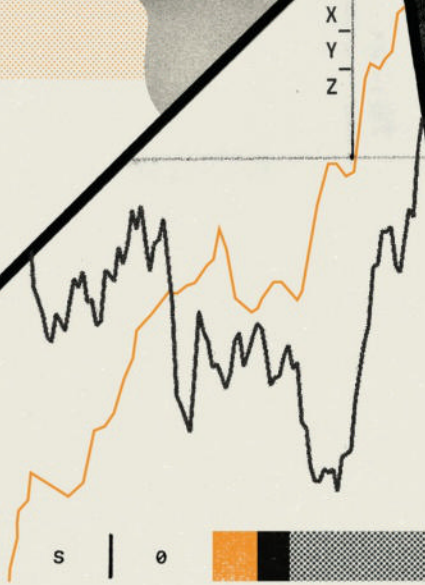


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What Every Company Can Learn from Private Equity

Six practices
that help leaders
unlock value.



ILLUSTRATOR

MIKE
MCQUADE



MANAGING
ORGANIZATIONS



AUTHORS

**Marla
Capozzi**

Partner,
McKinsey
& Company

**Sacha
Ghai**

Senior partner,
McKinsey &
Company

**Paul
Gompers**

Professor,
Harvard
Business School

**Steven N.
Kaplan**

Professor,
University of
Chicago

**John
Kelleher**

Managing
partner,
CVC

**Vladimir
Mukharlyamov**

Assistant professor,
McDonough School
of Business



Private equity (PE) firms have often been portrayed as corporate raiders—investors who snap up companies, pump up their numbers through cost cutting and financial engineering, sell them at huge profits, and move on. But that view is outdated.

In recent decades some of the industry's traditional tactics, such as asset carve-outs (selling off divisions or subsidiaries) and sale leasebacks (selling a company's property and then leasing it from the new owner), have become so widespread that they no longer guarantee exceptional returns. So today's most successful PE firms have found a more straightforward way to create surplus value: They've learned how to build better businesses faster.

Multiple academic studies have confirmed that PE-owned companies outperform their peers—not only by delivering better financial returns but also by making transformative operational improvements. On average the companies PE firms buy achieve productivity gains of 8% to 12% in the first

two years after their acquisition—far outpacing the 2% to 4% gains that public companies typically see.

The conventional wisdom is that PE-backed firms operate in a unique environment because their ownership structure, governance, and incentives differ from those of most firms, and that for that reason, their techniques won't work well in other contexts. Our research and experience suggest that's not true. In fact, we believe that CEOs and executive teams in any kind of business should seek to understand and, where appropriate, adopt their methods.

In our research and through our collaborations with more than 120 CEOs participating in the Harvard Business School–McKinsey PE CEO Excellence leadership program, we have seen these practices drive superior performance. Many PE firms have applied them across hundreds of portfolio companies of various sizes and in various industries, proving that they can be used by many types of businesses. In this article we will highlight six of their most successful tactics.

1 CONDUCT FULL-POTENTIAL DUE DILIGENCE CONTINUALLY

Before acquiring a company, PE investors rigorously define an investment thesis for it and set clear performance expectations. As part of that process, they create a financial model that outlines the “momentum case” (what's likely to happen to the firm if there are no major changes or disruptions) and the “full potential” case (what's possible if the firm makes bold moves).

Effective CEOs of PE-backed companies don't stop there. They regularly revisit this analysis—often independently of their PE owners—to ask whether the business can go further.



IDEA IN BRIEF

THE PROBLEM

Private-equity-backed firms consistently outperform their peers, yet most companies haven't adopted their methods. Without PE's discipline and urgency, many businesses struggle to drive real transformation.

THE SOLUTION

PE-owned firms boost performance through rigorous diligence, tailored leadership, and fast execution. These practices can be applied in any organization to unlock growth and efficiency.

THE NEXT STEPS

To harness the secrets of PE-backed firms, executives should regularly reassess their firm's full potential, align teams and incentives with their thesis for value creation, and tightly control labor costs. Treating time and execution as critical resources can further drive lasting impact.



CEOs of PE-backed companies examine them as if they were potential investors: What opportunities are being missed? What costs or risks are hiding in plain sight?

They examine their companies as if they were potential investors: What opportunities are being missed? What costs or risks are hiding in plain sight? Where is bold action needed?

All CEOs can similarly look at their businesses from the outside in, quantify the upside, and create a plan to lift their companies' current trajectories. They can ask themselves—as the management thinker Peter Drucker once urged an executive to do—“If you weren't already in this business, would you enter it today?” And if not, “What are you going to do about it?”

Many successful PE-owned companies form independent diligence teams of analytically rigorous individuals from across the business, sometimes complementing them with external consultants. The team members synthesize a new or updated full-potential thesis about why a prospective owner would invest in the business and the upside that could be delivered in a fixed time frame, typically two or three years. That requires systematically evaluating every critical business area and usually takes six to 10 weeks.

The diligence team analyzes all strategic, commercial, financial, and operational factors, including cost structure, capital expenditures, working capital, and overall risk. After identifying what needs improvement, the team determines precisely how to implement changes—mapping out necessary shifts in organizational structure, leadership, incentive schemes, and management systems.

Though most companies conduct regular strategy and business reviews, PE-backed firms implement them across the organization and much more deeply. The best CEOs of PE-owned companies have full-potential diligence done every two to three years, rather than only in response to major market shifts. Like the CEO, the diligence team adopts the fresh perspective of new investors—free from past habits, existing biases, and established orthodoxies—and commits to challenging prevailing assumptions, which forces a sharper, less sentimental look at legacy practices. And the outcome isn't just a list of goals and insights; it's a detailed, time-bound execution plan tied to measurable financial improvements, with clear accountability for delivering results.

A CEO of a PE-owned company recently told us: “I am continually amazed by what we find when we pause and take a short amount of time—six weeks or so—to do diligence ourselves and quantify full potential. I can't imagine ever running a company now without doing this.”

2

BUILD A FIT-FOR-PURPOSE MANAGEMENT TEAM

In public companies, executive teams often remain relatively stable for long periods—sometimes decades. But when conditions and strategic priorities change, long-tenured management's bias toward the status quo can weigh a company down and entrench outdated assumptions about what it takes to succeed.

The guiding principle for PE-backed firms is straightforward: The CEO and the team must fit the company's value-creating thesis; the thesis shouldn't be designed around their capabilities. At the best portfolio companies, each top executive is held individually accountable for one or more value drivers in the thesis. For instance, if the thesis centers on digital transformation, the CMO might be responsible for shifting the business from a direct-to-consumer brand to one focused on digital channel growth—and for hitting specific targets like increased e-commerce revenue as a percentage of sales within 24 months. If a driver is operational efficiency, the CEO might hire a COO with expertise in supply chain optimization to own the effort to improve margins.

At PE-backed companies, CEOs and top team leaders are often brought in from the outside. Indeed, our research found that 71% of PE acquisitions above \$1 billion changed CEOs, and 38% of them did so within the first two years of ownership. The CEOs the PE firms hire focus intently on securing talent not just in the C-suite but in critical, thesis-linked roles a layer or two below it. (This approach does present challenges. Finding exceptional talent is expensive and time-consuming for nearly all companies.) In fact, several portfolio company CEOs we interviewed referred to themselves as the “chief people officer.” As one explained: “Thirty percent of the value of our new thesis is from radical procurement savings that we must achieve in two years, so for this role I need to find the best procurement person on the planet, not just in this industry, and I'm not going to stop until I find them.”

Incentive structures play a critical role in PE-backed firms, where CEOs and leadership teams are often given substantial equity stakes or performance-based bonuses tied directly to key value-creation milestones. While that approach may not be feasible in all settings, other companies can still borrow heavily from this model by linking incentives more explicitly to value-driving initiatives and



MANAGING ORGANIZATIONS

setting clear targets and milestones that align individual and team performance with enterprise goals. For instance, a procurement leader responsible for a major portion of spending might be evaluated on the number of competitive requests for proposal issued, the share of spending competitively bid out, and the speed of procurement decisions, in addition to hard savings targets.

A final difference to note: While we hear repeatedly from CEOs globally that one of their biggest regrets is not moving fast enough on underperforming executives, PE-backed firms make talent changes quickly. We also regularly see them hiring talent and putting incentive packages in place in one to three months—a process that often drags on for six to 12 months or longer inside large public corporations.

3 CLEAN-SHEET LABOR

Labor typically represents 40% to 80% of most companies' total cost structure, yet many organizations fail to manage it with the same discipline they apply to other expenses. While routine capital expenditures—even something as simple as new office supplies—may require rigorous approvals, hiring decisions often proceed with minimal financial scrutiny. That inconsistency is particularly striking when you consider that each new hire represents a significant recurring expense.

CEOs of businesses owned by PE firms recognize that disconnect. To fix it, they implement robust controls for head count and focus on building lean, high-performing teams. As one leading tech CEO recently said, "Talent density beats talent volume." Beyond generating immediate cost savings, this approach also creates more-streamlined organizations.

Portfolio companies often staff teams using a technique called "clean-sheeting," which radically improves labor productivity. In our experience the groups that do it in a comprehensive and disciplined way can reduce total labor costs by 30% to 60% within six months. It involves four main steps:

Eliminating low- or no-value work. The first step is identifying and rooting out activities that don't contribute to a company's strategic priorities. Low-value work tends to creep in everywhere in growing organizations. Regularly generated risk and financial reports that no one reads or uses to make decisions are a classic example of this.

Centralizing workers in fewer locations. In many organizations departments are spread among dozens or many dozens of locations—and that doesn't even account for the employees who work from home. One firm that we worked with, for instance, had 6,000 engineers in more than 60 locations. Every time employees are physically dispersed into small groups without strong leadership, there will be slack and underutilization. Centralizing them into a limited number of locations with high-quality supervision will increase their output measurably.

That said, consolidation isn't a cure-all. Research shows that in certain situations remote and hybrid models can lower attrition and expand access to specialized talent, especially in tight labor markets. The key to consolidation is to be intentional about which roles benefit most from colocation. For example, early-career employees, teams handling complex coordination tasks, and functions requiring hands-on supervision are more likely to perform better in centralized hubs.

Shifting work to better performers. Data across our client engagements shows that when team members do similar tasks (as financial clerks, engineers, and IT support employees do, for instance), 50% of the team typically executes 80% to 90% or more of the work while also achieving greater quality and higher customer-satisfaction scores. In clean-sheeting, objective productivity metrics are used to identify the people doing a very small amount of work. Their work is then shifted to medium and high performers, who are given clear performance standards and better incentives. In the long run this increases engagement across the organization—because the better performers retained have higher engagement to begin with, and it rises even further when they see the company improving performance.

Rebuilding smaller departments with simpler structures. Once unnecessary work has been eliminated, teams have been consolidated, and tasks reassigned to high performers, the organization's structure is redesigned to be much simpler and more effective. The people leading that effort start with a blank slate and add only the roles needed to deliver results. The goal is to keep "spans and layers"—the number of people each manager oversees and the number of management levels—lean and create a focused organization. Too often, organizational structures evolve through years of ad hoc changes and quick fixes, and no one ever steps back to ask whether the structure still fits the business.

This approach is not about indiscriminate layoffs for cost savings; it's about creating more-productive, higher-performing teams and increasing long-term flexibility. Such teams make fewer errors and enjoy higher engagement while raising quality and devoting more time to customers. They help companies earn higher profits that can then be reinvested in R&D and marketing or other growth-related efforts.



MANAGING ORGANIZATIONS

One CEO of a PE-owned company told us: “I’m consistently amazed at how smaller, better teams with managed productivity metrics can regularly do the same work with better quality as teams two times the size. Perhaps even more exciting, we are seeing higher employee satisfaction and as a result higher Net Promoter Scores from our customers.”

4 ELIMINATE BAD REVENUE

Not all revenue is created equal. At PE-backed firms, the leaders understand that and regularly analyze revenue streams and eliminate unprofitable or low-margin ones that drain resources and dilute the focus of the organization. Many executives at public and family-owned businesses are familiar with customer profitability and its impact. But CEOs of portfolio companies are willing to manage revenue down to increase earnings and improve cash flow. That’s often difficult for public companies to justify, given short-term revenue pressure and investor expectations.

PE-backed firms can justify that approach because they focus on company valuations and understand that revenue growth won’t increase them unless it also improves cash flow—revenue after all direct costs, indirect costs, reinvestment requirements (working capital and capital expenditures), taxes, and a “cost of capital” charge have been accounted for. Good revenue increases cash flow, and bad revenue either reduces it or contributes less than the amount required to compensate debt and equity holders.

Consider two hypothetical customers that each generate significant revenue. (See the exhibit “Why PE Firms Eliminate Revenue That Destroys Value.”) Customer A contributes \$80 in revenue, resulting in a positive EBITDA of \$30, and after accounting for taxes, working capital, capital expenditures, and capital charges, generates about \$15 in cash flow. This is good revenue. In contrast, Customer B generates \$40 in revenue but has an EBITDA of negative \$2 because of higher indirect costs. After further deductions for working capital (\$10), capital expenditures (\$10), and capital charges (\$3), Customer B’s revenue results in a cash flow of negative \$25. Clearly, Customer B produces bad revenue that diminishes overall profitability and drains organizational resources.

In our experience companies owned by PE firms address unprofitable customers in three major ways: First, they don’t

Why PE Firms Eliminate Revenue That Destroys Value

PE-backed companies assess revenue based on its contribution to cash flow after accounting for all costs, capital expenditures, and capital charges. This example shows how a smaller customer (Customer B) can generate negative cash flow—despite bringing in revenue—while a larger customer (Customer A) contributes positively.

	Good revenue Customer A	Bad revenue Customer B
Revenue	\$80	\$40
Direct costs	-40	-20
Indirect costs	-10	-22
EBITDA	30	-2
Cash taxes	-4	0
Working capital	-4	-10
Capex	-5	-10
Capital charges	-2.4	-3
Free cash flow post charge	\$14.6	-\$25

just look at customers individually; they break the business down in multiple ways: by product, by region, and even by how different parts of the company operate. One tech company we worked with, for instance, analyzed profitability by product line and found a stark divide. Some products were generating strong cash flow—nearly \$500 million annually—while others were dragging the business down. About a dozen product categories collectively had a negative cash flow of \$223 million. By identifying and either fixing or phasing out these money losers, the company unlocked enormous financial value—nearly 17% more cash flow. Second, PE-backed firms don’t stop at the gross margin level. As we’ve noted, they ask whether a revenue stream generates cash for the business after accounting for everything it takes to support it: overhead costs like management and support functions, money tied up in inventory, investments in equipment and technology, taxes, and even the return investors expect to receive. This all-in view gives a far more accurate picture of whether a product or a customer is truly helping the company—or quietly hurting it. And third, they are more aggressive about executing these analyses and assigning people to remediate low-margin areas rapidly. Altogether, these actions help portfolio companies create significant value.

5 EXECUTE RELENTLESSLY

Rapid execution is the cornerstone of private equity success. PE-owned companies need transformations more frequently and more quickly



Portfolio company CEOs are expected to think like investors when managing their schedules, viewing time as a precious resource.

than most firms do. Their CEOs take a relentless, non-business-as-usual approach to implementing them, which can tilt the odds in a company's favor.

Many of these CEOs break a firm's value-creation thesis down into three to eight work streams and each work stream into dozens or even hundreds of initiatives. Every initiative will have a baseline, a business case, and an execution plan and (except for confidential initiatives) will be tracked in one common system that's viewable across the company. Initiatives will be discussed weekly, and leading or lagging efforts will be explicitly celebrated or called out. A significant transformation agenda or persistent underperformance will be met by extra support or a leadership change.

This level of granularity ensures that progress is monitored in real time and that any issues get promptly addressed. The social pressure created by allowing everyone to see everyone else's work stream encourages rapid change and improvement. Idleness or delayed decisions quickly become visible on the weekly dashboards.

Many CEOs tell us their job is to be the change agent who sets the agenda for transformation. Some appoint a chief transformation officer to instill discipline, prioritize activities, and track progress against objectives, although this may be a luxury in smaller PE-backed companies.

6

TREAT TIME AS CAPITAL

Portfolio company CEOs are also expected to think like investors when managing their schedules, viewing time as a precious resource. Their boards and PE owners often encourage them to conduct regular analyses of their calendars to ensure that their time is aligned with the venture's critical strategic priorities, especially the value-creation plan.

Boards of PE-backed firms will ask CEOs questions like: Are you spending enough time with top customers? Are you dedicating sufficient attention to the most critical value-creation initiatives? Are you spending too much time on tasks that should be reallocated to other management team members?

Treating CEO time with such care creates major benefits. For example, CEOs tend to overestimate how many hours they devote to critical strategic priorities while

underestimating how many get eaten up by internal meetings and bureaucracy. In our experience CEOs perceive that they spend about 20% of their time on internal meetings. But a data-driven analysis of their calendars often shows that they spend 50% to 70% of their time on them. The CEOs who see this data are frequently very surprised by it, and almost all of them say they'd like to devote less time to those meetings.

Regardless of the actual percentages, the pattern is clear: How executives and managers *think* they allocate their time is rarely how they *actually spend* their time. The way to address this problem is to be disciplined about setting target time allocations for various priorities and then have your executive assistant track your actual time use and report it to you.

One CEO of a PE-backed company recently told us, "I clean-sheeted my entire calendar, took off every meeting, and freed up over 60% of my time and reallocated it toward my top strategic priorities. I plan to do this every year when I revisit my investment thesis."

THE PRACTICES THAT leading private equity firms use to generate exceptional performance in their portfolio companies should be of great interest to the boards, CEOs, and executives of other companies. Many of them can be directly transferred to other settings to generate higher financial returns as well as improvements in areas like customer service, safety, and employee satisfaction. While the constraints of public companies and family-owned firms may seem limiting, we believe the road map outlined in this article provides all managers with a blueprint for driving superior value creation. ■ **HBR Reprint R2506F**



MARLA CAPOZZI is a partner in McKinsey & Company's Boston office. **SACHA GHAI** is a senior partner in McKinsey's Toronto office. **PAUL GOMPERS** is the Eugene Holman Professor of Business Administration at Harvard Business School. **STEVEN. N. KAPLAN** is the Neubauer Family Distinguished Service Professor of Entrepreneurship and Finance and the Kessenich E.P. Faculty Director at the Polsky Center for Entrepreneurship and Innovation at the University of Chicago. **JOHN KELLEHER** is a managing partner and the global head of portfolio operations at CVC, and a former McKinsey senior partner. **VLADIMIR MUKHARLYAMOV** is an assistant professor at the McDonough School of Business at Georgetown University.



TECHNOLOGY
& ANALYTICS

Stop Running So Many AI Pilots

Instead of testing lots of use cases across the company, **pick one area and go deep.**



AUTHORS

**Goutam
Challagalla**
Chair, IMD

**Mahwesh
Khan**
*Senior Adviser,
IMD*

**Fabrice
Beaulieu**
*Former CMO,
Reckitt*







TECHNOLOGY
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ABOUT THE ART

Jessica Eaton takes an experimental approach to image making, capturing multiple in-camera exposures of common studio supplies to create artwork reminiscent of paintings and drawings.

In late 2023, when the management team at the consumer packaged goods company Reckitt considered adopting gen AI, potential use cases spanned the business—from drafting presentations to delivering customer support to optimizing procurement contracts. Many of the use cases guaranteed time savings and an immediate return on investment, but they applied to disparate tasks. Executives at Reckitt were pleased with the time gen AI could save, but they knew the effort wouldn't transform the company's strategy or create a meaningful advantage. They were hoping for something more dramatic, not just marginal efficiency improvements.

So instead of green-lighting every AI project that would yield a positive ROI, they decided to focus on a single domain: marketing. Here gen AI could be used across many interlinked tasks, including insight generation, content generation, and new product development. The tasks were related to one another, using information pulled from the same data, customers, and market research. The results from one task connected to others. For instance, real-time consumer insights lead to superior product innovation and better segmentation. Better and faster product innovation helps companies bring relevant products to market, thereby strengthening loyalty, retention, and advocacy. Focusing their efforts just in marketing, executives believed, would help the company improve at scale.

Reckitt had existing strengths in marketing, such as rich customer data and a team that was proficient with advanced technologies, including predictive AI. Adopting gen AI with a focus on improving marketing operations helped Reckitt discover new ways that the department could operate. It forced the marketing team to dramatically rethink its entire approach, recasting many processes as the team learned how gen AI could improve the whole marketing operation, not just the odd task or two.

Less than two years later, Reckitt credits its deliberate adoption of gen AI with helping it generate product concepts as much as 60% faster than it used to. It also credits gen AI with making brand and marketing communication processes more efficient by 30% or more (depending on the process). Those gains wouldn't have been possible if Reckitt hadn't focused its AI experimentation and investment efforts on a set of interconnected functions or tasks within a single domain.

