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2019

Space, the new frontier

How the future workplace is
disrupting real estate

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on leadership and
happiness education



Micky Lawler

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Women's Tennis
Association (WTA)



Jaime Caruana

Director BBVA
Former Bank of
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NETWORKING

Connect with over the 3,000 business leaders who will gather at the event.



COMPANIES

Gain a frontline view of some of the world's innovation-leading companies.



AGENDA

Thursday 14th

- Company visits:
Mango, Amazon, Tesla
- Entrepreneurship Day:
start-up visits & panel
sessions (Barcelona
campus)
- Barça visit (TBC)

Friday 15th

- Academic Sessions
(Palau de Congressos de
Catalunya)
- Gala Dinner (Atarazanas)

Saturday 16th

- Charity Run

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Why do we work?

The nature of work is changing and with it our places of work. Technology allows us to work anytime, anyplace, and our team connections often take place virtually. Yet, despite radical changes, one question remains the same: why do we work?

We work to obtain some result, which usually falls into one or more of the following categories: extrinsic (a salary, a raise); intrinsic (personal satisfaction, knowledge acquisition); and transcendent (helping others, serving society). Particularly in advanced economies, work is highly valued as a basis for a functioning society. We pride ourselves on being able to offer, at least in theory, a decent job that is adequately remunerated and offers prospects of individual advancement and self-realization.

However, we also acknowledge that work can be dehumanizing. There are toxic workplaces that can be sources of psychological, social and economic distress, making it difficult for workers to maintain themselves and their families, destroying possibilities of improvement, and causing people to lose hope.

Work must allow us to express our human condition, transform ourselves and seek the common good. It must equip us with a sense of purpose. This is something we must never forget as we design workspaces or plan our real-estate strategies, as IESE professors B. Sebastian Reiche and Carles Vergara point out in our main report on the future workplace. People must always be at the center of our executive decisions. After all, a firm is not just a building, it's a community of free and responsible people, as the late professor José Antonio Segarra reminded us (we pay tribute to him in an article in this magazine).

Speaking at IESE in July on the occasion of IESE's 60th anniversary, the Grand Chancellor of the University of Navarra, Monsignor Fernando Ocáriz, declared that if the workplace is "a community of people, it is not valid to judge it only on one aspect: its economic results. People have to be the protagonists and beneficiaries of the actions taking place in organizations. It is legitimate to try to achieve good returns, but always avoiding the temptation to seek money, power and personal success above all else."

Let's hope that the new workplace business models that we see emerging will support these humanistic, prosocial aims, living up to all that they promise.



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Be intentional about what you say with your space

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"In open-space offices, don't make it a sea of desks. Create neighborhoods or smaller communities"

Beatriz Arantes



"As a leader, you must have work-life balance not only for your own good but for the good of those you lead"

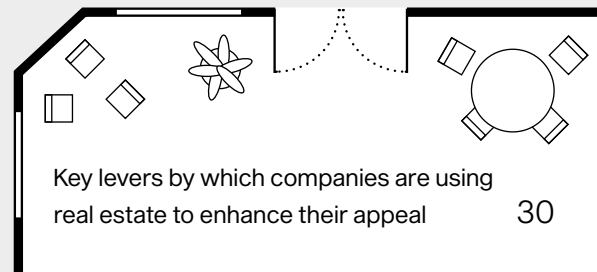
Mireia Las Heras



We can organize real estate according to the people

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"If the real estate is good, people will be happy; if people are happy, they'll be more productive; if more productive, they'll generate new ideas and better results"

Daniele Di Fausto

THE BIG PICTURE

Business opportunities in smart cities

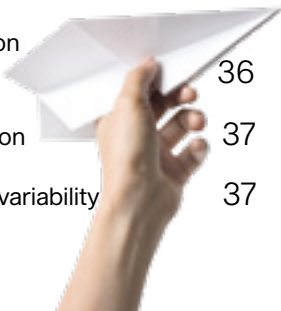
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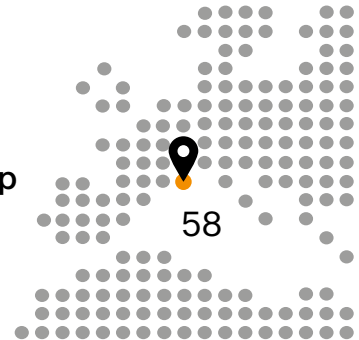
"My success depends on my customers' success"