Reckitt's experience illustrates a vital lesson: To obtain a lasting competitive advantage, companies must avoid two



IDEA IN BRIEF

THE CHALLENGE

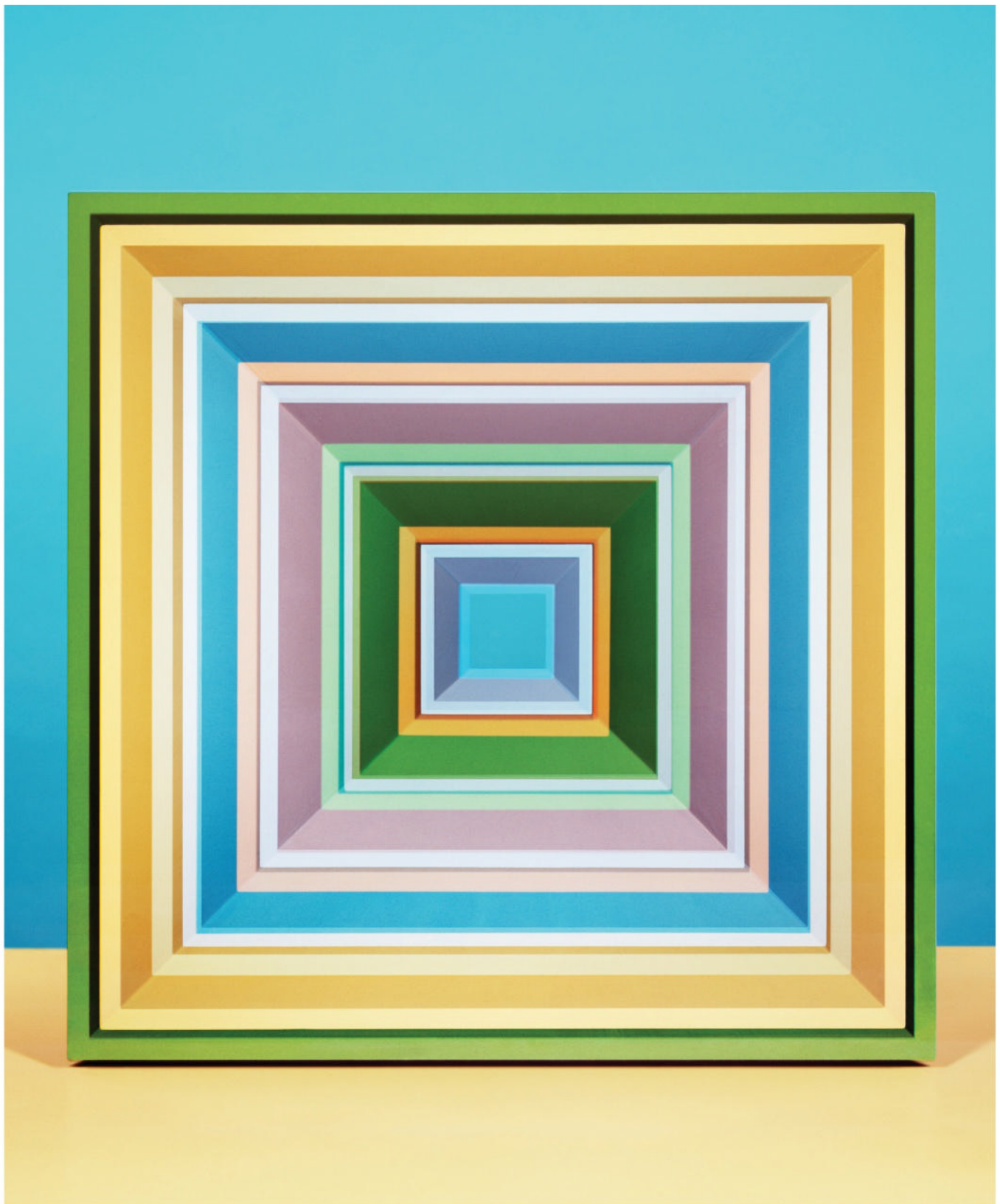
To obtain a lasting competitive advantage using gen AI, companies must avoid two common implementation mistakes: launching a multitude of pilots with unrelated use cases and focusing solely on immediate ROI.

THE SOLUTION

Adopt a deep and narrow strategy—that is, deploy gen AI intensively within a single function or process—to unlock greater long-term gains. Doing so leverages existing strengths, encourages reinvention, and can lead to scalable innovation.

THE PAYOFF

Firms that make deep and narrow AI deployments achieve greater ROI over time and develop competitive capabilities that are difficult for rivals to replicate.





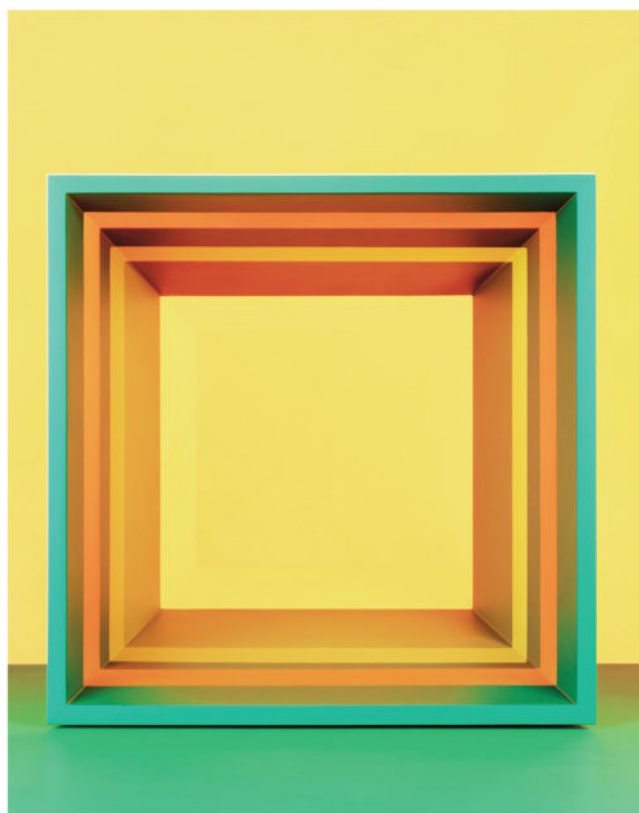
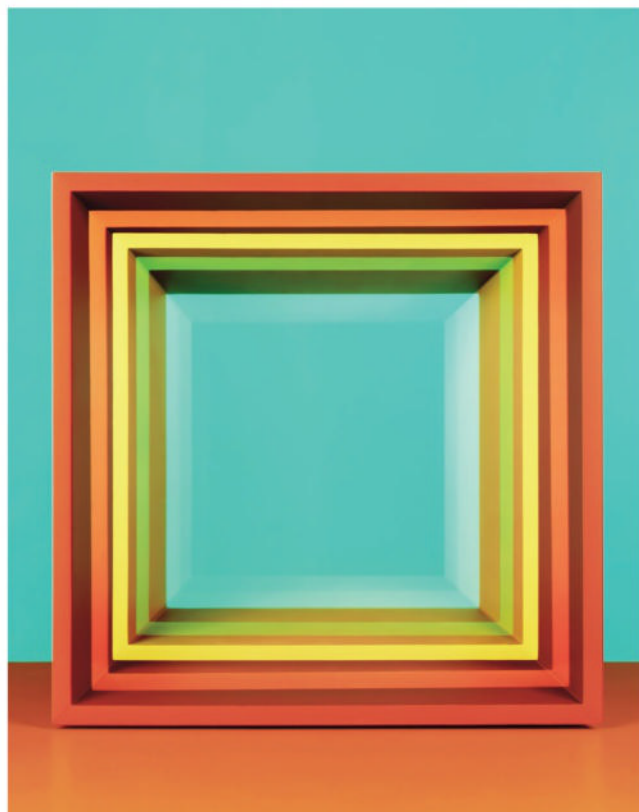
TECHNOLOGY & ANALYTICS

common and related gen-AI implementation mistakes. The first is spreading your efforts and resources across one-off use cases throughout the company. The second is focusing solely on immediate ROI. This approach—having many unrelated use cases, each justified by the strong promise of immediate ROI—is often described as a “shallow and broad” deployment. Many executives we spoke to said they believe they should deploy gen AI as widely as possible to see what works. While this technique will generate some immediate cost efficiencies, it’s unlikely to deliver a competitive advantage, and companies that use it aren’t as successful as they could be.

Here’s why. Let’s say a firm automates a few disparate processes in accounting, some in the supply chain, some in marketing, some in finance, and some in HR. Two things happen: First, executives have little motivation to completely revamp functions when only 5% to 10% of the tasks are using gen AI. Second, running use cases with no focus on a larger objective often leads to initiative fatigue. And when the use cases provide little competitive advantage or are easily copied by competitors, employees can grow skeptical or disillusioned. (At Reckitt, by contrast, the larger objective was to drive top-line growth by introducing new products to market faster.)

When it comes to deployment of AI, firms should follow Reckitt’s lead—what we call the “deep and narrow” approach. It’s an unusual strategy: Only 4% of companies take a focused approach on a few priorities where they transform deeply, according to a 2024 BCG survey of 1,000 CXOs and senior executives. But those that do achieve twice the ROI over time.

We have decades of experience as practitioners, educators, and consultants for global brands on marketing, strategy, and technology. And since the introduction of gen AI to the market in 2022, we’ve observed that the deep and narrow approach has many advantages. It requires you to fundamentally rethink how work is done within a single part of your business. It leads to better productivity by leveraging your competitive strengths. And it encourages the discovery of new ways of working that are unique to your company’s culture, making it difficult for rivals to copy. Once you master gen AI in one business area, then you can apply what you’ve learned to others.





Executives should be comfortable conducting a few shallow and broad experiments, but they need to understand that one-off use cases are not transformative deployments.

When we first proposed the idea of deep and narrow deployments, many executives worried that it seemed counterintuitive—and more risky than the shallow and broad approach. After all, shallow and broad deployments aren't wrong: They do save time and money. And executives should be comfortable conducting a few shallow and broad experiments, especially as they begin to test the organization's willingness and readiness to adopt AI. But they need to understand that one-off, disconnected use cases are not transformative deployments. The executives were also uneasy about the significant investment required to rebuild processes and feared deviating from conventional wisdom, which says you need to run hundreds of AI projects to succeed. Additionally, many had failed to conduct an honest and intense appraisal of their firm's core competencies and data maturity—a necessary step to decide where to go deep—because they considered that process too difficult and time-consuming. Over time, however, many of the skeptics came to see why deep and narrow makes sense.

In this article we'll explore why so many companies mismanage their adoption of gen AI. Then we'll provide a guide for successfully going deep and narrow for your own AI deployments, using examples from IKEA, L'Oréal, and others.

Why Go Deep and Narrow?

Leaders tend to demand concrete ROI projections for every use case. Only after immediate ROI is demonstrated, they told us, do they think they should deploy gen AI elsewhere. But that approach ignores the reality of how AI adoption really works: ROI accumulates at a different speed and magnitude for each use case. At firms that we believe have deployed gen AI effectively, the impact may take some time to materialize, and progress shouldn't be measured by short-term ROI alone.

Compared with shallow and broad, a deep and narrow implementation takes a lot of time and effort. It's exceptionally difficult to do it simultaneously across multiple domains because it requires extensive change management. You'll be introducing technologies that are new to your employees. You'll be changing work processes. Your team structures and ways of working will have to change,

too. Of course, introducing any new technology will require learning and some adaptation of work processes, but going deep requires wholesale changes and a reimagining of how work is done.

Deep and narrow implementations can focus on a single function or on end-to-end processes. L'Oréal, the world's largest cosmetics firm, has deployed AI extensively within its marketing function, as Reckitt did. Acme Bank (not its real name), by contrast, focused on transforming its end-to-end mortgage process. Its original process was remarkably cumbersome: First, a mortgage adviser collected borrower documents and manually entered the data into the loan origination system. Next a loan officer verified the documents and used additional documents (such as title searches and flood certifications) to aid in the evaluation. Finally, an underwriter assessed the borrower's creditworthiness and set the terms of the loan. Acme now uses gen AI to automate the processing of all mortgage paperwork. The bank also built a conversational gen AI interface for underwriters. They can converse with the system and ask it to perform tasks, such as running predictive AI models and writing an explanation for an applicant's approval or rejection. This easy interface enabled loan officers to probe the model's decisions, and they found that providing better information on a customer's context improved the outcomes for both customers and the bank. As a result, Acme Bank improved the quality of its decisions, its speed, and its responsiveness to customer concerns.

How to Begin

Before you implement gen AI, you need to identify where it would be most strategic because ultimately you want gen AI to strengthen your existing competitive advantages. To do that, we recommend a four-step process.

STEP 1

Identify the most promising opportunity. Gen AI is a general-purpose technology with a spectrum of uses. Office productivity tasks, such as summarizing meetings and creating presentations, fall on the routine end of the spectrum. At the other end are value generation activities, such as using gen AI to enable new business models or, when it is



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Before you implement gen AI, identify where it would be most strategic; you want it to strengthen your existing competitive advantages.

infused into products and services, to overhaul customer experiences. In the middle of the spectrum is domain reinvention—the end-to-end reimagination of work processes or functions.

Office productivity is about improving the efficiency of handling mundane tasks. It is not likely to yield a competitive advantage. Enabling new business models using AI is an exciting opportunity but may be difficult for companies selling products in which AI cannot be infused easily (say, toothpaste). Domain reinvention—which covers functions and processes—is an area of opportunity for almost any firm.

Let's return to the example of Acme Bank. It is one of the largest lenders in the region, and mortgage loans are a big part of its portfolio. Mortgage financing has big margins even in low-interest-rate environments, which makes mortgages a strategically important product for the bank. Acme used mortgage loans to improve customer relationships and cross-sell other products. The team mapped the essential steps in the process, evaluated where it made sense to do things differently, and eliminated redundancies. The team developed a more-effective process, and gen AI made it even faster and easier.

STEP 2

Identify areas of lasting advantage. Whenever you deploy AI deeply, your goal should be either to protect or enhance an existing competitive strength or to create a new advantage that is hard to copy.

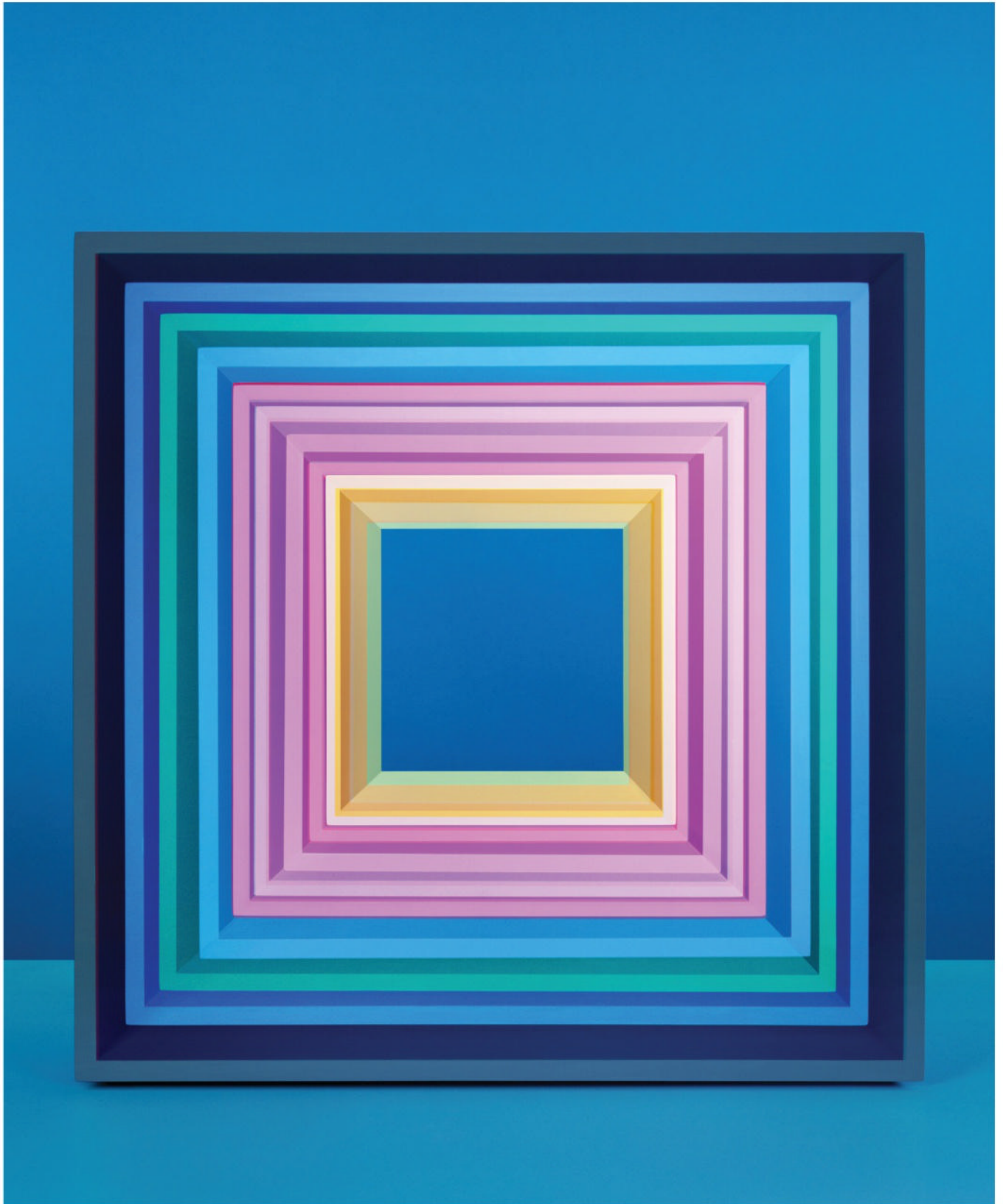
L'Oréal used gen AI to create a new competitive advantage. The €43 billion French cosmetics retailer recently combined its cosmetics expertise with powerful gen AI tools to reinvent customer interactions. Nicolas Hieronimus, the company's CEO, said L'Oréal shifted its vision from beauty for all to beauty for each by putting personalization at the center of its mission. How? It focused its gen AI efforts on the consumer journey—deep and narrow. Its Beauty Genius chatbot conducts an in-depth diagnosis of each user's skin and then gives customers expert analysis, product recommendations, and personalized routines. It can do this because L'Oréal has been building its augmented reality (AR) capabilities steadily since 2015 and because it can access the company's advanced research on skin biology.

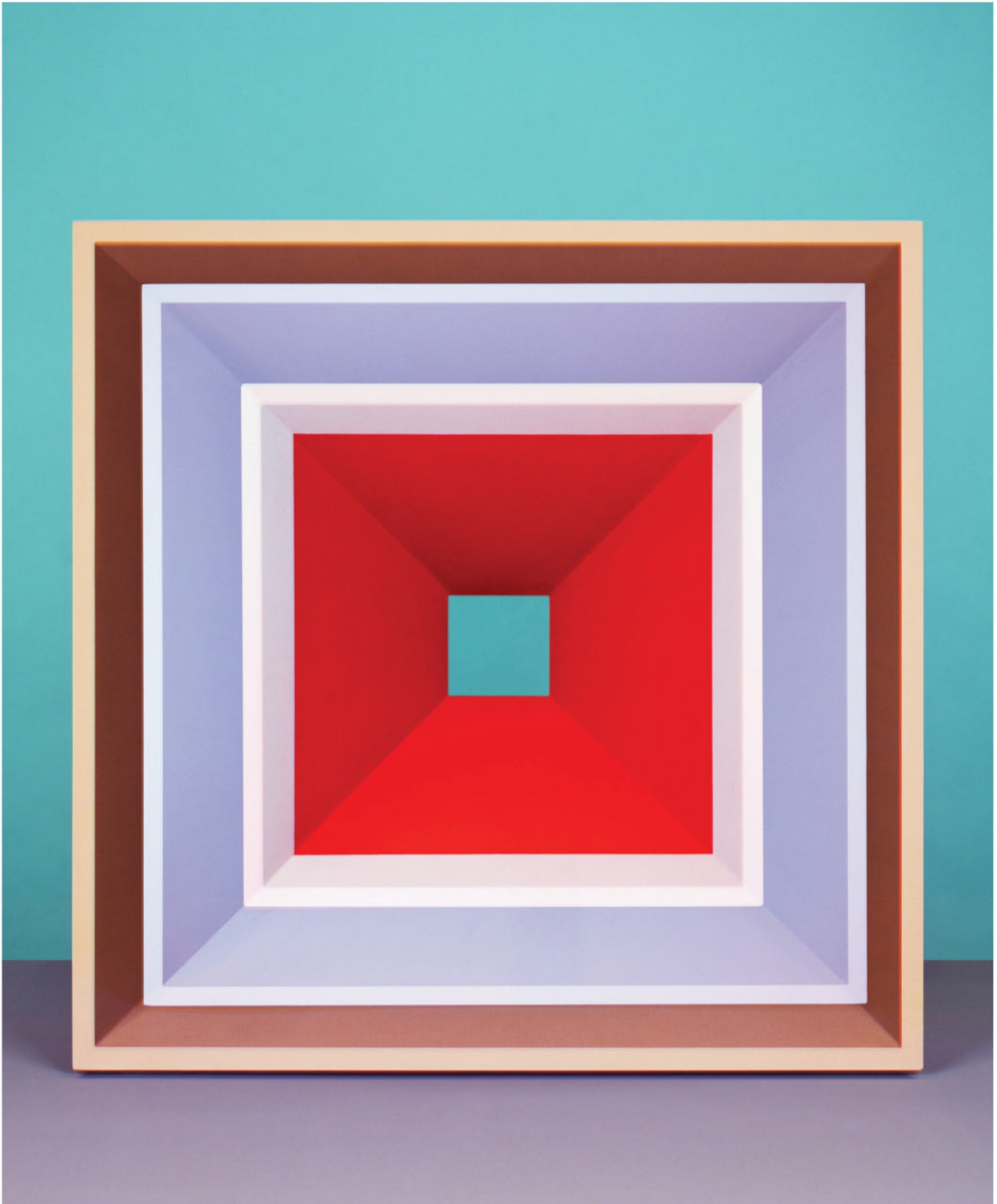
L'Oréal focused its gen AI program on its domain expertise and trove of customer data. It reinvented the consumer journey when it introduced Beauty Genius, which makes it easy for consumers to understand their skin (diagnosis), get advice, select the right products, and share with friends. Moreover, every time a customer interacts with the chatbot, L'Oréal gets more valuable data.