Satya Nadella

SMART PICKS

Corporate venturing on the map

Debunking the myths of this growing form of entrepreneurship



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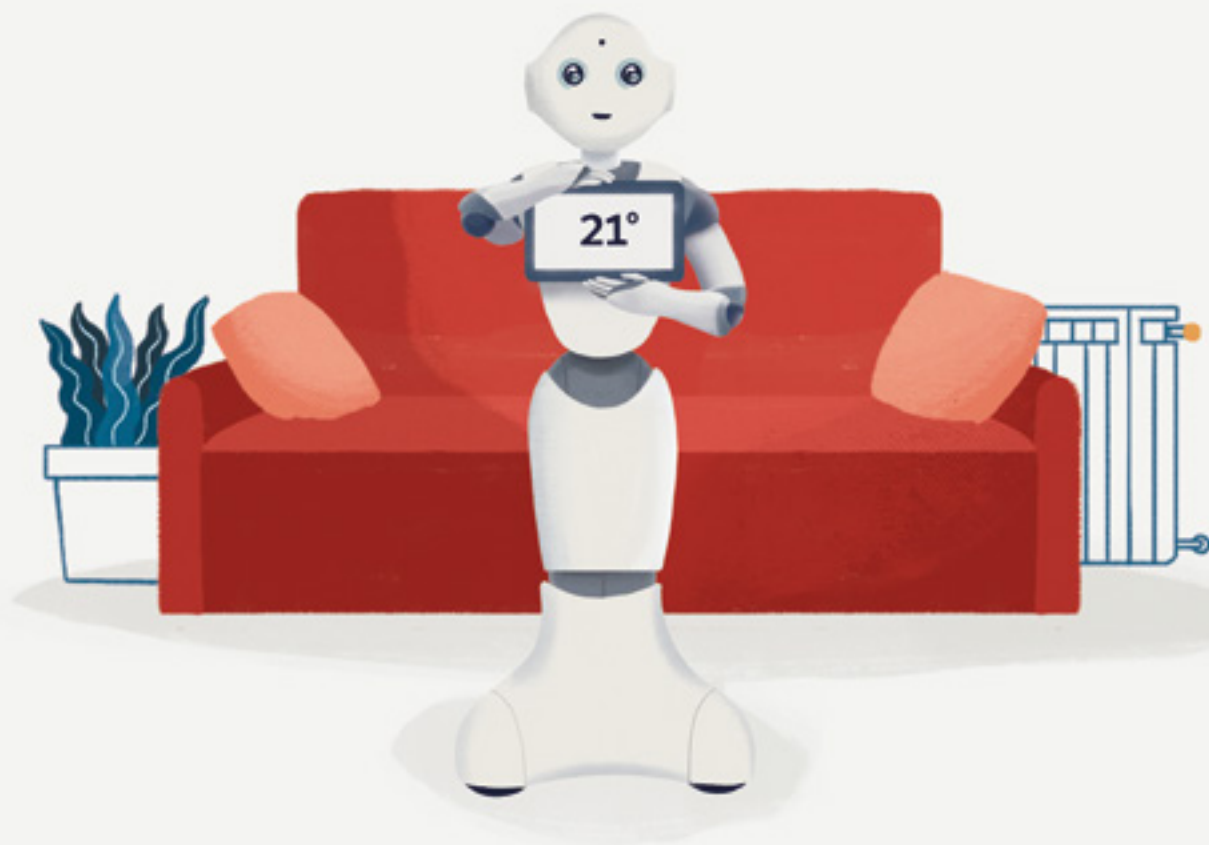
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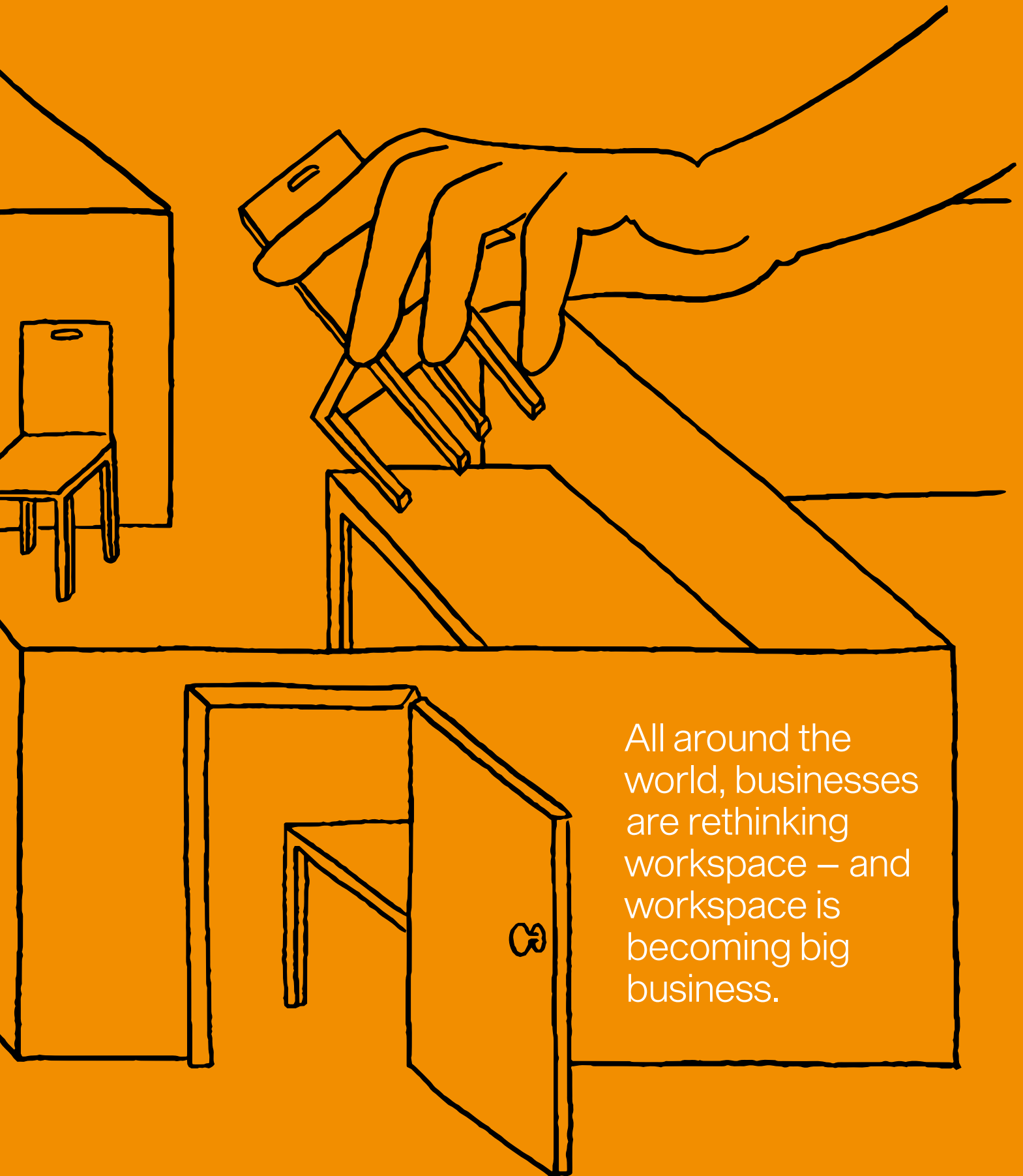
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REPORT

Space, the new frontier

How the future workplace
is disrupting real estate



All around the world, businesses are rethinking workspace – and workspace is becoming big business.

In 2015 Verizon was at a crossroads. For 50 years, the telecom's growth had been driven by its landline business, for which it had accumulated a large portfolio of real-estate assets – 60 percent of which were small and medium-sized offices – spread across the United States. But as landlines gave way to wireless, nearly half of Verizon's real estate was being used to support legacy infrastructure, adding millions of dollars to annual operating costs. Yet Verizon couldn't simply get rid of these properties, with their outdated technical equipment and cables, since the remaining network infrastructure still relied on them. And the offices, though underutilized, were often located in highly desirable locations, like Manhattan. Moreover, the lease terms made aggregating them and relocating the teams who worked there out of the question. What to do with all this surplus real estate?

A Verizon executive, John Vazquez, had an idea. The company was in the process of adjusting its business model to exploit the growing market for the internet of things. Vazquez saw real estate as a tool to support this strategic change of direction. "For us, it was about taking these assets that were built for one use and transforming them radically to give them another use in a way that could actually add value," he explains.

Extracting value from idle real-estate assets comes straight from the Airbnb playbook. And the conditions that helped Airbnb redefine travel – digitalization, mobility, platform economics and a more open-minded breed of consumer – are likewise making office space another sector ripe for transformation, as evidenced by the plethora of emerging business models dedicated to reimagining the workplace. Empty offices are the equivalent of the spare-room capacity in people's homes that

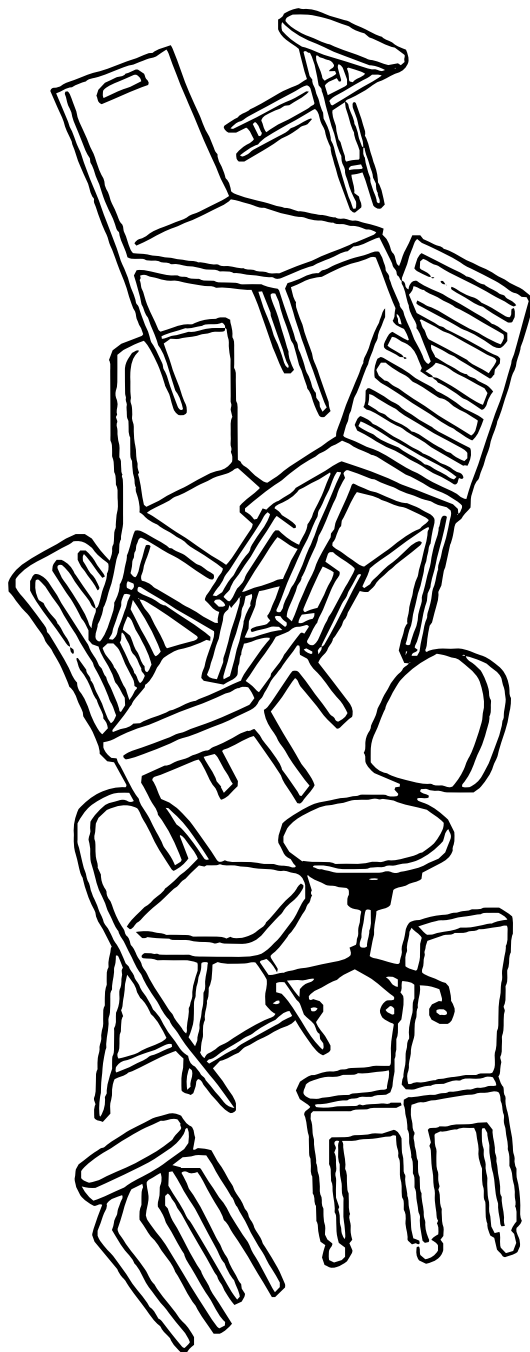
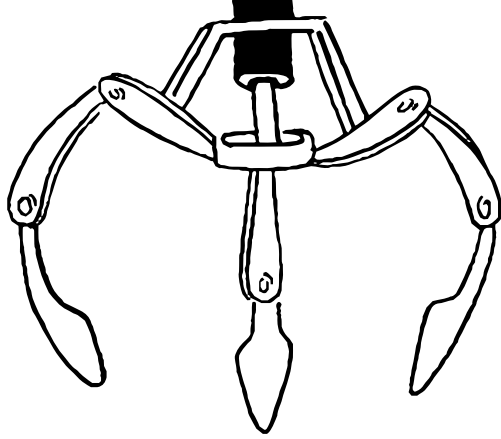
Extracting value from idle real-estate assets comes straight from the Airbnb playbook

Airbnb eyed when it shook up the hotel industry. And thanks to a generational shift in how people want to work today – flexibly, not chained to a desk – space has indeed become the new frontier.