The project has been a success. Beauty Genius has conducted more than 400,000 conversations in the United States in its first six months. L'Oréal is integrating Beauty Genius into WhatsApp, which we expect to lead to a surge in usage. L'Oréal's strategy is to provide a slew of Beauty Tech services, of which Beauty Genius is a key component. These services—such as virtual try-ons and Hapta, a computerized makeup applicator—leverage AI extensively and have been used more than 110 million times. In Southeast Asia, the Middle East, and North Africa, Beauty Tech has doubled the conversion rate of its 50 million users. With success like that, many copycats are bound to emerge, but they can't offer the vast cosmetics research that L'Oréal does.

IKEA is taking a slightly different tack: It's using gen AI to amplify its strengths. The company, renowned for its affordable furniture, also offers interior design services. But for customers, price is often a barrier because highly paid designers are required to provide the services. Now IKEA is looking to use gen AI to make design services more affordable. Based on early results, Francesco Marzoni, IKEA's chief data and analytics officer, projects that IKEA's professional designers will be able to use gen AI to complete design projects in 10 minutes and then use their expertise to enhance the designs. That's a big change from using consultants whose fees are typically \$99 per room and take a few days to deliver designs.

This new way of designing projects enhances IKEA's existing competitive strength in design. It already has the world's largest community of interior designers, and it carries out far more interior design projects than do its competitors. Now it can feed its gen AI models in real time with high-quality data from thousands of projects. These two elements, expertise and scale, will enable its gen AI system to learn faster and better than others. It will be hard for other furniture retailers to provide a comparable service at the same quality and price.







Change management is 70% of the challenge. Perfecting data and using gen AI effectively are only 20% and 10%, respectively.



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& ANALYTICS

STEP 3

Choose the right sequence. Gen AI can boost profits by enabling cost efficiencies and growth. Should you prioritize efficiency, growth, or a combination of the two? When you're going deep and narrow, starting with cost-efficiency gains within a single domain is often the smartest option, because you can typically reduce your costs more quickly than you can achieve top-line growth.

That's what Reckitt did. The company identified five gen AI pilots to demonstrate immediate marketing efficiencies. One experiment, for example, showed that gen AI could develop media campaign analyses in hours rather than days. Early wins like that helped gain support from executives. Once leaders were convinced, Reckitt went deep and narrow within marketing to drive both efficiency and growth.

Next Reckitt took a systematic approach to deployment. It categorized all the tasks performed by its more than 2,000 global marketers. This was a painstaking activity involving both surveys and one-on-one interviews. That research identified 300 separate tasks. Marketers provided estimates of how much time each task took. The company then plotted each task along two axes: the *degree of possible automation* (based on type of gen AI applicable) and the *opportunity size* for the company (based on time spent on the task). This analysis helped the team target approximately 100 tasks that would be most suitable for gen AI use. Because so much of the team's work would now involve AI, Reckitt's leaders recognized that marketers would have to do a wholesale reconsideration of the way the department worked. As gen AI picked up routine tasks, human marketers took on more-demanding work, including tasks that had previously been performed by their managers. Reckitt focused its gen AI deployment on efficiency because those gains would make an immediate contribution to the bottom line. Once executives saw that, they green-lighted the use of gen AI for growth objectives, which normally take longer to achieve. Marketers used gen AI to achieve corporate growth by translating consumer insights into better and faster product innovation and speedier time to market.

Because the deep and narrow approach requires more focus on transforming processes and has a bigger impact on employees' day-to-day work, it is more managerially intensive than shallow and broad. Change management is 70% of

the challenge. Perfecting data and using gen AI effectively are only 20% and 10%, respectively. As companies try to build on their early successes and move beyond the initial department where they went deep, they must be ready for a full-scale change-management initiative.

STEP 4

Monitor the competitive landscape. Just as you are using gen AI to strengthen your competitive positioning, so too are your competitors. Ask yourself: Can our top competitor replicate a valuable strength of ours by using gen AI? The other company does not have to be as good as you at the strength. To cause trouble, it must provide only a "good enough" solution that is simpler and cheaper. To avoid losing your advantage, you must deploy gen AI in ways that will increase the gap between your firm and your competitors, as L'Oréal's Beauty Genius does. When you prioritize gen AI within your operations, it will reveal opportunities to change how you work. Take them.

WE'RE STILL IN the early days of gen AI and agentic AI, but already a clear pattern has emerged. Most companies deploy AI widely across the organization; they use the shallow and broad approach and hope that a few pilots will deliver meaningful value. Many of these efforts do provide ROI, but collectively, their impact is often limited and temporary because the shallow and broad deployments are easily replicated.

Going deep and narrow reinforces your firm's strengths in a deliberate manner. IKEA, L'Oréal, Reckitt, and others used the deep and narrow approach to improve functions or complex end-to-end processes. They asked themselves tough questions about their AI goals. In some cases, it led them to create new lines of business. And the results have been worth the effort. One BCG study found that firms using the deep and narrow approach have double the ROI of firms using shallow and broad deployments. We predict the gap will continue to widen. 📌

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GOUTAM CHALLAGALLA is the Dentsu Group Chair in Sustainable Strategy and Marketing at IMD. **MAHWESH KHAN** is a senior adviser at IMD. **FABRICE BEAULIEU** is the former global chief marketing officer at Reckitt.





STRATEGY

How to *Monetize* Your Data



*Three questions
to shape
your strategy.*



AUTHORS

**Suraj
Srinivasan**

Professor, Harvard
Business School

**Robin
Seibert**

Engagement
manager, McKinsey

**Mohammed
Aaser**

Chief strategy
officer, Domo



PHOTOGRAPHER DAN FORBES



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HAT IF YOU WERE
responsible for analyzing album, fan, social media, and merchandise data

for more than a thousand musicians? That was the task that Naras Eechambadi faced in 2021, when he joined Universal Music Group (UMG), which represents current recording stars from Lady Gaga to Eminem, legends like the Beatles, and numerous up-and-coming artists. As the company's first chief global data and analytics officer, he needed to find a way to make UMG's information available to its many business units and partners. So he and his team compiled data from brick-and-mortar stores, e-commerce sites, social media, marketing campaigns, emails, and a CRM system and used it to build a reporting and analytics tool called Fan Analytics, Marketing, and E-commerce (FAME), to help UMG's partners, including labels and artists, identify growth opportunities.

FAME provided granular data and insights on the behavior of every fan and automatically suggested follow-up actions for each person. Soon listener engagement and

conversion rates for marketing campaigns rose significantly, driving revenue growth of more than 30% in e-commerce channels. FAME also gave UMG an edge over its competitors when it was signing new artists and labels. By packaging UMG's far-flung and unorganized data into an integrated, easy-to-use tool, Eechambadi's team had found a way to grow the business while remaining aligned with the company's principal mission—to connect artists with fans.

Making money by commercializing customer data (and the insights gleaned from it) isn't a new idea. Credit-reporting agencies, which tell lenders whether a would-be borrower is likely to repay loans, have been around for more than a century, and grocery stores have sold shopping data (collected via their loyalty programs) for decades. In the digital age companies are learning more about consumers by following their online behavior—the products they buy, the websites they visit, the reviews and comments they leave, and so on. Now AI is making it easier to analyze and gain insights from that information, increasing its value even more. And in an era of slower economic growth, companies are becoming more interested in finding ways to monetize this asset.

Some companies are already seeing success. Although Amazon's retail business remains its largest source of revenue, the firm has used its deep knowledge about customers' interests to grow its advertising business, which brought in \$56 billion last year. More recently, Walmart used a similar model to launch its online ad business, which now generates \$4 billion annually. Much of LinkedIn's \$16 billion in revenue is tied directly to the user data it sells to recruiters. Financial services firms like Mastercard and Visa have set up entire consulting divisions—Mastercard Advisors and Visa Advisory Services—to sell companies the insights they



IDEA IN BRIEF

THE PROBLEM

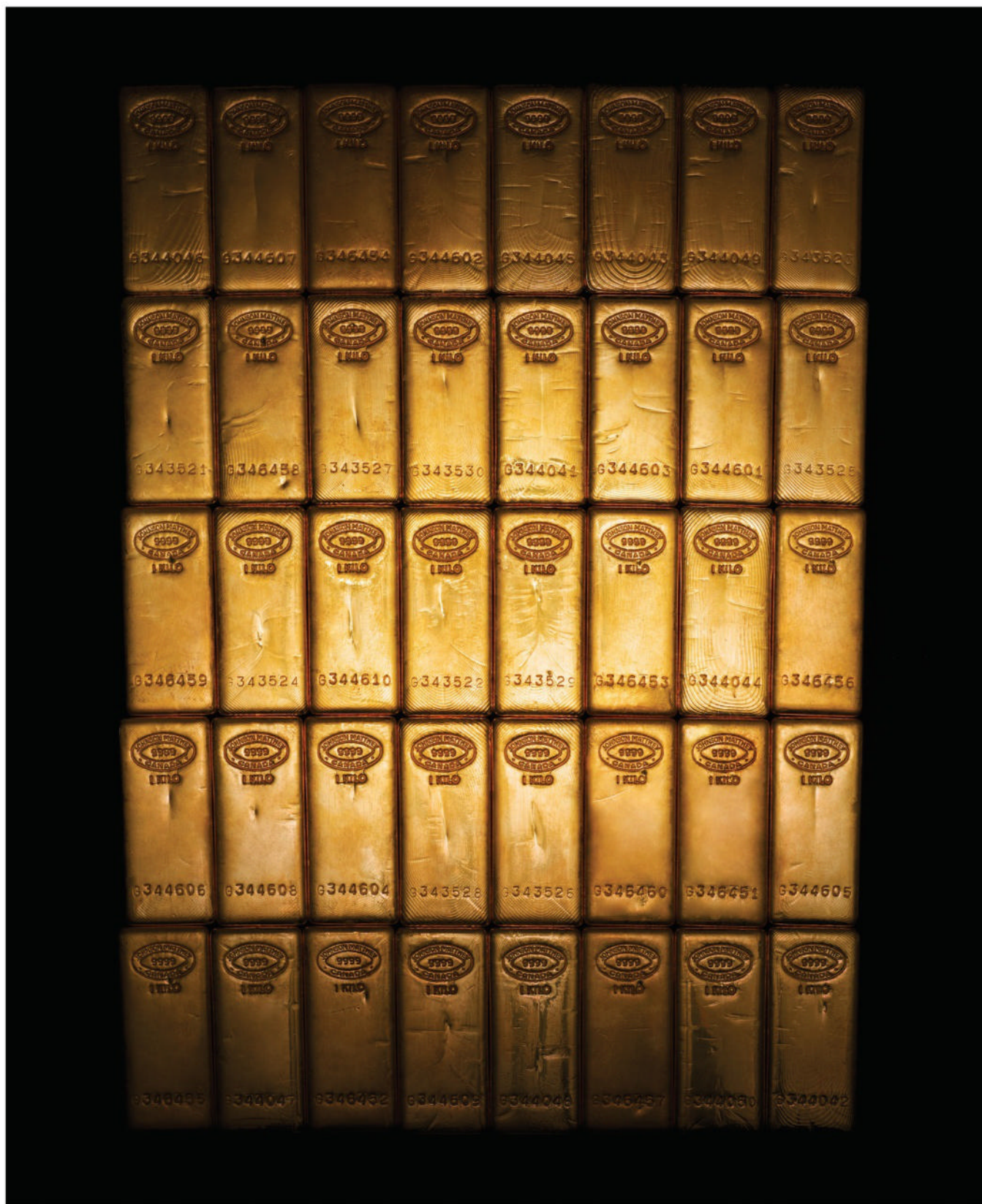
Many companies struggle to effectively monetize their data because they lack a clear strategy, foundational infrastructure, and an understanding of how to align data initiatives with their core business.

THE SOLUTION

Successful organizations follow a structured framework for data monetization. They work with their established customers and suppliers to develop strong use cases; make a considered choice between direct and indirect monetization; ensure their data capabilities and organization are mature enough; and maintain strict standards around data privacy.

THE THREE APPROACHES

Data sellers package their information as raw data, which is unprocessed and requires the buyer to extract value; as custom insight and analytical services; or as commercially ready solutions, which are fully developed tools or platforms.





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gather from analyzing millions of transactions. Neither company formally reports exactly how much it's making from these ventures, but Mastercard has suggested that the annual revenue from its value-added services division is growing at a double-digit rate. Some companies are selling user data directly to gen AI companies for use in training their large language models. When Reddit licensed its user data to OpenAI in 2024, the financial terms weren't disclosed—but Reddit's stock jumped 12% on the news. Stories like these have made more companies think about the best way to extract profits from their data.

Yet our research shows that companies still struggle to choose the right way to do that and don't know where to begin. It's not necessarily their fault. Data monetization isn't as simple as emailing a spreadsheet to a paying client. Companies must know how to collect, organize, and analyze their data. They also need to determine the best use cases and understand how they should price their offerings. And too many of them create data offerings that aren't closely related to their core business—a move that often turns into a low-profit distraction.

To identify the reasons some companies struggle with data monetization—and why others succeed—we conducted in-depth case research with more than 30 organizations and interviewed 12 senior executives who are spearheading data monetization efforts across retail, media, tech, manufacturing, and marketing. Drawing on what we learned, we developed a framework for how to approach data monetization. In this article we'll explain it and provide advice on how companies can get started on the journey. It requires asking three strategic questions.

1

WHO ARE OUR DATA CUSTOMERS, AND WHAT ARE THEIR USE CASES?

Many companies are sitting on what they think is valuable proprietary data. Potential buyers for it may include tech companies, data brokers, hedge funds, and companies in adjacent businesses. But selling it involves more than running a report.

During our research we observed many instances where business leaders began the monetization process by building out their technical infrastructure. Often they spent a couple

of years on it, only to realize that they didn't know what products to develop or who might buy them.

The most successful organizations begin the monetization process by focusing on use cases within their core business and with existing partners, specifically their suppliers and customers. Why? First, existing partners understand the potential value of your data better than others do, because it's specific to their industry and key goals. Second, because they already have relationships with your company it's easier to work with them to identify good use cases for the data. Your established operations and sales relationships with them also make it easier to generate more revenue from the data and to capture and distribute the data to them once a project starts. Your sales teams and relationship managers can sell the new offering to them as a line add-on and scale it up quickly. And the final reason it's best to work with businesses in your existing ecosystem is privacy. An organization's proprietary data is often subject to strict sharing and custodian agreements, such as those precluding the sale to data brokers or other nonaffiliated third parties.

Even companies that understand that logic may be tempted by offers from data brokers that package and sell data to hedge funds or other nonstrategic partners. On the surface these seem to be quick-and-easy deals that require little effort: You sell the raw data, you make money, and the value ends there. However, such deals may be tricky to navigate. Identifying potential customers and settling on prices across multiple parties with no partnership history is difficult. These opportunities also may present significant risks to your customers and suppliers, such as data leaks that could endanger their core business and strategic priorities. We aren't saying that it never makes sense to do deals like this, but our research shows that they typically are riskier and create less value than deals with strategic partners.

To protect yourself and your customers, you need to manage the privacy, regulatory, reputational, data security, and other risks data monetization creates from day one. Leading transaction companies, consulting firms, and tech companies, for instance, take great care to aggregate and anonymize benchmark data when sharing it with customers. But even if you do this, you should check whether the use of data in a product or service could be misconstrued by your partners. For any data-based offering, you need to work



While direct data monetization has direct P&L benefits, monetizing data indirectly can help firms expand their offerings and improve operating efficiency and customer retention.

closely with legal and risk managers right from the start to assess potential problems and create mitigation plans.

In parallel, and guided by the data needs of the prioritized use cases of potential buyers, you can progressively build a modern data platform and companywide data assets. Efforts to monetize data that's poorly organized, of low quality, or incomplete will backfire. Yet many companies have a way to go to build strong data and tech foundations: While they may already have the technology in place to collect data, they can't transfer it into a central repository. Or they can't organize the data or verify its quality. Or they have no easy way to run analytics or produce data visualizations.

Most businesses aren't entirely unprepared. They've begun to feed data from internal and external sources into data lakes and data warehouses and model how all the data will fit into cohesive data assets such as a customer 360 or a supplier 360. By leveraging flexible tools such as Databricks, Domo, and Snowflake, they can rapidly build data products to test with customers.

2

SHOULD WE MONETIZE OUR DATA DIRECTLY OR INDIRECTLY?

The most straightforward approach is to directly charge customers or channel partners for the data or data-based offerings

they use. This model typically works as a subscription, with a set price giving the buyer access to the data for a defined period. The seller incurs some costs to package and maintain the data, and the rest is profit. The British retailer Tesco took this approach when it collected vast amounts of point-of-sale data and used it to offer services to consumer-packaged goods (CPG) companies through a data analytics division called Dunnhumby. Over time, Dunnhumby became its own separate business, selling a variety of offerings to retailers and CPG companies.

Indirect monetization is different. It involves integrating data into existing offerings and providing it to partners and customers at no additional cost. Organizations that choose this approach are often in high-margin businesses where differentiation is key. For example, the leading consulting firms bundle proprietary data insights with consulting services in order to stand out from competitors and win projects.

Sony Interactive Entertainment (SIE) used indirect monetization to get creators to develop new offerings for its PlayStation platform. SIE built a data platform that gave creators rich data on how gamers were using PlayStation, including gameplay and development data, as well as data on marketing and advertisement efforts. Giving the creators all that information for free made strategic sense because it allowed them to produce better games and increase engagement; SIE's gains came from increased selection and sales of games. John Taft, a former director of analytics engineering with SIE, also noted that "when the next industry-defining innovative experience—such as Fortnite—emerges, it often happens on our ecosystem first."

While direct data monetization has direct P&L benefits, indirect data monetization can be a powerful way to increase the return on data investments. Monetizing data indirectly can help companies expand their product offerings and improve their operating efficiency and customer retention. For example, at one technology provider in our research, retention rates were highest among the customers that utilized its data offerings. A training-and-development company we spoke with expanded its services by providing customers with data benchmarks on high-demand skills and with personalized suggestions on new training programs to consider—information that its analysis showed led to higher customer satisfaction and retention. To enhance its operational efficiency, a manufacturer provided data scorecards to each of its suppliers on customer service levels and inventory availability, which reduced supply chain bottlenecks and boosted margins.

3

WHAT IS THE RIGHT OFFERING TYPE?

Once a company has decided whom it will sell or provide its data to and whether to pursue direct or indirect monetization, the next step is to figure out the right type of offering. The three most common methods are selling it raw, selling insight services, and investing in the design and development of a full-fledged data product.

Sell raw data. This is simple for sellers to do but creates substantial work for buyers, who must process and mine the data to derive value from it. With raw data, if you're



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unaware of the specific downstream use cases, the sales process can be time-consuming because you must first collaborate with buyers to identify value opportunities. This sales method is most suitable for companies that lack internal data and analytics capabilities for processing and mining their data or whose data does not have a strategic fit with existing channel partners. In such cases they typically sell to data brokers, tech companies, or sophisticated users, who will further refine the information for other applications.

Sell insight services based on data. Some companies analyze their data and prepare custom insights for customers, eliminating the need for them to structure the data and mine it on their own. Many custom-build products for customers' unique needs. One big plus of this approach: It offers more security and privacy protection. Raw data often contains personally identifiable and proprietary information; selling insights instead guarantees that sensitive details don't inadvertently get passed on. Mastercard Advisors does this in its services business for banks and retailers, providing clients with rich aggregated and anonymized insights from its transaction network. If you're early in the data monetization process, you might consider creating a small services team to focus on supporting your channel partners' data and analytics needs. If demand seems to be building around a common set of needs, consider developing an offering to meet them and scaling it up. Listen closely to customer feedback and watch how your competitors are extracting value from their data.

Sell commercially ready solutions. The most successful sellers offer fully built products. Data dashboards, workflows, machine-learning models, and storage are packaged together with the insights. The insights help users make better decisions or form the backbone of a valuable business process. Solutions can be integrated into an existing digital product or can be stand-alone products.

Companies generally charge more for data the closer it is to a finished product. Often they start by offering services on top of their raw data and then move into productizing popular use cases. For example, ADP sells a compensation benchmark product that helps employers see the average market rates for different jobs and employment categories. Buyers use it to set competitive salaries for existing and

new roles and be compliant with applicable laws. Instacart has created an app that harnesses user data to help companies target ads more accurately. When shoppers are buying groceries using the service, Instacart Ads displays promotions for products they're likely to buy, given their previous behavior. In 2024 the app generated estimated revenues of \$958 million for Instacart.

FordDirect, a marketing-technology company focused on automotive retail, created an indirectly monetized, commercially ready solution that's designed to improve the sales performance of the carmaker's dealer network. Tom Thomas, its SVP of data strategy, analytics, and AI, started by compiling raw data from various channels, including dealer websites, CRM systems, and back-office dealer-management systems, and then combined several external data sources into its customer-journey platform. With the right data and technology foundation in place, he and his team were able to turn the data into an analytics tool that helps dealers optimize their advertising spending. The tool helps drive vehicle purchases and service appointments on digital channels. Dealers can also use the data to segment customers by vehicle of interest, ownership status, and propensity to purchase, enabling them to produce targeted messaging. FordDirect has helped dealers achieve a 40% increase in sales and a 22% decrease in cost per lead.

DATA MONETIZATION CAN be a source of new revenue—and when executed correctly, it can have a big influence on the strategic direction of your organization. The journey to effective data monetization involves understanding your data's potential, choosing the right partners, picking a type of offering, and implementing robust security measures. There's a reason more companies are pursuing this strategy: because the rewards can be substantial. ▀

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SURAJ SRINIVASAN is the Philip J. Stomberg professor of business administration at Harvard Business School, the chair of the Digital Value Lab, and a member of the board of Harvard Business Publishing. **ROBIN SEIBERT** is an engagement manager at McKinsey & Company and a former visiting fellow at the Digital Value Lab. **MOHAMMED AASER** is the chief strategy officer of the data analytics company Domo.



The most successful sellers offer fully built products. Data dashboards, workflows, machine-learning models, and storage are packaged together with the insights.





DIFFICULT
CONVERSATIONS

A Smarter Way to Disagree

It's what you say,
not what you think,
that matters.



AUTHORS

Julia A. Minson
Professor, Harvard
Kennedy School

Hanne K. Collins
Assistant professor, UCLA
School of Management

Michael Yeomans
Assistant professor,
Imperial College London







DIFFICULT CONVERSATIONS



IDEA IN BRIEF

THE CONVENTIONAL BELIEF

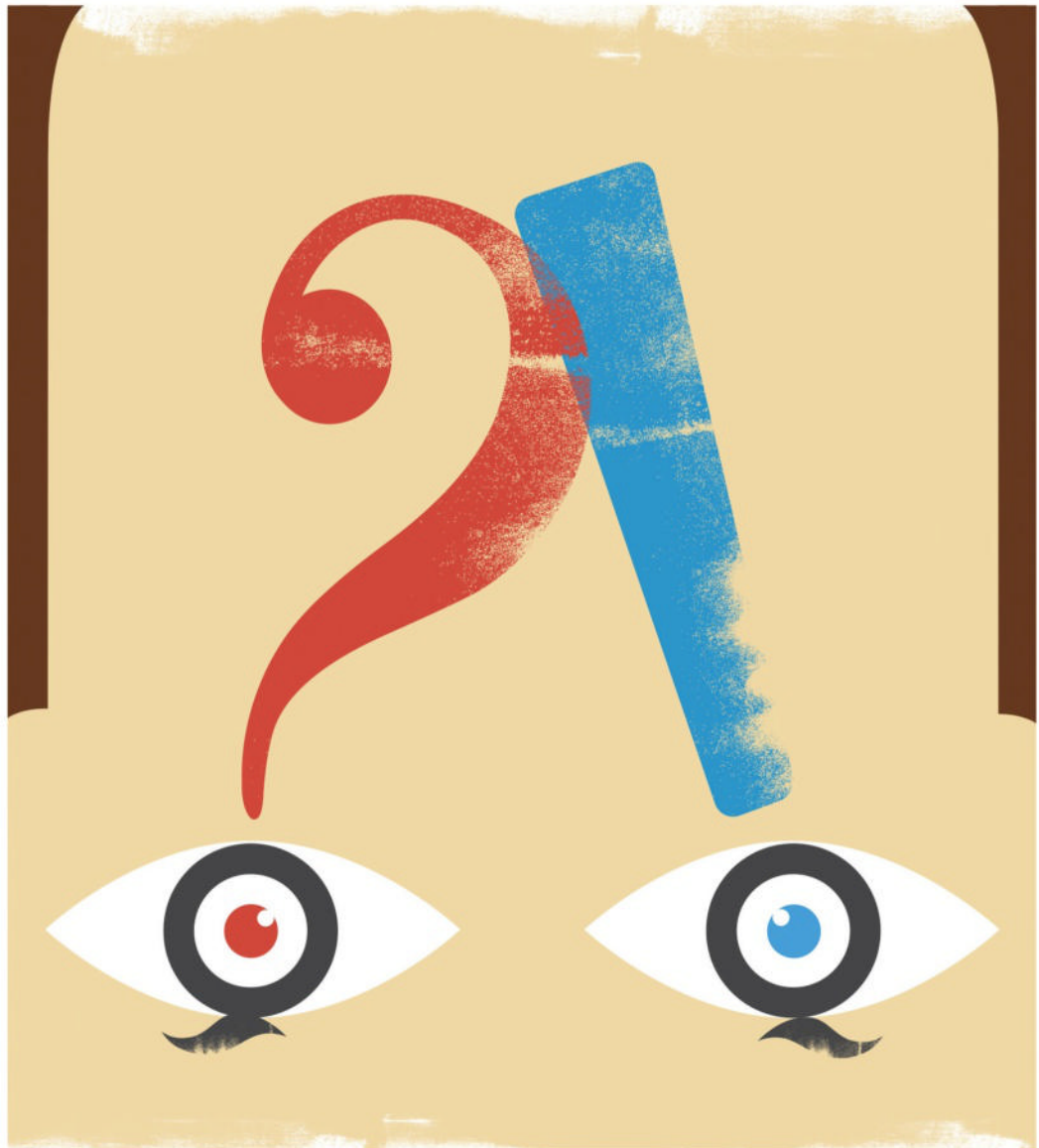
The traditional approach to constructive disagreement emphasizes internal mental processes and empathy. People are advised to “put themselves in others’ shoes,” “have compassion,” and “listen without judgment” to foster understanding and reduce conflict.

WHY THIS IS WRONG

These methods often fail because they rely on unobservable mental states. Since we can’t read minds, our thoughts and feelings must be translated into observable behaviors for others to notice and appreciate our conflict-management attempts.

THE SOLUTION

To foster constructive disagreement, organizations should train individuals to modify their linguistic behavior. This includes choosing words carefully, expressing curiosity, acknowledging the other side, finding common ground, hedging claims, and sharing personal stories.



Every day, in every organization around the globe, people disagree about everything from pricing strategies to hiring decisions to major acquisitions. **And disagree they should.**



For others to notice, appreciate, and react to our conflict-management attempts, our thoughts and feelings must be reflected in the things we *do and say*.

Research across every social science shows that disagreement offers important benefits: Divergent perspectives spark creativity, prevent costly errors, and drive better decisions. But, of course, there is also risk: Disagreement handled poorly can have massive interpersonal and financial costs.

Over the decades there has been a plethora of recommendations from academics and consultants on how people can disagree constructively. Some instruct people to *think and feel* in certain ways toward their counterparts: “Put yourself in their shoes.” “Have compassion and empathy.” “Try to understand them rather than judging them.” Others tell them what to *do and say*: “Ask clarifying questions.” “Make ‘I,’ not ‘you,’ statements.” “Use open body language to signal receptiveness, friendliness, and a willingness to engage.” Nevertheless, despite this wealth of advice, conflict persists.

Over the past 10 years we have conducted dozens of experiments on how people in a variety of settings can disagree more constructively. Our key finding: People’s internal mental processes (the *think and feel* techniques) have a limited impact on outcomes for a simple reason—we can’t read other people’s minds. This means that for others to notice, appreciate, and react to our conflict-management attempts, our thoughts and feelings must be reflected in the things we *do and say*. Mental states must be translated into observable behaviors.

We tested this idea in a recent study involving 1,113 Americans drawn from online platforms that people join to earn money by participating in research. Three groups wrote messages to somebody who strongly disagreed with them about a hiring policy. One group got no specific guidance. Another received the classic guidance about considering the other side’s perspective and being empathetic to people with different viewpoints. The final group received instructions about the specific words and phrases they should use to express their receptiveness to opposing viewpoints. People on the opposing side of the argument who read the messages from the third group—in which writers were instructed on the specific language to use—viewed them as the most objective, intelligent, and trustworthy of the three groups, and the ones they were the most willing to work with in the future.

The implication: Organizations should train people to modify their behavior during disagreements in the most concrete ways possible. More specifically, they should get people to be more attentive to their *linguistic behavior*—to

carefully choose the words they use—because, as we explain below, unlike a person’s thoughts and feelings, language is observable by counterparts, trainers, mentors, or anyone else interested in improving communication during disagreements. We can also directly measure language with technology and effectively train people to improve how they speak to others during challenging conversations.

How One Mind Affects Another

Let’s consider a disagreement between Sarah and Lisa, two fictional people who are debating their approach to an upcoming work task. Sarah wants to be respectful, curious, and considerate of Lisa’s perspective. This is her *intended mental state*—the way she wants to think and feel during the conversation. Yet, the reason Sarah is trying to embrace this mental state is the hope that Lisa will perceive her to be thoughtful, trustworthy, and insightful.

During any interaction, however, Lisa can only observe Sarah’s behaviors—primarily the words, phrases, and sentences she speaks. Sarah’s behaviors help Lisa learn about what is happening in Sarah’s mind. Changing verbal behavior is the most effective way to overcome two key problems that often cause disagreements to spiral into conflicts.

The intention-behavior gap. If you have ever made a New Year’s resolution, you may be familiar with the *intention-behavior gap*—the idea that people often fail to follow through on their best-laid plans. Our intentions to spend less, exercise more, eat healthier, and learn another language often collapse under the pressures of real life.

This kind of failure is common in interpersonal conflict too. Staying calm and communicating constructively requires effort and is hard to do while struggling to understand your counterparts and feeling angry at their seeming failure to understand you. It is challenging to effectively respond with respect and curiosity when someone is directly contradicting some of your most deeply held beliefs and values, even if you are doing your best to maintain an open mind. In other words, even if Sarah intends to be respectful and curious, that doesn’t mean she will be able to keep herself from interrupting Lisa or responding critically.

In a series of studies that we conducted over the past few years, hundreds of participants overwhelmingly agreed



DIFFICULT CONVERSATIONS

that expressing curiosity toward people who disagree with them was a good idea. However, when we asked them to express their desire to learn about other people's opposing perspectives, they often failed; they got caught up in making their own argument. For example, many participants thought that simply couching an argument in the form of a question such as "How can you believe that?" or "Can you honestly say you think that is a good idea?" would do the trick. Although a disagreement with a stranger in a research study is much less emotionally fraught than most disagreements in real life, people still couldn't bring themselves to enact what they knew to be the right strategy.

The behavior-perception gap. Even when we manage to perform the behaviors we intend, there is no guarantee that they will be perceived as we hope. This is the *behavior-perception gap*. The things we do and say with the intention of communicating a certain mental state are not always perceived that way by others. At the end of the day our conversation partners get to determine how we came across. And unfortunately our behavior often affects others in unexpected ways. In our example, Sarah might believe that the question "Why would you think that?" will show that she is curious and wants to understand Lisa's perspective. However, Lisa might interpret it as a sarcastic taunt.

In our research we saw this pattern emerge when we asked participants to read messages expressing a perspective they disagreed with and rate the extent to which the writer expressed curiosity or receptiveness toward the opposing view. We often saw a disconnect between how curious and receptive the writers rated themselves and how curious and receptive the readers rated them. Often, when working hard to express curiosity and receptiveness, people relied on the wrong signals.

To disagree constructively, organizations need to think of how to close both the intention-behavior gap and the behavior-perception gap. That entails helping employees (1) learn behaviors that will be interpreted as intended; and (2) successfully execute those behaviors.

The Case for Focusing on Behavior

A conflict-management approach focused on behavior has several advantages for organizations. Most of us are quite

poor at objectively making sense of what is happening in our minds. Our self-assessments of what we are thinking and feeling are often muddled by cognitive biases, self-serving motives, and powerful emotions. By contrast, behavior is observable and thus measurable. When individuals exhibit behaviors, those around them—the people with whom they are disagreeing as well as observers such as mentors and coaches—can judge whether they did the "right" thing and provide feedback. Did they express curiosity about the other person's viewpoint or simply restate their own point? Did they acknowledge their counterpart's perspective or bulldoze over it?

In addition, concrete behaviors can be tested through systematic research to determine whether they are the correct ones for the job. Following research guidance can then allow us to overcome the behavior-perception gap. For example, in our research we found that conflict outcomes improve quite dramatically when people express their willingness to learn about their counterpart's opposing perspective. However, students in our courses (undergraduates and executives alike) often think that they already know how to demonstrate such a desire. Yet, without specific guidance, they often ask snarky or rhetorical questions that send a very different message than the one they intended. Rigorous research can uncover such disconnects between intentions and perceptions and identify concrete behavioral approaches that do have the intended effects.

Why focus on language instead of eye contact, posture, or myriad other nonverbal behaviors? First, much of today's professional communication takes place in writing via email, text, Slack, and other similar platforms. Second, language is simpler to control than nonverbal expressions and less likely to be misunderstood. While nonverbal expressions can sometimes inflect the meaning of language, the words themselves still convey the most information. And although others can misinterpret our words, nonverbal signals are even more prone to being misconstrued.

That said, it can still be helpful to encourage or coach people to have an open or empathetic mindset. Any organizational intervention to change how people engage with one another must start with their buy-in. If individuals have a negative attitude toward their counterparts and simply don't want to show them empathy or curiosity, they are likely to resist any effort to get them to change their behavior. However, any advice on how people should think and feel should be paired with advice on how they should express those thoughts and feelings.

Below we offer specific advice for both individuals and organizations to improve the language used in disagreement.





Advice for Individuals

The suggestions below come from years of our own and others' research on the effect of different linguistic techniques on conflict outcomes. A common theme that runs through these techniques is that they all use language to escape the competitive spiral that often characterizes disagreements and require the speaker to communicate a bit of vulnerability. Expressing vulnerability in disagreement is not fun; people usually go into disagreements ready to do battle, and the last thing they want to do is allow their counterpart to assume a psychologically dominant position in the exchange. But this is yet another reason why relying on language is important: Only by hearing yourself say the right words can you be sure that you really acted on your positive intentions and didn't simply dodge the challenging moment.

Signal a desire to learn. In one study after another we have documented that people in disagreement assume that their counterparts don't want to learn about their perspective or understand their views. Yet, when people receive communications that clearly and explicitly spell out their counterparts' interest in understanding, they evaluate those people more positively and find their arguments more compelling and more reasonable.

The simplest way to signal curiosity is just to say you are curious. For example, as soon as you recognize that your counterpart disagrees with you, you could say: "Hey, it seems we are seeing this differently. I am curious how you think about XYZ." Showing an interest in learning does not require you to abandon your own argument. For example, you could say: "I think there are different ways of thinking about this. I believe XYZ, but I'd love to better understand where you are coming from."

Acknowledge the other side. By definition, anyone speaking wants to be understood. And in conflict people often worry that what they say doesn't even register. Acknowledgment is an easy (but underrated) gift you can give to others—even if you don't agree, you can show others that you have received their message. The best kind of acknowledgment restates the core of your partner's statement; it *proves* you were really listening: "I hear you—the team has been working really long hours, and this is a

superdemanding client. But here's why we can't afford more staff on this project..." Even if your position is unmoved, at least now your counterpart knows that you received the message. Crucially, if you don't understand your partner's perspective, don't fake it! Ask for genuine clarification.

Find common ground. No matter how much you might disagree with someone on a specific point, if you zoom out a bit, you can always find things you have in common: beliefs, values, goals. After all, there is a reason you and this person are working together. Although the specific disagreement might capture all your attention, try making the common ground explicit by using phrases such as "I agree with some of what you are saying..." or "We both want..." or "When I went to that meeting, I also noticed..."

Hedge your claims. In a disagreement about a matter of fact (for example, the cost of a project or the cause of a technical glitch), the average person is wrong at least 50% of the time. With that in mind, rather than asserting confidence that you are sure you are right, try showing some humility by hedging your claims and leaving open the possibility that you could be wrong. A series of studies by Leslie John and her colleagues have demonstrated that a person who recognizes that a complex issue has multiple sides is more likely to be seen as thoughtful and knowledgeable than a person who makes dogmatic statements that then turn out to be false. You can do that by preceding your claim with something like "From my view..." or "Sometimes it is the case..." You can also go further by both hedging and employing the strategies we discussed above. For instance, Lisa could say: "I understand that you are very concerned about staffing, and I agree that, on one hand, this client is key to our new strategy. On the other hand, it might be important that we don't overcommit our resources. What do you think?"

Share your story. Our strongest beliefs (and the emotional force behind them) usually come from something that happened to us in the past rather than data or slide decks. According to research conducted by one of us (Julia) as well as several other research teams, sharing stories and the feelings they bring up is often a more effective way of building trust than trying to impress our counterparts with command of facts and data. For example, in one study, conducted by Julia and her colleagues, participants asked teams to entrust them with divvying up a shared bonus after expressing their view on a contentious topic. Those who shared a story of a vulnerable experience that shaped their beliefs were more trusted than those who relied on research results to support their view. Even when the topic of disagreement seems to hinge on cold, hard facts, it is usually the case that your convictions are based on a specific set of events. Sharing these revelations can increase trust and foster collaboration, breaking the cycle of battling facts with more facts.



When people receive communications that explicitly spell out their counterparts' interest in understanding, they find those people's arguments more compelling.

What Organizations Can Do

Organizations have a tremendous amount to gain from creating environments where divergent ideas flow freely. Here are actions they can take to create such an environment:

Give people the verbal skills. When training people how to handle disagreement, consider how an instruction to get a person to think or feel a certain way (more empathetic, more humble, more vulnerable) can be translated into clear verbal signals. Thus, instead of simply telling people to be curious, we should teach them to express curiosity verbally. Instead of only telling them to be open-minded, train them in conversational receptiveness. Instead of merely telling them to be respectful of one another's diverse lived experiences, teach them effective storytelling skills.

Model the right behaviors. Leaders can make it a goal to include these skills in regular organizational processes. For example, in weekly team meetings, managers can demonstrate the concrete behaviors they wish to see employees perform. Similarly, one-on-one check-ins, performance evaluations, and town hall meetings are all settings that often feature divergent views, thus allowing people to both hone their own skills and model effective execution to observers. Disagreement skills can become a consistent feature of the organizational culture, reinforced regularly across multiple settings. Our research suggests that conversational receptiveness is contagious, as people who are treated with respect during disagreement usually respond in kind.

Use technology to reinforce change. Importantly, many of today's conversations are conducted digitally—through Zoom, Slack, email, and so on. This allows organizations to monitor conflict-management skills in real time and at scale. For example, many organizations already use natural-language-processing algorithms to measure toxicity in language and identify where intervention is necessary. But good conflict management is about encouraging the right behaviors long before a discussion becomes toxic, such as using messaging apps that include preconversation reminders of useful words and phrases. Organizations can also build dashboards that give employees direct feedback on their conversational behavior immediately after an interaction. People can be encouraged to have a conversation via voice or video, where research conducted by one of us

(Michael) has shown that they are more likely to use receptive language than via text.

Customized chatbots that employ generative AI can be designed to give users both practice and specific feedback regarding their ability to use language to disagree effectively. With the costs of this technology dropping, this approach to training can allow organizations to quickly upskill large numbers of employees. Using AI for practice in disagreement has one additional advantage: Employees are usually more willing to disagree with AI than with their teammates and leaders because such disagreement does not carry the same potential for damaging relationships.