Meteoric growth

All around the world, businesses are rethinking workspace – and workspace is becoming big business. It's no coincidence that Verizon spotted an opportunity in its real-estate challenge when it did. Between 2013 and 2017, the flexible office market was taking off in North America as well as in Western Europe and Asia, representing \$26 billion in global revenues, according to the broker Instant Offices.

Given the fast-paced changes of the past decade, many companies find themselves with real estate that's not only redundant but also too rigid. It's hard to expand or contract according to market conditions when you're locked into a 25-year lease. Agility is the name of the game. To innovate faster and more efficiently, companies are trying



to imitate the atmosphere of a lean startup, in spaces that foster teamwork and collaboration. To work better and more productively, individuals are demanding workplaces more in tune with their lifestyles. Millennial workers, especially, are demanding this, with one Deloitte survey finding that, given the choice, millennials will prioritize flexible or remote working arrangements that facilitate work/life balance over career progression when evaluating job opportunities.

Speaking at IESE Madrid, Mariano Hernandez (IESE PDG '18), a senior business development manager for Apple, stressed that just having a strong, established company brand wasn't enough to attract talent anymore. People are searching for new opportunities and new experiences that enable them to use their talents and grow, wherever they find them. Companies, especially traditional ones, need to adapt themselves – from their organizational models to their workplace cultures to the way they design work – to be more aligned with what motivates modern workers, he said.

Coworking companies

These are some of the most popular. Most operate beyond the cities where they were founded.

NYC

Alley
District CoWork
Green Desk
Industrious
WeWork

DC

Make Offices

Tel Aviv

MindSpace

Brussels

International Workplace Group, formerly Regus

New Delhi

Awfis
91Springboard
Innov8

Slagelse, Denmark

SoMeCentral

Sydney

Servcorp

Berlin

Knotel

Amsterdam

Spaces

Vienna

Impact Hub

By 2022

25,968 coworking spaces worldwide

65%

of coworking spaces are occupied by entrepreneurs and new businesses

Top 10 countries for coworking growth per capita

- | | |
|----------------|--------------|
| 1. Luxembourg | 6. Australia |
| 2. Singapore | 7. Canada |
| 3. Ireland | 8. USA |
| 4. New Zealand | 9. Hong Kong |
| 5. UK | 10. Bulgaria |

SOURCE: Global Coworking Growth Study 2019


All this adds up to a workplace revolution in which boring old real estate is becoming an exciting new form of competitive advantage.

The new players

So, what are companies doing? In Verizon's case, it identified three key areas to address, which will be familiar to many: 1) boost strategic rather than nonstrategic assets; 2) deliver space that fosters productivity and the type of culture demanded by a digitally enabled workforce; and 3) reduce

vacancy rates and optimize the utilization of space in strategic assets.

Verizon was sitting on several high-rises in prime locations around New York City. It decided to sell off the top floors to developers, who converted them into apartments. It also sold off the ground floors for retail use. Of the remaining floors, Verizon retained a few for its own employees and equipment; the rest were converted into state-of-the-art coworking spaces that could be offered to



different clients, whether freelancers, startups, SMEs or adjacent businesses who needed some spillover space for their expanding operations. In some cases, hotels and medical centers claimed some of these available floors.

Besides opening up new income streams, repurposing these floors generated other benefits: Verizon started to interact with diverse coworking communities under its own roof, learning firsthand from their preferences and utilization patterns, and then applying that knowledge to its own workplace strategies. In other words, experimenting with real-estate-as-a-service became an internal driver of change management for Verizon.

The fully serviced coworking space is another model worth studying. Although there are several big-name shared office operators, such as Regus, which have been around for decades, it's the startup WeWork that's grabbing headlines, most recently for its announcement to go public.