Hire and promote employees who disagree constructively. Our final recommendation is to consider constructive disagreement skills in hiring and promotion decisions in the same manner employers consider other soft skills like teamwork or leadership ability. Harvard University, as well as several other top universities, has recently taken this approach by adding a required essay to admissions applications that asks applicants to describe a strong disagreement they engaged in and how they handled the situation. In hiring and evaluation decisions, discussing a candidate's approach to handling disagreements can complement the "case interview," where candidates are presented with a real-world business problem and asked to analyze it, develop potential solutions, and present their recommendations. Technical solutions like the kinds we described above can also be used to evaluate candidates' conflict-management skills.

ALTHOUGH DISAGREEMENT IS inevitable, the escalation of disagreement into conflict is often avoidable. Training people to employ observable behaviors—especially to choose the right words—when interacting with others with different points of view can be highly effective in turning disagreements into better ideas and decisions. ■

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JULIA A. MINSON is a behavioral scientist, a professor of public policy at Harvard Kennedy School of Government, and the author of *How to Disagree Better* (Avery, forthcoming). **HANNE K. COLLINS** is an assistant professor at UCLA Anderson School of Management. **MICHAEL YEOMANS** is an assistant professor at Imperial College London.



AGADIR SOUSS MASSA:

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Kenza Gassib, General Director of CRI SM

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STRATEGY



AUTHORS

**Bharat N.
Anand**

*Dean,
NYU's Stern
School of
Business*

Andy Wu

*Associate
professor,
Harvard
Business
School*



PHOTOGRAPHER

RHUBY DEAR

The Gen AI Playbook for Organizations

Where to use it,
where not to,
and why strategy
still wins.



IDEA IN BRIEF

THE PROBLEM

Executives are focused on the wrong questions about generative AI—fixating on its imperfections and limitations instead of its strategic implications.

THE SOLUTION

Use a framework that maps tasks by the cost of errors and the type of knowledge required to determine where and when to deploy gen AI. Firms must move quickly, but even more important, they must aim for strategic differentiation.

THE PAYOFF

By embracing gen AI where it's already useful and aligning strategy, data, and people accordingly, organizations can unlock near-term gains and build sustainable competitive advantage before rivals catch up.





ABOUT THE ART

Rhuby Dear's work combines photography with graphic design. Often inspired by her travels to remote, otherworldly locations, her work captures the harmonious relationship between reality and the abstract.



STRATEGY

The questions about generative AI that we hear most often from business leaders include:

When will gen AI match the intelligence of my best employees? Is it accurate enough to deliver business value? Is my CIO moving fast enough to lead our AI transformation? What are my rivals doing with gen AI? But those questions are misdirected. They focus on the intelligence of gen AI and its trajectory—how good gen AI is and how fast it's improving—rather than on its implications for business strategy. What leaders should be asking is this: How can my organization use gen AI effectively today, regardless of its limitations? And how can we use it to create a competitive advantage?

This article—which draws on our experience working with hundreds of managers, leading gen AI initiatives ourselves, and researching digital transformation and strategy—proposes a framework for thinking about gen AI strategically and offers practical advice. We argue that a cautious “wait and see” approach—motivated by gen AI's flaws, such as hallucinations—is potentially dangerous. But we don't mean to imply that speed wins. Strategy does. Companies need to apply gen AI differently from their competitors and from others in their value chain. Here's the argument for moving forward now:

Nontechie employees can use gen AI without support from experts. For decades AI usage was largely

confined to the domain of engineers, computer programmers, and data scientists. But gen AI, led by OpenAI's ChatGPT, changed that by enabling interactions using natural language. Its breakthrough wasn't just an improvement in intelligence; it was also a dramatic increase in access. Today everyone in the organization can use gen AI tools, and they don't need deep technical expertise, the support of a data science team, or central IT's approval. What's more, gen AI is increasingly being embedded into the tools people already use—email, videoconferencing, spreadsheets, CRM software, ERP systems—lowering the barriers to adoption even further.

This advancement in human-computer interaction resembles the transition from early command-line computing to the graphical user interface (GUI). In the 1980s, Windows radically transformed personal computing—not by making computers significantly more powerful but by allowing people to access that power without knowing MS-DOS commands. In much the same way, gen AI makes sophisticated machine-learning models available to anyone who can converse with it via writing or eventually, speaking.

Value-creation opportunities exist now. Waiting for a flawless, all-powerful, agentic AI is a mistake. Despite its flaws, gen AI can save time, reduce costs, and unlock new value. Holding off because the output isn't perfect misunderstands the opportunity. Gen AI can already deliver meaningful improvements and efficiencies in many areas of your business. The benchmark shouldn't be perfection; it should be relative efficiency compared with your current ways of working.

Competitive advantage comes from using gen AI more strategically than others, not just faster. A lasting advantage from gen AI can only be achieved by applying it *differently*. Everyone has access to gen AI. If you and your competitors use similar tools for similar tasks, then most of the gains will ultimately flow to others in the value chain if new competition erodes margins. More perilously, your own customers and suppliers may disintermediate you by using it to take care of the tasks you previously performed for them. This means that competitive advantage will hinge on how distinctively you use gen AI: which tasks you delegate to it and reimagine, how you use human expertise to complement it, and what new possibilities you unlock.



STRATEGY



The suitability of gen AI for a given task depends on two factors: the cost of errors and the type of knowledge the task demands.

WHERE AND WHEN TO USE GENERATIVE AI

Gen AI's ubiquitous access and versatility create a new challenge: narrowing down the possibilities to find the best place to begin. Rather than asking whether gen AI performs as well as a human, start by breaking down jobs into their component tasks and ask: Which of these is gen AI well suited to handle today?

Consider the following activities: hiring critical employees, diagnosing cancer, and providing psychotherapy to at-risk individuals. These are often cited as areas where gen AI tools are beginning to approach human levels of intelligence and sophistication. Yet the idea of replacing humans in these roles typically meets strong resistance—and for good reason. The potential consequences of an error here are significant. Misdiagnosing cancer or mishandling a vulnerable patient can have life-altering effects. Choosing the wrong hire for a key leadership role can damage a company's culture for years.

Now consider another set of tasks: summarizing student course evaluations, screening job applicants' résumés, and assigning hospital beds. What distinguishes these examples from the first set isn't necessarily the intelligence required but the cost of getting it wrong. A course evaluation summary that misses a nuance or a preliminary résumé screen that overlooks a marginal candidate creates only limited risk. Assigning hospital beds relies primarily on explicit, structured data (such as availability, patient needs, and expected discharge rates), which AI systems can process reliably.

This illustrates an important principle: The suitability of gen AI for a given task depends not just on the capabilities of gen AI but on two deeper factors. The first is the *cost of errors*: how serious the consequences would be if gen AI makes a mistake. If an error in a task would lead to serious harm, financial loss, or reputational damage, then firms must be far more cautious about employing gen AI to perform it without human oversight. The second factor is the *type of knowledge* the task demands. Tasks that rely on explicit data (structured or unstructured information that can be captured and processed) such as screening résumés and summarizing course evaluations are well suited for gen AI. Other tasks—such as psychotherapy, hiring for soft

skills, and nuanced leadership decisions—require tacit knowledge: empathy, ethical reasoning, intuition, and contextual judgment built through human experience. These tasks are fundamentally harder for gen AI to perform because they involve not just retrieving information but also interpreting nuance, responding flexibly to context, and applying judgment in ambiguous situations.

These two dimensions—cost of errors and type of knowledge required—form the foundation of our framework for identifying where and how to use gen AI effectively. (See the exhibit “A Framework for Choosing Where and How to Use Gen AI.”)

APPLYING THE FRAMEWORK

Applying the framework starts by asking the right questions about gen AI. Rather than focus on the *intelligence* of gen AI (how smart it is and how fast it's improving), organizations should examine its *usefulness*, which depends heavily on the task at hand. They should ask: Where is the cost of errors acceptably low enough to use gen AI today? Even when human insight and creativity are required, are there components of these processes that gen AI could handle? To use the framework, start by breaking down jobs into their component activities and situating them on the framework, using as your guide the cost of making an error and the knowledge needed to complete the task. Placing the tasks in the appropriate quadrant makes it clear which ones gen AI can handle faster, cheaper, or better.

Now let's walk through each of the four quadrants.

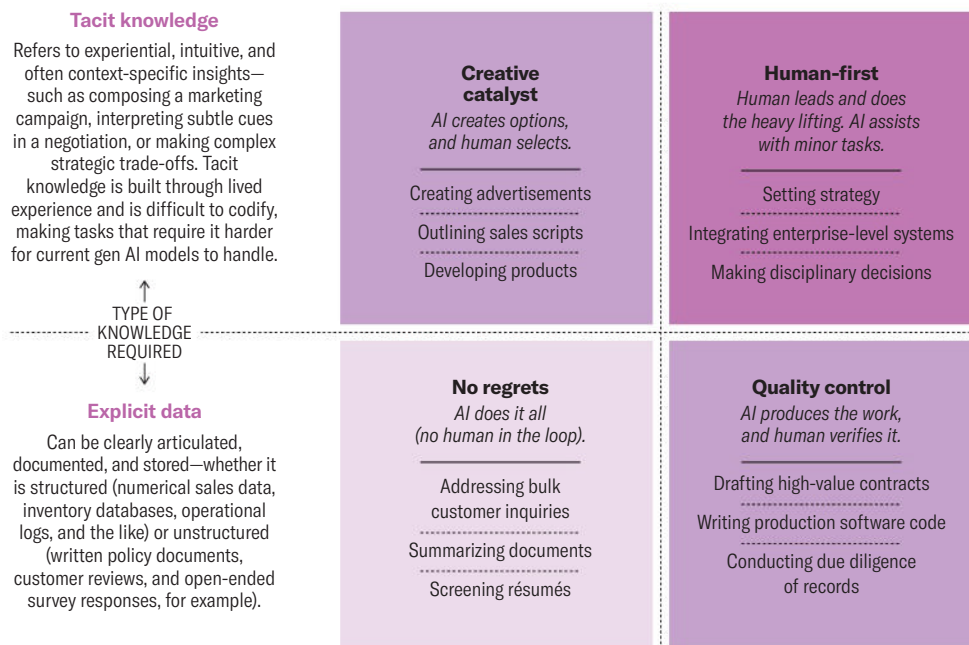
The no regrets zone. The lower-left quadrant, where the cost of errors is low and explicit knowledge is required, contains the clearest and most immediate opportunity for organizations. This is where gen AI should be deployed today and where AI agents will thrive in the future. Tasks in this quadrant rely on clear, documented data, and errors are relatively harmless. You don't need perfect accuracy here. The real value lies in completing tasks faster, more cheaply, or at a greater scale than before.

Consider a few examples. Gen AI can screen résumés and quickly flag candidates who should be considered for jobs based on well-defined criteria. It can approve low-dollar reimbursements—a tedious but low-risk task. And it

A Framework for Choosing Where and How to Use Gen AI

To determine how best to deploy gen AI in your organization, you must first identify the tasks being performed and evaluate them on two factors: What are the consequences if gen AI makes a mistake? What type of knowledge is needed? Once you locate each task within the matrix, you can use the appropriate level of gen AI support.

As the framework illustrates, some tasks are best handled by AI alone, others through human-AI collaboration, and some still require purely human judgment. The key is understanding which tasks remain distinctly human.

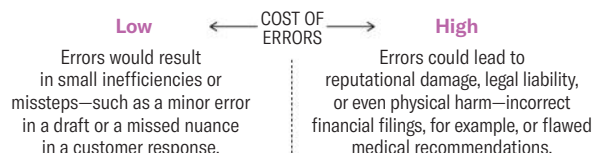


can quickly draft responses to common customer inquiries, such as questions about refund policies or shipping timelines. Using gen AI in place of humans for these tasks will save time, and the people who had been doing them can be redirected to higher-value interactions. In addition, there are valuable tasks in this quadrant that humans weren't doing previously because they were too tedious, time-consuming, or expensive. One example: staffing every meeting with a human stenographer. Gen AI can capture the conversation in a meeting and extract key themes, action items, and decisions within seconds.

When considering whether to enlist gen AI for tasks in this quadrant, don't ask whether gen AI's output is as good as a human's and how gen AI can be used for the things you already do. In addition, real breakthroughs can come not just from replacing old work but from unlocking work that was never feasible before. Here are the key questions to ask:

- Are the cost savings and speed gains large enough from using gen AI that we can tolerate a slight impairment in the quality of output?
- How can we use gen AI for the things we don't do today or that are too costly to do?

The creative catalyst zone. The upper-left quadrant, with a low cost of errors and a need for tacit knowledge, is where gen AI can serve as a creative catalyst, helping humans perform tasks that often benefit from originality. Crucially, the refinement of gen AI's output and the final judgment on what to adopt rest with humans. Mistakes can be tolerated because the quality of the results is subjective:



There is no definitive “best” marketing slogan or “perfect” product design because people's views of what is best or perfect are personal. Because the cost of getting tasks in this quadrant slightly wrong is low, gen AI can meaningfully augment human creativity by speeding up experimentation, generating a greater volume of ideas, and enabling broader participation in the creative process. Gen AI allows everyone—from entry-level staff to team members who may not have thought of themselves as creative to senior creatives—to think and work more like innovators. (See “How Generative AI Can Augment Human Creativity,” HBR, July–August 2023.)

The key to figuring out how to apply gen AI in this quadrant is to deconstruct the creative task and identify where gen AI can expand the capacity of humans to add value through their creativity. For example, marketers can use gen AI to produce 20 possible taglines instantly, giving creative teams a broader pool of options to refine. Designers can generate visual or functional variations rapidly and then manually select and perfect the most-promising concepts. Presentation creators can ask gen AI to outline key points, suggest narrative arcs, or generate visual mock-ups, freeing them to focus on tailoring the message to their audience.



STRATEGY

Even in training contexts, mock interviews or simulations can be generated quickly to enrich preparation exercises.

Don't ask whether gen AI is as creative or original as a human—a standard it was never designed to meet. Here are the key questions you should ask:

- Can gen AI save time for creatives?
- Can it make it easier for noncreatives to participate in creative tasks?

The human-first zone. The upper-right quadrant is where the stakes are highest. In this domain gen AI may act as an enabler but not a decision-maker. Tasks here involve subjective judgment, situational nuance, and complex decision-making—and mistakes carry serious consequences, whether financial, legal, reputational, or personal. Trust, ethics, and long-term strategy are often on the line. Errors can have lasting consequences: A poor executive hire can damage a company's culture; a strategic misstep can erode billions in value; a mishandled medical diagnosis can cost a life.

Tasks like hiring critical employees, setting strategy, integrating complex enterprise systems, navigating crises, and managing sensitive HR interventions all fall squarely into this quadrant. They carry high risk and demand judgment, contextual understanding, ethical reasoning, and emotional intelligence—qualities that are difficult to codify or reliably automate.

In these domains, gen AI should be used with extreme caution. It cannot replace the human role at the center of these decisions. Its contribution should be carefully constrained and supportive, not central. Yet a smart deconstruction of tasks in this quadrant reveals opportunities for gen AI to provide valuable support—it can expand a human's capacity to perform these tasks without undermining that person's control of the decision. For example, in hiring, gen AI can help refine job descriptions or suggest interview questions; in strategy, it can synthesize market data or surface emerging trends; in governance, it can model reputational risks; in crisis management, it can draft preliminary communications and monitor public reaction; in healthcare, it can help clinicians calculate risk scores to triage patients when deciding who requires immediate attention and who can wait to be treated; and in managing employees, it can propose elements of a performance-improvement plan.

Leaders and knowledge workers all have some tasks that fall in this quadrant.

When assessing tasks, don't waste your time wondering about when gen AI will be smart enough to do them autonomously. The critical question to pose is this:

- Which tasks can gen AI assist with today to make human judgment more effective?

The quality control zone. The lower-right quadrant contains knowledge-heavy tasks that gen AI can technically perform well—because they are grounded in explicit, structured information—but for which even small mistakes could result in serious consequences. These are high-accountability domains such as law, finance, and software development, where information is clear and codified yet the standards for accuracy are extremely high. This quadrant is ideally suited for a human-in-the-loop model: Gen AI provides speed and scale while humans provide judgment, oversight, and final accountability.

Take the drafting of legal agreements. Traditionally, preparing a contract involves several stages: understanding client needs, composing clauses, negotiating terms, revising language, and approving the final document. Today a lawyer can use gen AI tools such as Harvey to generate a strong draft contract in minutes, freeing her up to focus on negotiations and final review. Similarly, in software development, gen AI tools like GitHub Copilot can generate boilerplate code or suggest debugging fixes, accelerating development cycles—although experienced developers must still conduct quality assurance and verify functionality. In financial due diligence, gen AI can scan large volumes of documents and detect anomalies or opportunities, but human analysts must interpret the findings in context. And in healthcare, gen AI can recommend patient bed assignments based on structured criteria while leaving the final decisions to clinical staff, who must weigh nuances missed by algorithms. With tasks that have high risk and need explicit knowledge, have gen AI handle the repeatable, data-heavy parts, and have humans perform the steps where nuance, interpretation, or final accountability really matter.

To identify tasks that fall into this domain, ask these questions:

- Where is human expertise truly essential?
- Which parts of the workflow can be safely delegated to gen AI?

It's often said that those who use AI will replace those who don't. But the reality is more complex: As the framework illustrates, some tasks are best done by AI alone, others through human-AI collaboration, and some still require purely human judgment. Rather than debating replacement versus complementarity, the key is understanding which tasks remain distinctly human.







Everyone in your company has tasks in all four quadrants of the framework, so everyone has the potential to do more by using gen AI.



STRATEGY

ANTICIPATE THE IMPACT ON YOUR INDUSTRY

The fact that your customers, suppliers, and competitors can access the same technology creates the *paradox of access*: Because everyone can use it, it becomes dramatically harder to capture value with it. If you and your competitors apply the technology to similar tasks and follow the same best practices, then everyone becomes more efficient but no one secures long-term profits from it. Competitive pressure ultimately causes the gains to go to customers and suppliers through lower prices or better terms. This is a pattern similar to the one from Internet 1.0: Early adopters enjoyed brief advantages, but as digital technologies spread, the benefits flowed to consumers, not firms. Think of the rise of airline e-ticketing in the 2000s. Carriers all competed using the same technology, and customers reaped the benefits of lower airfare. Since the 1990s, CAD and ERP software have streamlined manufacturing and supply chains, but now they are table stakes, not a source of advantage. These examples are reminders to be ready for the following developments:

AI-first entrants are coming. In the not-too-distant future your fiercest competition may not be your familiar peers but a new breed of solo entrepreneurs and micro-teams. Imagine starting a marketing agency today from the ground up. Rather than hiring dozens of people to conduct market research, write copy, design graphics, and answer questions from clients, a small team of experts (or even one intrepid entrepreneur) could eventually rely on AI for all these tasks. Such AI-first entrants could match your scope and speed while carrying a fraction of your headcount. The building blocks for this vision already exist in the form of software development agents and AI sales reps, with more tools on the horizon.

Customers and suppliers can use gen AI against you. Their access to gen AI can upend your bargaining power. Law firms have been dealing with a similar issue since the 1990s. Work that once required scores of paralegals and a complete law library could suddenly be done by one lawyer with an internet-connected PC. A company can now hire an in-house attorney for routine work instead of sending every matter to a full-fledged law firm. The number of U.S. lawyers employed as in-house counsel tripled from 1997 to 2020;

they currently outnumber those employed in the 500 largest law firms. The shift squeezed Big Law on two fronts. Their customers pushed back on the once-untouchable billable hour: Today nearly 90% of large firms offer flat-fee or other pricing that is more favorable to the customer. And lawyers who once had no choice but to suffer 100-hour weeks at a white-shoe law firm can move in-house or start solo practices, empowered by digital tools that replace big-firm infrastructure.

Gen AI accelerates this pattern. With legal-research bots and contract-writing agents, corporate clients can pull even more legal work in-house. The same trend is occurring with other professional services, such as software development contracting, M&A consulting, and advertising. The most talented and entrepreneurial employees from those firms will have more and more options for where to work.

BUILDING AN AI-BASED COMPETITIVE ADVANTAGE

As we've noted, moving quickly is important, but speed alone won't put you ahead of the impending competition. You need a strategy to differentiate how your organization creates value with gen AI. We recommend taking the following steps:

Mandate broad access to technology. Everyone in your company has tasks in all four quadrants of the framework, and so everyone has the potential to do more by using gen AI. Every single person in your organization should evaluate which tasks can be handled—better or even if just serviceably—by gen AI. Also have each person consider tasks that previously were too costly or time-intensive to do but that gen AI could perform inexpensively and quickly—for example, sending personalized holiday greetings to every business contact over the past year or summarizing every meeting attended. Experimentation and training should be encouraged broadly—through top-down messaging that signals its importance and bottom-up forums where employees can share lessons learned. Doing these things will require building faster pathways for frontline teams to test and scale gen AI tools.