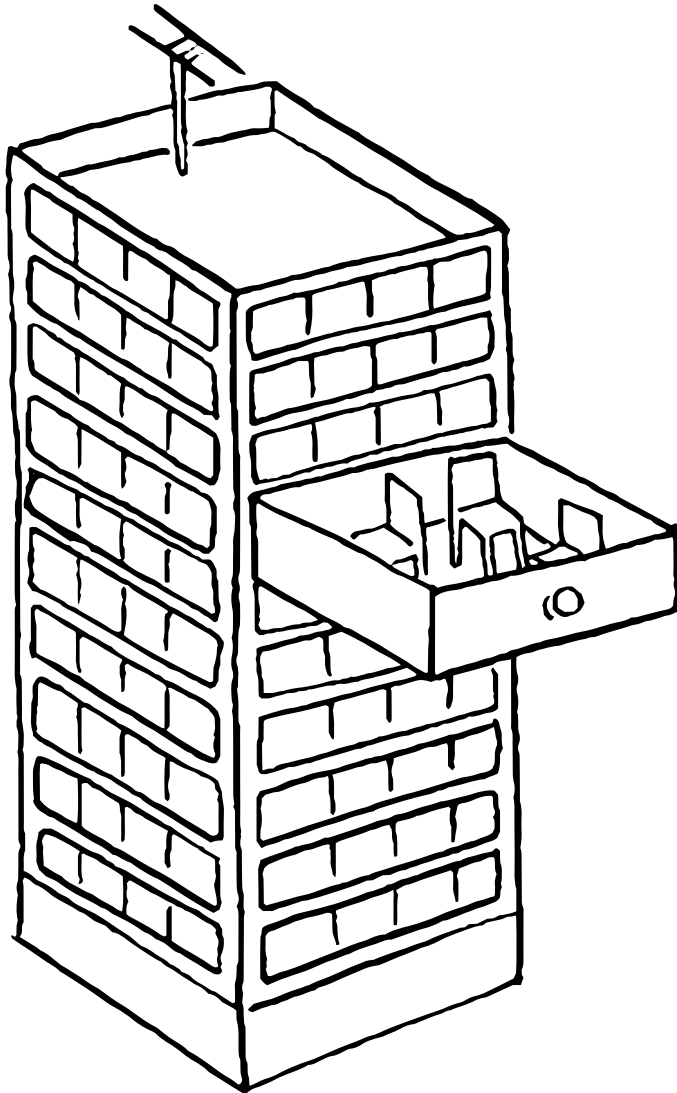
Founded in 2010 by two entrepreneurs looking for an eco-friendly coworking space in New York, WeWork is now the fastest-growing lessee of new office space in the United States, if not the world. It specializes in rent arbitrage – leasing or in some cases buying properties, giving them one of its signature makeovers, and then renting the spaces at higher than market prices. A large share of its revenue comes from its membership program: people pay monthly fees for use of WeWork's global network of desirable facilities, because WeWork isn't just a desk rental, it's a lifestyle.

From the beginning, the young founders, who both grew up in communes, instinctively understood what today's workers want: bright, airy spaces, exercise equipment and playrooms, kitchens

Today's workers want bright, airy spaces, all supported by the best tech and open 24/7

stocked with snacks, coffee and beer on tap, conference rooms and common areas where eclectic groups of people can swap ideas and engage in design thinking, all supported by the best tech and open 24/7. They say people come for the office but stay for the culture.

As proof of WeWork's holistic commitment, in 2019 it rebranded itself as WeCompany to reflect that its real-estate ambitions extend far beyond offices. Its new mission: "to elevate the world's consciousness." Now everything can be monetized if prefixed by We, including WeLive (apartments), WeGrow (schools), WeSleep (hotels), WeGive (charitable donations, with WeWork venues doubling as clothing drops), WePark (turning empty parking spots into coworking spaces) and WeWork Go (a Chinese iteration, whereby users pay for space in coffee



shops by the minute and get free coffee, rather than the Starbucks model of paying for a coffee and getting space for free).