Start by removing the bottlenecks that keep these powerful tools out of the hands of your people. If access stalls at the IT desk or hides behind compliance forms, you cede



STRATEGY

ground to rivals whose staff can experiment in real time. IT departments understandably struggle to keep up with the relentless proliferation of ever-improving models and specialized applications. Delegating full control of gen AI to the CTO, no matter how capable, can slow progress. In 2023 JPMorgan Chase temporarily blocked its staff from using ChatGPT while its security teams performed third-party reviews—a sensible precaution but one that prevented 60,000 users from experimentation. Every organization faces this trade-off: Cybersecurity concerns are real, but if the loudest message employees hear is what not to try, innovation will only move as fast as your slowest approval queue. Many IT leaders want to take the maximum precautions to protect against all risks. But they should focus on guarding against the most-critical risks—such as the leakage of regulated or highly sensitive data (for example, personally identifiable information)—through targeted employee policies and vendor security reviews precisely defined to shield against those threats.

Once you’ve done this, it’s time to create a strategy. Differentiating what your organization does with gen AI will require two long-term efforts.

Reimagine all assets as data. The capabilities of the initial generations of gen AI were limited to the public data they were built on. Increasingly, firms are equipping employees with rich proprietary data—which can be accessed through gen AI search or used to train a model imbued with the knowledge of the firm. To follow suit, you must do the following:

→ **Ascertain where the data resides in your organization today and centralize it.** All companies need to start centralizing data that has been scattered across or siloed in business units, functions, and geographies. Your infrastructure can anchor your competitive advantage. Before the era of gen AI, in the 2000s, the casino operator Harrah’s Entertainment funneled every slot pull, hotel check-in, and dinner receipt into a single data warehouse. The insights it gleaned from its data trove allowed it to grow revenue faster than its competitors—they could copy the spectacle and glitz of Harrah’s casinos but not its data infrastructure or its culture of rapidly leveraging that data. Having the discipline to consolidate data is even more critical today, and not just for customer analytics. Generative AI allows a firm to extract

insights from all its myriad messy and unstructured data—including from partners and through acquisitions—to drive decisions across the whole organization. It will take years to build the infrastructure to gather and make meaning of that data, so begin the effort now.

→ **Identify the data that you aren’t yet collecting.**

Every activity of a business—from customer interactions to operational processes to internal emails and meetings—is a source of proprietary data to be tapped and leveraged. The data you don’t collect today is a seed you never plant; start capturing the critical data streams now so that a tree might bear fruit when you need it.

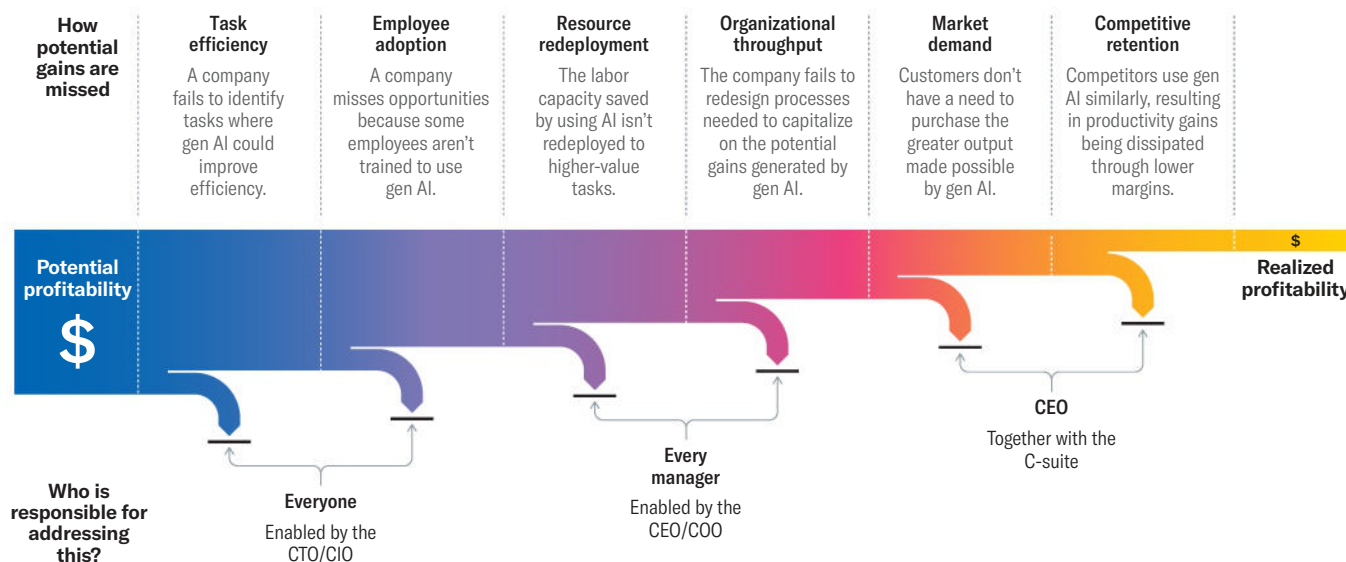
Redesign your organization. In the long term, it will not be enough to layer gen AI onto existing workflows. Organizations will need to redesign themselves around a gen AI–first vision of the business. To do that, you’ll need to organize to get the most out of your data and your people.

Let’s look at data first. Even proprietary data eventually becomes commoditized. But it is hard for others to copy an organization that is tailored to continually exploit it. In the 1990s Capital One rewired the whole bank around its data by combining marketing, risk, and IT teams and having them perform thousands of microexperiments a year. Operations, customer service, and HR teams supported this learning engine. Its most famous experiment, a “balance transfer” teaser-rate offer, let customers move outstanding balances from rival issuers to Capital One’s credit cards. The promotion drove explosive account growth. The firm closely tracked user behavior longitudinally, and over time the data warned that newer applicants were higher risk. That gave management the foresight to phase out the product. Meanwhile competitors, lacking this feedback loop, continued to copy the offer until their losses became catastrophic. Companies today will need to create a feedback loop between data and a continuous learning process to translate gen AI insights into action ahead of the marketplace.

You also need to revisit how you get the most out of your people. Generative-AI tools free up chunks of time, but early research suggests that the windfall can evaporate into idle tinkering, low-value busywork, or outright downtime (see “How Is Your Team Spending the Time Saved by Gen AI?” HBR, March–April 2025). To keep the savings from slipping away, treat time as you would any strategic resource: Manage it carefully. Managers should work with employees to estimate and track the hours AI shaves off their key tasks, set clear expectations for how those hours will be redeployed, and tie recognition or incentives to how effectively the saved time is used. (See the exhibit “Why Don’t Gen AI Gains Show Up in My P&L?”) These measures will have to evolve alongside the technology to ensure that AI-driven efficiency

Why Don't Gen AI Gains Show Up in My P&L?

It's tempting to assume that productivity gains from gen AI will naturally show up in the bottom line. But unless every step along the value chain is aligned to capture the gains gen AI can create, the efficiencies will be wasted and additional profits will not be realized.



translates into real gains for the business and meaningful growth for employees.

Start thinking today about what an AI-first organization chart should look like, even if the changes won't come until later, because it takes a long time to implement an organizational redesign. AI will eliminate some existing roles, most likely those with a high proportion of work in the "no regrets" quadrant (low cost of errors and explicit knowledge). In the other quadrants, gen AI will complement the work of people in the organization—but not necessarily the same people who are doing those tasks today. You will need to rethink the entire org chart. For instance, some functional employees may become cross-functional. And instead of supervising someone who works with software, middle managers may work directly with software. Maybe a few people will focus only on the quadrant of "human-first" tasks.

In summary, strategic differentiation will come from three sources: (1) rapid and targeted deployment of gen AI across tasks, which is valuable in the near term if your competitors remain fixated on intelligence or paralyzed by concerns like hallucinations; (2) proprietary data that enhances gen AI's performance or process fixes that prevent its value from being lost to organizational bottlenecks; and (3) unique people, processes, and culture—the "complementary assets" that make gen AI more valuable inside one organization than it is inside others.

COMMON MISPERCEPTIONS ARE keeping many organizations from capturing the full potential of gen AI. Some leaders believe gen AI isn't yet intelligent enough to be useful; they focus on its imperfections rather than recognizing its potential to lower costs even when quality isn't perfect. Others fear that its error rate makes it too risky to adopt; they miss the distinction that it's the cost of errors that matters most. Some insist that gen AI must be perfectly accurate before deployment; they don't appreciate that in many tasks, 100% accuracy isn't essential. Still others are frustrated that savings at the task level aren't yet visible in the P&L; they forget that saving time across tasks doesn't automatically translate into saved dollars without intentional management or that sustainable advantage won't come from merely adopting gen AI but from using it differently. The organizations that recognize these traps, rethink their assumptions, and move deliberately to turn gen AI from a general capability into a true source of competitive advantage will be the ones that succeed. ■

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BHARAT N. ANAND is the Richard R. West Dean and a professor of business administration at New York University's Stern School of Business. **ANDY WU** is the Arjun and Minoo Melwani Family Associate Professor of Business Administration in the Strategy Unit at Harvard Business School and a senior fellow at the Mack Institute for Innovation Management at the Wharton School.

Is Your Enterprise Data Strategy Ready for the Age of Intelligence?

BY MANISH SOOD AND VENKAT VENKATRAMAN



Data was supposed to give us superpowers. But it often creates a storage nightmare instead of a strategic advantage. Businesses invest billions in accumulating data they hope will prove valuable someday, but most enterprise data sits unused—disconnected, inactive, and depreciating over time.

We are moving quickly into **the Age of Intelligence**. Agentic AI actively participates in every aspect of the business, and autonomous systems feed operations and make millions of decisions daily, reshaping how businesses operate and compete.

Businesses that succeed in this new age won't just collect data. They'll design and build data as an interconnected intelligence layer, enabling human insight and autonomous systems to collaborate seamlessly. They'll transform data from an inert asset into a living strategic resource.

These new data rules fall into three critical categories:

- **Strategy** defines how to position data to create a competitive advantage with interconnectedness and real-time agility.
- **Investment** focuses on establishing such foundational capabilities as unified data platforms and data literacy.
- **Operations** describes how to turn strategy and investments into actionable insights and seamless human-AI collaboration.

Neural Networks, Not Filing Cabinets

Traditional data storage handles information like files in a cabinet: organized but isolated. Most enterprise data is underutilized, which leads to lost opportunities and greater risk.

In the Age of Intelligence, companies need to handle data differently.

One global fintech company built a unified data architecture that handles billions of daily transactions, powering real-time fraud detection and instantaneous credit

decisions. This interconnected neural approach to data drives decisions at a speed unimaginable with traditional data silos.

Data fragmentation becomes a competitive vulnerability—even an existential threat—as “data debt.” Like financial debt, data debt may accumulate gradually, unnoticed until it's limiting agility, increasing vulnerability, and restricting innovation. Companies born digital-first, free of data debt, can apply their interoperable, interconnected data to outmaneuver legacy players.

Velocity, Not Volume

More data isn't necessarily better. The real competitive advantage in the Age of Intelligence comes from turning data into action and decisions faster than your rivals do.

Data velocity creates competitive differentiation. A global fast-food leader uses real-time analytics to personalize customer experiences, streamline operations, and adapt menus and marketing strategies based on instantaneous insights. And a large U.S.-based bank relies on real-time data velocity to instantly detect fraud.

Unified Data Ecosystems

In the Age of Intelligence, winning organizations succeed by orchestrating unified data ecosystems that span their entire value chain, including partners, suppliers, and customers.

One multinational retail chain has built a responsive supply chain that integrates data from suppliers and stores with weather data and local demographics, helping it optimize inventory, pricing, and staffing—and improving customer satisfaction.

Empower Autonomous Systems

Data trust is foundational to autonomous decision-making. One global payment card services company that processes nearly a billion transactions daily depends on unified

data architectures to power autonomous fraud detection with extraordinary precision. Here, trust is not a compliance checkbox. It's a competitive advantage. And organizations that embed trust within their data operations will find their customers reward them with loyalty and engagement.

Designing for Human-AI Collaboration

Effective organizations must design data strategies that foster seamless collaboration between humans and intelligence systems so each can contribute their unique strengths. One logistics company combines real-time delivery data with drivers' local expertise to optimize routes and improve efficiency. This human-AI partnership optimizes routes better than either could do alone, saving 100 million miles annually and dramatically improving the customer experience.

Are You Ready to Win?

This new era demands new thinking. Your competitors aren't just accumulating data—they're designing interconnected real-time intelligence networks that inform rapid autonomous decisions across ecosystems.

Reltio has deeply explored these challenges for more than a decade, and along the way we have created critical rules that can transform enterprise data into your strategic advantage. Is your organization ready to compete in the Age of Intelligence?

Manish Sood is CEO and founder of Reltio. Venkat Venkatraman is professor emeritus at Boston University Questrom School of Business.

To explore the 10 data rules essential for your company's future, visit www.reltio.com and access the full strategic playbook for success.

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MANAGING YOURSELF

The Hidden Beliefs That Hold Leaders Back

And how to leave them behind.

by Muriel M. Wilkins

EVERY LEADER HITS a wall from time to time. Perhaps you're struggling to lead at scale, motivate your team, or persuade higher-ups to give you the resources you need. In such situations it can be tempting to focus on external blockers, such as organizational bureaucracy, employee attitudes, and managerial decision-making. However, in the two decades I've spent coaching hundreds of executives across multiple



experience

industries, I've found that the biggest limiting factors for most of them lie *within*: their own unproductive beliefs, which I call hidden blockers.

Why hidden? Because these blockers are so ingrained and habitual that most of us aren't even aware that they exist. But they are there, quietly shaping every aspect of how we think, feel, and act. As the psychologist Carol Dweck's groundbreaking work on mindsets has shown, the sets of beliefs we hold about ourselves are key to our ability to learn, adapt, and grow and to our performance and results. Bottom line: Whether we're aware of them or not, our beliefs affect our outcomes.

Though I've seen clients suffer from a wide variety of hidden blockers, an analysis of more than 300 leaders I've coached revealed the seven most common:

1. I need to be involved. The belief that you need to be part of every detail at every level, which leads to micromanagement, bottlenecked decisions, and less leverage from your team.

2. I need it done now. The belief that you need immediate results, no matter what, which creates false urgency, rushed execution, increased errors, and burnout.

3. I know I'm right. The belief that you—and only you—know the answers to the problems at hand, which shuts down collaboration, causes you to dismiss input, and leads to missed opportunities and reduced innovation.

4. I can't make a mistake. The belief that your performance must be flawless, which encourages unhealthy perfectionism, indecision, and risk avoidance.



5. If I can do it, so can you. The belief that others' performance must be like yours to be acceptable, which leads you to set unrealistic or unnecessary expectations, underestimate others' skills, and limit development.

6. I can't say no. The belief that you must always step up to the plate when asked, which results in overwork, blurred priorities, and poor boundary setting.

7. I don't belong here. The belief that you don't fit in where you are or at your level, which fuels debilitating impostor syndrome and self-sabotage and reduces your ability to communicate, visibility, and influence.

If you're having trouble advancing in your career or having the impact you want at work, chances are, one of these beliefs is holding you back. The good news is that I've developed a three-step framework—rooted in established behavioral-change principles—that I've used successfully with leaders.

Anyone can apply it to get unblocked and unstuck. Step one is to *uncover* the blocker: recognizing the problem and naming the belief that's creating it. In step two, you *unpack* the belief, reflecting on where it came from, how it might have once served you, and how it is limiting you now. Step three is to *unblock* yourself by reframing the belief into something more productive and embedding that new perspective into behavioral changes and tangible action.

Let's look at how two executives used this framework to become aware of and better understand the beliefs holding them back—and ultimately navigate their way past them to become more successful leaders. (All identifying details about them have been altered to protect their confidentiality.)

UNCOVER

Sometimes the signs of being blocked are unmistakable: stalled advancement,



When you unpack a belief, you can better understand how it no longer serves the purpose it once did and why it's time to shift your thinking.

missed targets, or declining team morale or performance. At other times the clues are more subtle: a nagging sense that something feels off, an uncharacteristic negativity toward work, or a growing disconnect between your intentions and your impact. For some leaders being disappointed by lackluster outcomes or feedback that doesn't square with their self-image is the first indicator that they're blocked.

This is what happened with my client Kristin, a recently promoted SVP leading a division through the aftermath of an organizational shake-up. Kristin had gone out of her way to support her people, and a year in, her team was engaged and performing well. But feedback from her direct reports, peers, and boss revealed that while everyone appreciated her collaborative, empathetic approach and her strategic acumen, people found her indecisive. While she ultimately made good choices, her process was complicated and lengthy, and because she sometimes deferred decisions to others, she was creating confusion about accountability and slowing progress.

Kristin was taken aback by these criticisms—and at first felt resentful. She'd devoted a great deal of time to meeting with others to gather input, gain consensus, and foster a sense of trust and shared responsibility. But the organization clearly required more decisiveness from its division leader, and Kristin had to acknowledge that she was falling short. As she dug deeper into why she'd adopted her too-careful, overly consultative approach, she realized that the biggest driver was her fear of making the wrong choices. Her hidden blocker

was *I can't make a mistake*. This made sense. Having come through a period of corporate upheaval, she wanted to avoid inflicting additional damage on her team and herself. So she was putting off decisions until she'd gathered enough data and polled enough people to feel comfortable that she'd arrived at the right conclusion. This belief was preventing her from being the decisive, forward-moving leader that the organization needed her to be.

Another one of my clients, Philip, a brilliant technology executive who was admired and relied upon for his expertise, was stymied midcareer because of his impatient, insensitive demeanor, which had been cited many times in 360-degree reviews. His peers didn't consider him a team player, and his boss was concerned about his ability to collaborate on deliverables critical to the company's growth. Initially Philip defended his behavior, noting that he was merely pushing his colleagues to debate and develop solutions more quickly. But after watching his interactions with others in a recorded Zoom meeting—which included interruptions, dismissiveness, and condescension—he realized he wasn't just ruining his work relationships; he was preventing himself and the team from achieving their goals. He finally admitted that he was blocked and that the belief powering his problematic behavior was *I know I'm right*.

UNPACK

While it can be tempting to try to “fix” your limiting belief as soon as you recognize it, lasting change requires that

you first fully accept, without defensiveness or blame, how it is negatively affecting you, your colleagues, and your organization and then seek to better understand it. To do that, you must examine its origins and purpose and its current role in your life and career. Most of us cling to beliefs that at one point helped us succeed or protected us from mental, emotional, or even physical pain or discomfort. Kristin's perfectionism was no doubt an asset as she was rising through the ranks of her company, while Philip's confidence and action orientation earned him high praise earlier in his career. When you unpack a belief, you can see how it no longer serves the purpose it once did and why it's time to shift your thinking.

Upon further reflection, Kristin realized that beyond wanting to avoid mistakes that would derail her organization's recovery from its reorg, she harbored a deep-seated fear of disappointing others that stemmed from past experiences when her errors had let people down. That feeling carried a lasting sting. Recognizing that helped her distinguish between irrational, emotion-driven risk aversion and strategic caution and see how her desire to gain consensus on every choice rather than making her own clear-eyed assessment about the right course of action was compromising her effectiveness. She started to track when her *I can't make a mistake* belief surfaced during the day and found that it was causing her to overthink not only major decisions but even minor, low-stakes ones and to spend excessive time perfecting every piece of work. The result for her



Once you've learned to coach yourself through your own blockers, you can play a vital role in helping those you manage do the same.

and her division was inaction, inefficiency, and missed opportunities.

For Philip, acceptance took some time, given his habit of criticizing others for their inability to move at his pace. The breakthrough came when he reviewed the Zoom meeting a second time to focus on how others reacted to him. He saw unmistakable looks of frustration on his colleagues' and boss's faces and recognized that all the credibility he'd built up over the years was being overshadowed by his domineering behavior and that he was undermining his own influence and effectiveness. He located the roots of his blocker in a source that will be familiar to many high achievers: the praise, positive reinforcement, and accolades he got from family, teachers, and managers for always providing the right answers.

Of course, it's good to consistently offer up knowledge and solutions, expertise, and excellence. But the *I know I'm right* belief can blind you to alternative ideas, stifle collaboration, and undermine team morale and productivity. When Philip finally recognized how strongly he associated being right with being valued, not just as a leader but as a human being, he was able to start breaking free from the belief and find other attributes around which to build his identity and self-worth. Self-knowledge loosens the grip of a hidden blocker.

UNBLOCK

We've now arrived at the stage that most leaders relish: action. To truly overcome a hidden blocker, you need to replace your limiting belief with a supportive one that will promote more-

From Hidden Blockers to Productive Beliefs

Seven examples of how to reframe unhelpful thoughts into more-beneficial ones.

I need to be involved.	I can do anything, but I can't do everything.
I need it done now.	I need to focus on what truly matters.
I know I'm right.	My role is to help others find solutions, not to always give them the answers.
I can't make a mistake.	My focus is excellence, not avoiding failure.
If I can do it, so can you.	What worked for me might not work for everyone.
I can't say no.	I can say no to some things.
I don't belong here.	I belong wherever I am.

productive, effective behavior. Often the best way to do that is to work back from the outcome you want. If you are an *I need to be involved* type, but your real priority is ensuring that you don't miss giving input on and checking over mission-critical work, shift your thinking to *I will weigh in on key matters but understand I can't micromanage every task*. (See the sidebar "From Hidden Blockers to Productive Beliefs" for more examples.)

Kristin still wanted to be a collaborative, consensus-driven leader, but she also needed to make decisions more quickly and confidently in her new role. To support those intentions, she shifted her mindset from *I can't make a mistake* to *I'll do the best I can with the information available to me*, making excellence rather than perfection the goal. To hold herself accountable, she created a checklist that helped her determine how much time to devote to each decision and how much input to gather on

any particular issue before making a call. Not only did her team benefit, as it could now act on the clear direction she provided, but her peers and senior leaders also gained more confidence in Kristin's progress toward key goals, and she developed a deeper trust in her own judgment.

Similarly, Philip, who wanted to be seen as less adversarial and more influential, chose to reframe his *I know I'm right* belief to *I guide others to find the best solutions*. He then backed up that mindset shift with action: a premeeting practice of visualizing himself as an equal collaborator on the same side of the table as his colleagues, which helped him keep his attitude, tone, and words aligned with his desired impact. He also began to tailor the level of pressure he exerted on others to the urgency and risk of the matter at hand and the specific goals to be achieved. With practice, he learned when to give answers immediately, when to guide, and when to hold

back and listen. As a result, he became a more respected leader. He engaged with his peers better, which improved collaboration both in and out of meetings and led to faster, more sustainable follow-through. His teammates grew more comfortable asking questions and raising concerns without fear of damaging their credibility, which increased transparency and the quality of deliverables. His influence grew not because he imposed his ideas on people but because others chose to follow his lead.

HELPING OTHERS

Once you've learned to coach yourself through your own blockers, you can play a vital role in helping those you manage do the same. It might be as simple as modeling your willingness to self-reflect, shift your mindset, and tweak your behavior. But you can also work more deliberately with others who are being held back by their limiting beliefs.

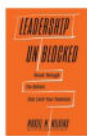
Say you have a highly capable team member who consistently misses opportunities to showcase her achievements. Whereas you might previously have seen this solely as a function of poor communication skills, you might now recognize it as potentially stemming from the *I don't belong here* blocker and begin to approach feedback conversations with her differently. Instead of advising on behavior ("You should speak up and highlight your wins more often"), you can encourage her to first explore the underlying belief getting in her way ("When you think about mentioning all the work you've done to peers and senior leaders, what thoughts and feelings come up?"). I'm not suggesting

you function as a therapist or supply answers, just that you put on your coaching hat to help others reflect and embrace productive change.

On a broader scale, unblocked leaders *working together* are uniquely positioned to identify and overcome *collective* limiting beliefs that have become embedded in the organizational culture. They might include *This is the way it's always been done*, *Failure is not an option*, *That's not our job*, or *We stay the course no matter what*, each of which can drive actions that diminish rather than enhance productivity and performance. When entire teams, business units, or companies get stuck, it's futile to move straight to change initiatives without first examining whether the group's beliefs are aligned with and acting in service of its goals. As the leadership expert Bob Anderson notes, organizational transformation cannot occur until there is a change in the consciousness of leadership.

When we all start working to identify, understand, and reframe our own blockers as well as those facing our colleagues, teams, and organizations, work becomes a place where we can achieve our full potential and collaborate to generate the best results. What begins as personal professional growth becomes positive collective change, which leads to extraordinary achievement. ■

HBR Reprint R2506L



MURIEL M. WILKINS is the founder and CEO of Paravis Partners and the author of *Leadership Unblocked* (Harvard Business Review Press, 2025), from which this article is adapted.

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MANAGEMENT

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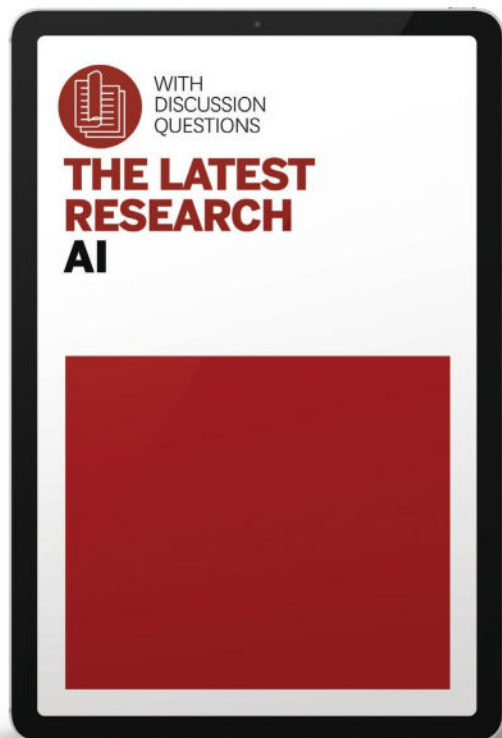


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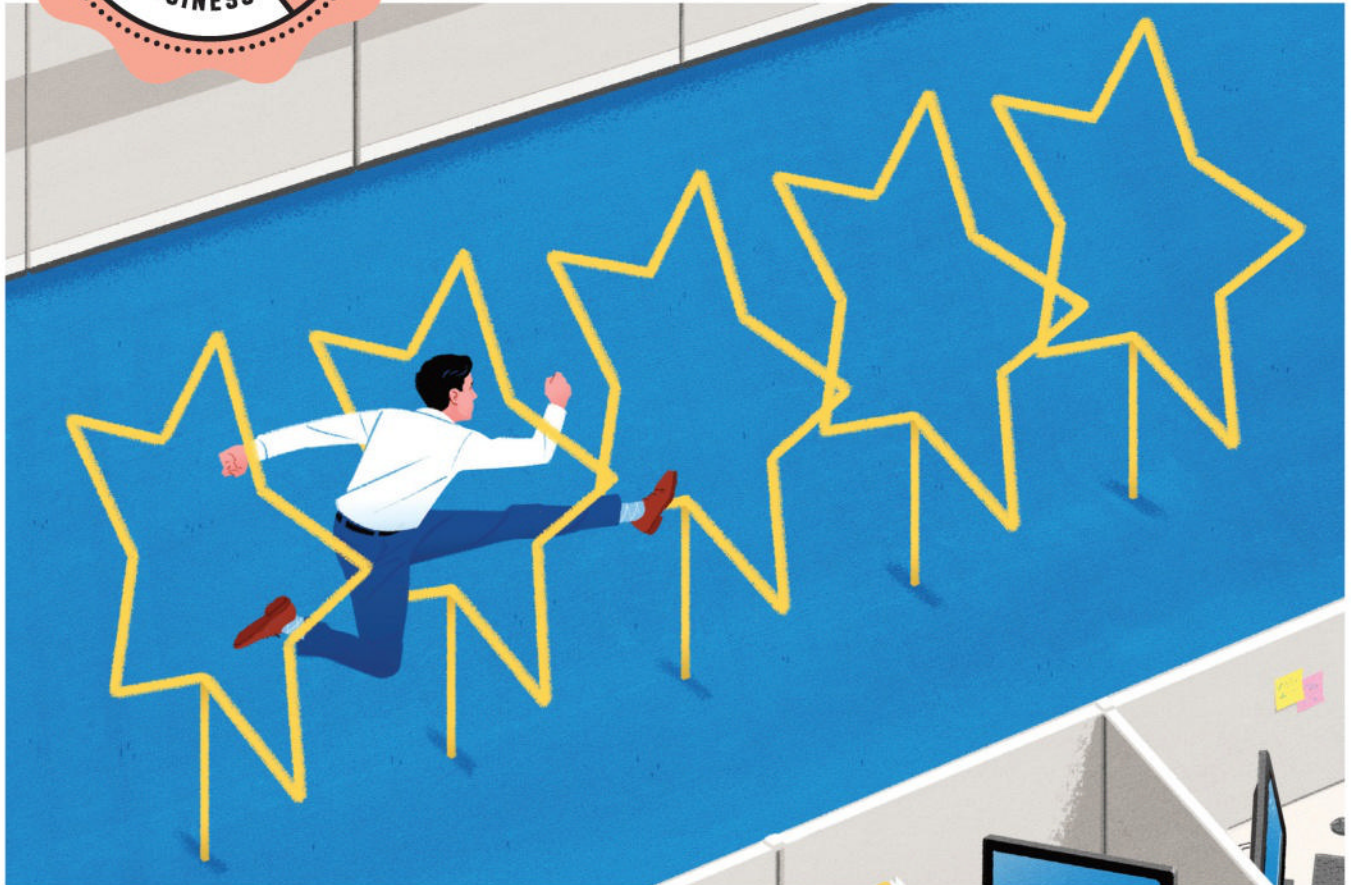


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HBR's fictionalized case studies present problems faced by leaders in real companies and offer solutions from experts. This one is based on the Singapore Management University case study "When a Dream Job Turns Sour" (case no. SMU-25-0008), by Devasheesh P. Bhav and Cheah Sin Mei, which is available at [HBR.org](https://hbr.org).



Should a CHRO Abandon Performance Improvement Plans?

by Devasheesh P. Bhav and Cheah Sin Mei

ANNA CHEN LEANED back in her chair, rubbing her temples as she reviewed the latest HR reports. It had been a bruising 18 months as chief human resources officer of Barton Creek Technologies. She'd overseen the emotionally exhausting closure of two company offices, one in Portland and another, smaller but cherished, in Charlotte, as part of a post-pandemic adjustment to remote work and investor demands for leaner operations. Despite her best efforts, employee morale had taken a significant hit, and Anna felt it deeply.

A quiet knock at the door broke her concentration. Marina Sandoval, a senior HR partner, entered, holding a tablet and wearing a look that signaled uncomfortable news. "Sorry to interrupt, but something just came up that I thought you'd want to know right away. It's about Ethan Lim."

The mention of Ethan's name sparked a vivid memory. Anna had personally recruited him almost two years earlier after an impressive presentation he'd given during her alumni visit to Singapore Management University.



While PIPs were meant to help employees, in practice they could be used to push employees out the door.

Ethan stood out immediately—not just for sharing Anna’s alma mater, but for his striking creativity and exceptional analytical skills. He’d eagerly joined Barton Creek, working remotely from Boston to support his wife’s MD/PhD program at Tufts. Early probationary reviews from his manager had been stellar. Anna was proud to have brought such a promising talent into the company.

“Ethan?” she asked, puzzled. “Last I heard he was thriving. Has something changed?”

Marina nodded, looking down at her notes. “His new manager, Tyler Nelson, placed him on a performance improvement plan last week.”

“A PIP?” Anna grimaced. Tyler was a gifted, Austin-based engineer who’d been promoted to management a few months earlier based on his technical performance. It was his first leadership position, and this abrupt move set off alarm bells. “That’s concerning,” Anna said. “Do we know what triggered it?”

Marina shook her head. “It’s not entirely clear yet, but Tyler seems to think Ethan’s performance has slipped significantly. Deadlines missed, quality issues, lack of responsiveness—at least according to his documentation.”

Anna’s thoughts were racing. The company had introduced the PIP a little more than a year ago. All new managers underwent a training on when and how to use it, and she had hosted a company webinar on the topic. Yet while PIPs were meant to help struggling employees

regain their footing, in practice they could be used as blunt instruments to push people out the door—especially by inexperienced or pressured bosses.

“Marina, I don’t want to micromanage and dive into this case, but I’m worried,” she said. “We’ve promoted a lot of individual contributors into management roles recently, especially after the reorg. And I’m wondering...” Anna chose her words carefully. “I’m wondering if we’ve set them up to succeed. Can you do an audit for me on PIP outcomes? Given how fragile morale is right now, we can’t afford more damage.”

As Marina left, Anna’s stomach was in knots. Had she equipped managers with a system they neither understood nor could use effectively?

A TOOL FOR GOOD AND FOR ILL

A week later, Anna stood at the head of the executive suite conference table, gripping a tablet that showed the results of the audit. CEO James Callahan and general counsel Sophia Greene sat awaiting her summary. “Thank you both for making time for this,” Anna began, clicking to start her presentation. The first slide displayed a single metric in bold red: 15%. “That’s our PIP success rate,” Anna continued. “Of all the employees placed on performance improvement plans in the past year, only 15% completed them and remain productive team members today.”

James shifted in his seat. “And the other 85%?”

“That’s where it gets interesting,” Anna said, advancing to the next slide, which showed a breakdown of outcomes. “About 60% are terminated at

the end of their PIP period. But here’s what caught my attention: Nearly 25% go on medical leave within weeks of starting the PIP.”

“Medical leave?” Sophia asked.

“Stress-related, primarily,” Anna replied. “And there’s a pattern: These people rarely return. We suspect they are gaming the system. We’ve discovered whole Reddit boards on how to use protected medical leave to job hunt. It seems we are essentially paying some of them to find employment elsewhere.” Anna let the discovery sink in for a moment. “Even among the 15% who make it through the PIP, 40% end up leaving the company within a year. I’m guessing they survive the process but lose trust in the organization.”

James raised a hand defensively. “Well, we did ramp up hiring quickly during the pandemic,” he said. “Maybe we brought in some people who were never going to be long-term fits. The PIP may just be doing what it was meant to—filtering out underperformers.”

“Maybe,” Anna said. “But turnover at this scale is extremely costly.” She clicked to a slide of industry research. “According to SHRM data, turnover costs typically range from 50% to 200% of someone’s salary, depending on the role. For a software engineer earning \$180,000, we’re facing \$90,000 to \$360,000 in replacement costs—recruiting, onboarding, lost productivity, knowledge transfer.” She looked at James. “We’re losing talent and money every time we misuse a PIP.”

“I understand what you’re getting at,” Sophia interjected, “but let’s not forget the legal rationale behind PIPs. Wrongful termination suits average



around \$130,000 to settle, and if a case escalates to trial, the costs can soar past a quarter-million dollars. So there's a financial benefit that doesn't show up in those numbers. A PIP provides the paper trail we need to protect ourselves."

"I agree that's important," Anna said. "But we introduced PIPs as a supportive program—to rehabilitate, retrain, and retain talent. Employees are still reeling from the office closures, and I worry they see PIPs as little more than a firing mechanism. I think we should consider reforming them into something genuinely developmental, possibly with better training or even incentives for managers to use them positively. With your permission I'd like to present a plan for that at our next meeting."

James paused before speaking. "I hear you, Anna. But our budget is tight. Between inflation, tariffs, and investor demands, we don't have much room for new initiatives. We're also looking at acquiring a company in Latvia by the end of Q4 as part of our international expansion. Their labor laws are much stricter than ours—terminations require extensive documentation and justification. So could this project wait?"

Anna suppressed a wince. She suspected that delaying the PIP reforms would send them into management-initiative purgatory.

James stood up, ending the meeting. "Bring me proof, Anna—proof that reforming the PIP will actually improve retention without compromising our legal position."

BROADER INSIGHTS AND ALTERNATIVE PATHS

Anna scanned the faces in one of Barton Creek's meeting rooms. The employees seated before her had recently been or were currently enrolled in the company's PIP program. Anna had asked them for candid feedback and reassured them it would remain confidential. Still, the anxiety was palpable.

After Anna's introduction, Alex, a UX designer in her twenties, tentatively raised her hand. "Honestly, being on a PIP feels awful," she said. "People may not say anything to your face, but it's obvious they know. I feel isolated, like I'm wearing a badge of shame."

Vanessa, a software developer known for her straightforwardness, spoke next. "The PIP is clearly my boss's way of trying to get rid of me without firing me. The goals are impossible, and I feel pressure to resign. There's so much pressure to track and report my daily productivity that I have no mental space at all for the creative thinking that might actually move the company forward."

David, a project manager who'd recently completed his PIP, took a turn. "For me, the PIP did clarify expectations," he said. "I thought I was performing adequately, so getting put on it was a shock, but maybe a needed one. What bothered me was the constant scrutiny and documentation rather than actual support. If I'd had any mentoring, it might've genuinely helped. But the whole thing felt like my manager was following a rote program."

Several others nodded in agreement. Anna thanked everyone for their candor. While the employees dispersed,



she reflected on the conversations she'd had with several managers earlier that week. Their perspectives had been mixed but illuminating. While some thought the PIPs were a fine tool to prompt performance improvements and eventually manage out employees who couldn't get up to speed, even with help, others expressed frustration over

lack of training or unclear guidelines, admitting they often felt unsupported or confused about how to effectively use the system.

One comment stuck in her mind. It came from Emily, a longtime manager who had raised a provocative point inspired by an article she'd read about Netflix's "keeper test." As she explained to Anna, it involves bosses regularly asking themselves, "If this employee told me tomorrow they were leaving, would I fight hard to keep them?" If the answer is no, the employee is let go with a generous severance package.

Emily suggested that given Barton Creek's restructuring, it might consider empowering managers to try the same approach. "We can't afford to keep laggards," she'd said. "Right now we tend to hold on to people too long, even when it's obvious they're not fitting. Before the PIP, I would find busywork for them and hope that they would want to transfer to a different department or leave. So the PIP is at least a step in the right direction. But I think we could still act faster and more decisively."

As Anna drove out of the company parking lot that evening, her mind

Should Anna Chen attempt to reform the PIP or leave it untouched?

THE EXPERTS RESPOND.



ANGELA GEFFRE is the head of human capital at GrowthCurve Capital.

Anna should overhaul the PIP—preserving its intent but rebuilding its structure—rather than scrapping it or letting it limp on.

The numbers she shared are unequivocal: a 15% "save" rate tells us the PIP is neither rehabilitating talent nor protecting the business.

First, Anna needs to prove that the PIP in its current form isn't just ridding the company of underperformers. To do this, she can implement a program in which new hires start in a 90-day probation period to be outlined in offer letters. If baseline expectations aren't met, the person exits quickly and cleanly. When the performance of an established employee starts to dip, on the other hand, the person can enter into a 90-day performance recovery plan cowritten with the manager. If there is no improvement after that period, the employee is let go. If there is, the person shifts to a six-month and then a 12-month program.

Second, because any PIP process can be weaponized, Anna should also monitor managers—but not by looking over their shoulders. Rather, each boss should receive a scorecard noting the promotion and retention rates of their team members and the results of a twice-yearly survey that asks employees whether their leader helps them improve. A favorability

rating below 70% should trigger coaching or possible reassignment into an individual contributor role.

Anna should remind managers that their main objective is to make employees successful, not to tick compliance boxes. She can frame the monitoring program as a productivity tool, showing how it's in their interest to engage with it.

And though she shouldn't micromanage, Anna should learn more about Ethan's situation because a strong anecdote can make her evidence-backed case more compelling. In talking to the CEO, she can begin with the latter: If reform lifts the PIP's 15% success rate to, say, 40% and improves first-year hiring success from, say, 50% to 85%, the savings will dwarf any rollout expense. Then she can demonstrate the system's human impact by showing how a once-promising star performer is being pushed out—and outlining the value Ethan could bring if he was better managed.

The CHRO's job is to surface patterns, set standards, and



Rebranding and relaunching the PIP would be costly—requiring significant resources and training for managers already stretched thin, and potentially creating resentment.

swirled with the different feedback. On the one hand, she wondered whether shifting to a system of sudden terminations was more humane. But her gut instinct, shaped by personal experience, leaned toward reforming the PIP—transforming it from a punitive, fear-driven system into a transparent, mentorship-based one.

Years ago, in her second job out of college, Anna herself had struggled, almost quitting due to impostor syndrome. An empathetic manager had stepped in, offering guidance and gentle encouragement and ultimately

changing the trajectory of Anna's career. Could Barton Creek's PIP be turned into something similarly supportive?

Practical concerns nagged at her. Rebranding and relaunching the PIP would be costly—requiring significant resources and training for managers already stretched thin, and potentially creating resentment in people weary from restructuring fatigue. Anna knew she'd burned significant political capital recently, and additional pushback from senior leaders seemed inevitable. And, of course, the words of her CEO rang in her ears. How could she prove the

system was broken and in need of attention amid all the competing interests on his desk? Given the organizational cost and internal resistance, was transforming the PIP system realistic? Or was it better left as is?

Pulling into her driveway, Anna felt no closer to the answer. ■

 **DEVASHEESH P. BHAVE** is a professor at Singapore Management University's Lee Kong Chian School of Business.

CHEAH SIN MEI is the assistant director of the Centre for Case Learning Excellence at Singapore Management University.

design and roll out programs. Anna may still lose Ethan, but if the rebuilt framework prevents 10 more employees like him from slipping through the cracks, the organization comes out stronger.



CHRIS YEH is an author and venture capitalist at Blitzscaling Ventures. He is a coauthor, with Reid Hoffman, of *Blitzscaling*, and a coauthor, with Reid Hoffman and Ben Casnocha, of the New York Times bestseller *The Alliance*.

The PIP at Barton Creek Technologies is fundamentally broken.

Rather than wasting time, effort, and scarce political capital by trying to reform or rebrand the program, Anna should shrink its scope so that it is reserved for employees whom managers are almost certain should eventually be terminated. She can then focus on developing a separate upskilling and mentorship program to help other team members boost their performance and value to the company.

The challenge facing the PIP at Barton Creek is unfortunately typical: Because of conflicting and contradictory goals, these programs often fail in practice. For Anna, the PIP's aim is developmental, to "rehabilitate, retrain, and retain" employees. But it's not

clear that others in the company agree with her. Sophia, the general counsel, states that Barton Creek adopted the system to shield the company from wrongful termination suits. For her, it is a defensive and cost-saving measure. Meanwhile James, the CEO, believes that the program is for filtering out "genuine underperformers."

These are the three senior managers with the greatest oversight and control of personnel, and they can't even agree on the primary purpose of PIPs. By expecting them to retain employees and protect the company from legal liability and rid it of underperformers, this management team is setting up the program, and every manager and employee involved in it, to fall short.

Anna has personal and philosophical reasons to pursue reform for PIPs, but she doesn't have any evidence that changes would work as she wants. Even if she could fix individual components, it is too late to shift employees'

(extremely accurate) perception that the program is a path to termination.

Instead, Anna should make these unsaid perceptions explicit. Employees should be placed on PIPs only if managers are 90% or more certain they are not a good fit for the company. The system should be not a general retention or mentorship program but a last chance for underperformers who truly want to become worthy contributors.

Anna can then redirect her energy to upskilling and reskilling, rather than rehabilitation, programs. The best companies don't wait for people to struggle before providing support. They proactively offer it to everyone, and especially to strong performers. Not only does this improve productivity and retention, but it also makes them employers of choice for top talent. ■

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experience



SYNTHESIS

Lessons from Market Crashes Past

The latest book from a veteran financial journalist shows how hubris leads to crisis.

by David Champion

THE WALL STREET crash of 1929 is widely regarded as the definitive stock-market collapse of modern times. What's perhaps less widely known is that it was preceded two decades earlier by the almost equally dramatic crash of 1907. With the 20th anniversary of the global financial meltdown of 2008 now just a few years away, it's hard to resist drawing parallels between the events that took place a century ago and what's happening today.

Once you start looking for similarities, you see them everywhere. In the 2020s we're experiencing

a wave of right-wing populist protectionism just as intense as the one that swept the globe 100 years ago. Today nationalist sentiment is on the rise as developed countries seek to stem a tide of economic migrants. That also was true in the 1920s, when the United States reversed its long-standing open-door policies.

Before the 1929 crash, emerging technologies were threatening traditional livelihoods: Back then the culprits were industrial agriculture and manufacturing. Today the threat is coming from artificial intelligence.

It's perhaps predictable, then, that the *New York Times* journalist and CNBC coanchor Andrew Ross Sorkin has produced a prequel to his 2009 blockbuster *Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System—and Themselves*, in which he chronicled the 2008 crisis. The new book is *1929: Inside the Greatest Crash in Wall Street History—and How It Shattered a Nation*. It largely follows the narrative structure of the earlier one, presenting a series of dramatized accounts of meetings between various players. Sorkin helpfully provides a cast list, reinforcing this reader's sense that this book (like his previous one) was designed to be the basis for a screenplay. (It also confirms how much of a boys' club Wall Street has remained: Only one woman figures in *1929*'s list of 105 names;

just 10 women made the list of 161 for the 2008 crisis.)

In 1929 you'll find all the ingredients of a compelling one-season series for Apple TV+ or Netflix: wealth, ambition, greed, ideology, and stupidity, combining to an inevitable end desired by no one. At the heart of the story are several financial institutions, which in many cases also appear in *Too Big to Fail*—notably the House of Morgan (today's JPMorgan Chase) and National City Bank (the forerunner of Citibank). Politicians and government figures include Presidents Hoover and Roosevelt, the steel and banking magnate Andrew Mellon (who served as the U.S. Treasury secretary), and Carter Glass, the U.S. senator who lent his name to the financial reforms that followed the 1929 crash. (The repeal of that legislation is considered by many to be an important contributor to the 2008 crisis.)

The book is told in 42 chapters, each describing and discussing a key date in the story of the market collapse. It's divided into two parts: the buildup to the crash and its immediate aftermath, February to December 1929; and the longer-term fallout and the early years of the Great Depression, April 1930 to June 1933. There are several intertwining storylines, which are at times difficult to keep straight, but this is more than compensated for by the lively writing and compelling historical background.

In comparing Sorkin's crash books—and considering which signals, if any, might alert today's market watchers to looming peril—two plotlines stick out. In 1929 we meet "Sunshine" Charlie Mitchell, the National City Bank

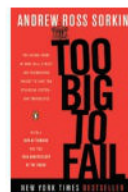
chairman and president, in the book's prologue. It's the evening of October 28, 1929, a day before the market collapse, and he's in the grip of a growing panic. Two months previously he finalized an acquisition that would make his bank the world's largest, well ahead of its nearest rival, Chase. Shareholders in the subsumed bank (the Corn Exchange Bank) could swap their shares for four-fifths of a share in National City or \$360 in cash. However, share prices in National City have started to waver, and Mitchell learns that National City's traders have been forced to buy unexpectedly large quantities of its own stock to keep the price high enough to tempt Corn Exchange investors to opt for shares over cash. Since National City doesn't have enough cash on hand to pay for the shares, Mitchell feels obliged to use his own private fortune to cover the purchases.

The bank is, in short, confronting a classic liquidity crisis, and its chairman's driving fear is that if that news leaks, it will trigger a bank run, with depositors racing to withdraw their money before National City runs out of it. Ultimately, Mitchell can not stabilize the stock price, the merger is called off, and although National City Bank itself survives the crash, the onetime Wall Street hero finds himself vilified as the personification of Wall Street's greed.

There are distinct echoes of that crisis in one of the main *Too Big Too Fail* storylines—that of Lehman Brothers, which, in the absence of a retail deposit base, largely financed its stock and bond trading activities through the wholesale money markets. As word of Lehman's huge exposure to subprime real-estate spread,



1929
Andrew Ross Sorkin
(Viking, 2025)



Too Big to Fail
Andrew Ross Sorkin
(Viking, 2009)

triggering repeated sharp drops in its share price, its chief executive, Dick Fuld, realized the firm could no longer secure short-term financing. So he began to desperately search for a deep-pocketed buyer. His failure to find one led to Lehman's collapse. And as Sorkin explains, Fuld, like Mitchell before him, became the target of a great deal of the ensuing public outrage about Wall Street's perceived excesses and malpractices.

Are there figures like Mitchell and Fuld lurking about today's Wall Street? Can Sorkin's recounting of their stories offer any insights into how to avoid future calamities amid this fraught period in global history? Although both *1929* and *Too Big Too Fail* offer entertaining accounts of how the two crises played out, neither book provides much in the way of economic analysis, let alone suggests what measures we might take to guard against another massive market crash.

To be fair, Sorkin didn't set out with those objectives, and he probably believes that they are unrealizable. Indeed, as he concludes in his epilogue to *1929*, "ultimately, the story of 1929 is not about rates or regulation....It is about something far more enduring: human nature."

His prescription: humility. We can always hope that today's finance chief executives grasp that and have absorbed the lessons of history by now. But unfortunately, it's all too likely that Sorkin will soon be bringing out a third title in the series: *2029: When Will They Ever Learn?* 🍷

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DAVID CHAMPION is a senior editor at Harvard Business Review.

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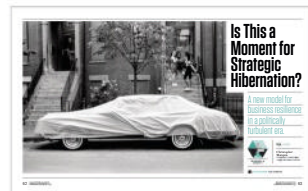


Become an Octopus Organization

Jana Werner and Phil Le-Brun
page 50

As companies pour trillions into transformation efforts, few see lasting results. That's because most organizations approach change like machines—rigidly, predictably, and from the top down, argue Amazon Web Services enterprise strategists Jana Werner and Phil Le-Brun. In this article, adapted from their forthcoming book *The Octopus Organization* (Harvard Business Review Press, 2025), the authors offer a radically different paradigm: the Octopus Org. Modeled after one of nature's most adaptive and intelligent creatures, the Octopus Org distributes decision-making, senses change in real time, and continually adapts. Unlike "Tin Man" organizations that view business as complicated but controllable, Octopus Orgs recognize the truly complex nature of today's world, which is nonlinear, uncertain, and constantly evolving. The key to thriving in it is to change *antipatterns*—deep-seated habits that compromise clarity, ownership, and curiosity. The shift to this model doesn't unfold in predictable, scalable phases. It happens organically, as local teams solve meaningful problems and share what works. The prize? Greater adaptability, deeper engagement, stronger innovation, and, ultimately, lasting advantage.

HBR Reprint R2506C



Is This a Moment for Strategic Hibernation?

Christopher Marquis | page 62

Political and regulatory whiplash is forcing companies to rethink how they weather hostile environments. Beyond the familiar strategy of speaking out against policy or exiting business lines, *strategic hibernation* offers a way to preserve core capabilities while minimizing exposure, enabling rapid reentry when political winds change. Historical examples—from Prohibition-era brewers, to biotech firms navigating U.S. stem cell restrictions, to Indian banks under financial repression, to Chinese tech companies under state crackdowns—show how maintaining essential assets, investing in political risk intelligence, and calibrating public visibility can safeguard long-term objectives. Done well, this approach allows organizations to sustain critical capacities, avoid mission drift, and reemerge stronger when sentiment and regulations change.

HBR Reprint R2506D



The Surprising Success of Hands-On Leaders

Scott Cook and Nitin Nohria
page 72

Leadership theory suggests CEOs should focus on high-level issues such as strategy and resource allocation. These authors challenge this conventional wisdom by spotlighting CEOs who dive deep into day-to-day execution rather than hovering at the strategic level. By exploring best practices at Amazon, DanaHER, RELX, and Toyota, they argue that top-performing companies thrive because of leaders who actively shape how work gets done.

These CEOs—Jeff Bezos, Larry Culp, Erik Engstrom, and Eiji Toyoda—have rejected the hands-off model in favor of modeling behaviors and teaching frontline teams. Their approach isn't micro-management; it's a disciplined, system-building style that fosters autonomy, clarity, and continuous improvement. The authors distill five principles that define this leadership: obsessing over customer-value metrics, designing work processes, making decisions through experimentation, teaching tool kits, and embedding a culture of relentless improvement.

This article illustrates how the CEO role can be redefined in a way that makes depth, presence, and operational fluency become sources of enduring competitive advantage.

HBR Reprint R2506E



What Every Company Can Learn from Private Equity

Marla Capozzi et al. | page 82

Private-equity-backed companies consistently deliver faster, more substantial gains than their public or family-owned peers, often transforming their performance within just a few years. Their playbook consists of six practices: conducting full-potential due diligence on a recurring basis, building management teams that are precisely matched to their value-creation goals, "clean-sheeting" labor to streamline operations and boost productivity, eliminating unprofitable revenue that has a negative impact on cash flow, executing transformation plans with granular accountability, and treating leadership time as a scarce, high-value asset. Applied together, these methods foster sharper strategic focus, quicker decision-making, and stronger alignment between resources and results. Leaders in any sector can adopt then to accelerate growth, improve efficiency, and strengthen long-term performance.

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TECHNOLOGY & ANALYTICS



Stop Running So Many AI Pilots

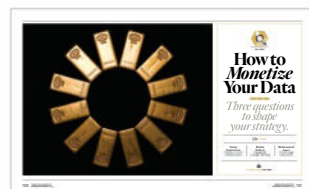
Goutam Challagalla, Mahwesh Khan, and Fabrice Beaulieu | page 90

Companies eager to adopt generative AI often launch numerous pilots across departments, chasing quick wins and marginal efficiencies. But a scattershot approach won't deliver transformative impact. The global consumer packaged goods company Reckitt took a different approach. It chose to go deep in one domain—marketing—where gen AI could be applied across interconnected tasks like insight generation, content creation, and product development.

The lesson? To unlock gen AI's full potential, organizations should resist the urge to experiment broadly and instead go deep and narrow—concentrating efforts where scale and synergy can drive meaningful change. They should begin by selecting a single strategic domain where gen AI can be applied across interconnected tasks. They should then build on existing strengths—such as data assets or technical capabilities—to scale AI adoption meaningfully. By rethinking core processes within that domain and aligning teams around transformation rather than experimentation, companies can unlock deeper insights, accelerate innovation, and achieve measurable impact.

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STRATEGY



How to Monetize Your Data

Suraj Srinivasan, Robin Seibert, and Mohammed Aaser | page 100

Many organizations are sitting on valuable proprietary data but lack a clear plan for commercializing it. As interest in selling data grows—driven by advances in AI, pressure to find new sources of revenue, and the success of firms like Amazon, Mastercard, and Instacart—leaders need a structured approach. The most effective strategies start close to home: with core businesses, existing partners, and a focus on data that supports the company's primary mission.

To succeed, companies must first clarify who their data customers are and what problems the data will solve. They also need to choose between direct monetization, such as subscriptions or licensing, and indirect approaches that embed data into existing offerings. And regardless of the method, data privacy, regulatory compliance, and reputational risk must be addressed from day one.

Finally, how the data is packaged matters. Firms can sell raw data, bundle insights, or deliver commercially ready products. The more complete the offering, the greater the potential for strategic differentiation—and sustainable returns.

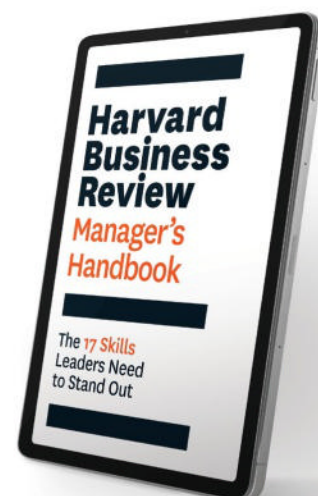
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DIFFICULT CONVERSATIONS

STRATEGY

HOW WE DID IT

MANAGING YOURSELF



A Smarter Way to Disagree

Julia A. Minson, Hanne K. Collins, and Michael Yeomans
page 108

To foster constructive disagreements, organizations should encourage individuals to modify their observable behaviors during conflicts. More specifically, the authors' research has shown that employees should be more attentive to their *linguistic behavior*—to carefully choose the words they speak—because unlike a person's thoughts and feelings, language is observable by counterparts, trainers, and mentors.

Individuals can use several approaches in conversations where there are different points of view. They can signal a desire to learn by saying they're curious about their counterpart's position. They can acknowledge a colleague's position by restating the core of that person's statement. They can find common ground and make the similarities they share explicit. They can hedge their claims, leaving open the possibility of being wrong. And they can build trust by sharing their personal stories.

For their part, organizations can train people to improve their verbal skills. They can use technology to monitor those skills and give employees direct feedback on their conversational behavior immediately after an interaction. They can hire and promote employees who disagree constructively. And finally, leaders can model the right behaviors.

HBR Reprint R2506J



The Gen AI Playbook for Organizations

Bharat N. Anand and Andy Wu
page 118

Leaders can't afford to take a "wait and see" approach to adopting generative AI. They need a plan for applying it differently than others in the value chain, say the authors. In this article they introduce a framework for thinking about gen AI strategically and offer practical advice on how to apply gen AI to the tasks composing jobs.

The framework focuses on two factors: the *cost of errors* and the *type of knowledge required*. If an error in carrying out a task would lead to serious harm, financial loss, or reputational damage, firms must be cautious about employing gen AI to perform it without human oversight. Tasks that rely on explicit data (information that can be captured and processed) are well suited for gen AI. But other tasks are fundamentally harder for it to perform because they involve not just retrieving information but also applying tacit knowledge: empathy, ethical reasoning, intuition, and contextual judgment. Placing the tasks in the appropriate quadrant makes it clear which ones gen AI can handle faster, cheaper, or better.

HBR Reprint R2506K



The CEO of Advocate Health on Fostering Innovation Through Partnerships

Eugene A. Woods | page 30

Advocate Health, formed by the merger of two major health systems, aims to redefine patient care by leveraging its scale of 69 hospitals and 1,000 other sites to partner with academic institutions and leading businesses.

Key initiatives include the use of AI tools such as Microsoft's DAX Copilot to make it easier for doctors and nurses to do their jobs; the creation of The Pearl, an innovation district in Charlotte, North Carolina, that brings together med-tech pioneers including IRCAD, Siemens, and others; and the launch of the National Center for Clinical Trials (NCCT) to streamline research and access to cutting-edge treatments.

To accomplish all this, Advocate starts with a strong foundation, including its inspiring purpose, open culture, and solid infrastructure. The organization also encourages a mindset of curiosity and optimism. It co-creates with external experts and strategic partners—but only those that have aligned values and a shared vision for healthcare's future, including serving the most vulnerable. Finally, it leverages its size not just operationally but strategically to create platforms for rapid experimentation and decision-making.

HBR Reprint R2506A



The Hidden Beliefs That Hold Leaders Back

Muriel M. Wilkins | page 131

High-performing leaders often face internal limiting beliefs that hinder their effectiveness and career growth. Identifying and reframing these hidden blockers can unlock greater leadership potential and improve team and organizational outcomes.

Common limiting beliefs include the need to be involved in every detail, an urgency for immediate results, a belief in always being right, a fear of making mistakes, expectations that others should perform like oneself, an inability to say no, and feelings of not belonging.

Overcoming these blockers involves recognizing and naming the limiting belief, understanding its origins and impact, and reframing it into a more productive belief.

Leaders can then support their teams in identifying and overcoming their own limiting beliefs, fostering a culture of growth and improved performance.

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EDITOR Amy Bernstein

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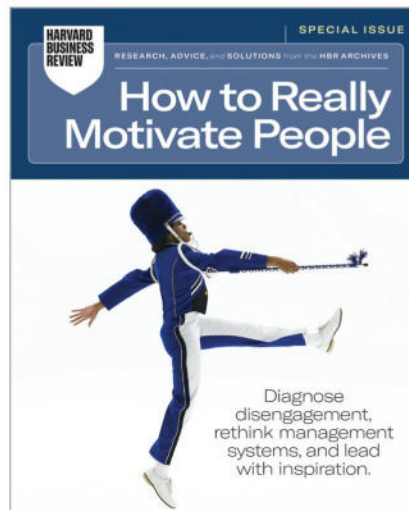
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"I've devoted my career to developing the tools and the infrastructure to answer the question of which policies are effective and which are not."



Esther Duflo

When Duflo won the 2019 Nobel Prize in economics (along with Michael Kremer and her research partner and husband, Abhijit Banerjee), she became the second woman—and at 46 the youngest person ever—to receive the honor. The trio popularized the idea of testing poverty-reducing policy interventions through randomized controlled trials. A professor at MIT, Duflo is a cofounder and codirector of its Abdul Latif Jameel Poverty Action Lab (J-PAL) and a coauthor of the newly updated Poor Economics.
Interview by Alison Beard

HBR: Why did you become an economist?

DUFLO: For the longest time, I didn't want to. When I was little—eight or nine—I was very aware of poverty because my mother was a pediatrician volunteering for a nongovernmental organization that helped child victims of war. I was focused on finding a way to help people who were poor, but I had no plan. I followed the pattern of a good student, studying history at university and adding economics as a double major because a charismatic professor told me it would be useful. Still, at the time, I did not think it was very relevant or practical. In my fourth undergraduate year, I took advantage of an opportunity to be a teaching assistant in Russia for one year, at the height of the transition from communism to

capitalism, and economists were everywhere—advising the central bank, the ministry of finance, the ministry handling the privatizations. It gave me a chance to see how powerful and influential these people could be. I thought, *Oh, this is what economists do. I can be an academic, which suits my personality better than being a politician, and at the same time, actually affect the world.*

Why did it take so long to bring scientific experimentation to economics?

I think the idea was that it was too difficult, too expensive. But in fact, it's not that hard, and it's less costly than having the wrong policy for a long period of time. When we started, we did everything by hand. But then we created J-PAL to make it easier. Now if a young

person wants to do an experiment, she has support.

How did you and Abhijit form the kind of collaborative partnership that yields a Nobel?

You're right to emphasize collaboration, and it goes well beyond the two of us. This work requires different skills: You need to be creative for the experimental design, organized for keeping the trains running on time, analytical, able to write a nice model and interpret it, and so on. That work lends itself to teams. The Nobel in economics recognizes less a particular discovery than the broader impact you've had on the field, and ours comes from the fact that we invested in creating a network through J-PAL that will have touched 650 million people by the end of this year. As an economist, your influence doesn't come from writing a cleverer paper. It comes from facilitating a movement. That's a different kind of collaboration than the one you were asking about, but it's been critical to our success.

You have several big jobs. You teach, research, travel, advise on policy, and you're raising two kids. How do you balance it all?

Not very well. I'm always running from one thing to another. At work the students come first. If they want to meet, I'm available. At home Abhijit and I both think we have the best jobs in the world, so we can continue to be passionate about them, and our kids are game. They make fun of us a bit, but they're also interested and like to ask questions. I don't feel I need to keep my work from my life. My work is my life. ■

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College de France/Patrick Imbert

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