WeWork's clients aren't just entrepreneurial hipsters, either. It serves big-name corporate clients as well, running entire offices for IBM in New York, Airbnb in Berlin and Amazon in Boston, for example.

As the real-estate mantra goes: location is everything. So, when a shared office operator purchases or leases real-estate space – whether a floor or two, or an entire building – it typically scouts prime locations where there is both density and a diverse client base, including some major corporate neighbors. This is because it charges fees per person rather than per square foot or meter, so it needs to make sure there's a steady supply of clients in the area, in order to guarantee it can continue to cover the costs of providing all the high-quality amenities and services that people have come to expect. As such, shared office operators often position themselves in urban districts that have been specially zoned as tech or startup hubs, à la Silicon Valley, to leverage that symbiosis.

Within this ecosystem is another type of player: the real-estate intermediary. These companies operate in the same space, but unlike the earlier examples, they don't have any physical real estate of their own; rather, they are online platforms (apps and websites) that link professionals with existing workspaces – be it a desk, a coworking space, a meeting room or a conference facility – aggregating supply and demand, much like Uber or Airbnb does.

Daysk – founded by an IESE EMBA with support from Finaves, IESE's seed capital fund – is one of a growing number of such companies. It sees the digital nomad or gig worker as part of a global trend

A new lease on life?

Filling and managing buildings is becoming tricky business

The dilemma faced by Joaquin Castellvi illustrates the challenge that building developers, investors and property management companies have to deal with as part of the new real-estate paradigm.

Castellvi Group has been responsible for several developments, including the Luxa Silver and Luxa Gold buildings, in the 22@ business district of Barcelona. Once the buildings were completed, Castellvi needed to find tenants, which, in his capacity as head of investments and acquisitions for the real-estate management company Stoneweg, he did: Amazon took offices in Luxa Silver.

But with Luxa Gold, it was another story: should he sign a traditional lease with a well-known tech developer, or enter into one of WeWork's more unconventional arrangements? The former was an attractive, low-risk

candidate, while the latter, the hot favorite, was a riskier bet.

If he signed a long-term lease with WeWork, what would happen if the economy dipped and the ancillary business clients on which WeWork depended suddenly dried up? Having Amazon as a neighbor could be a boon, if Amazon expanded and needed WeWork's space to grow into. But if Amazon didn't? And what if WeWork didn't live up to its hype?

Either way, as *Fast Company* recently noted, developers and landlords realize that, even if they forgo WeWork as a tenant, in order "to remain competitive in real estate ... to attract and keep tenants, and boost the value of their properties, they need to be creating similar experiences inside their buildings."

Today's tenants expect more from their workspaces.

Workers were able to dedicate the average 73 minutes a day they saved in commute time to other pursuits

and believes demand for alternative places to work will only grow. And the platform is not just aimed at the individual worker looking for the nearest available hot desk; traditional companies are also taking advantage of Daysk's matchmaking services for their sales people or consultants working on the go, or for helping their employees choose their own work locations. Vitaly, Daysk is able to use the analytics it gathers on users to provide corporate clients with rich data on the work habits, consumption patterns and preferred settings of their employees, thereby helping companies tailor their workplace arrangements to real space needs.

Better use of space – and time

The remote or coworking phenomenon has clear benefits, as Daysk founder Julien Palier explains: "If you're not actually in your office for roughly 50 percent of your working hours because of meetings or travel, but you're still paying rent or electricity for 100 percent use of the space, then offering remote work policies and reducing the rented office space required for operations bring cost savings while giving employees better control over their own schedules."

Palier cites a recent study undertaken by the government in his native France to quantify the benefits of flexible HR policies and flexible workspace deployment. Besides the direct benefits for companies – cost savings, less absenteeism, more productivity – workers reported they were able to dedicate the average 73 minutes a day they saved in commute time to other pursuits, leaving them less stressed, with better quality family time and more money in their pockets through the reduction in travel costs, meals and childcare. There were also indirect impacts, such as less fuel use and thereby less pollution. So impressed was the French government by the findings that it earmarked an extra 100 million euros to support labor market changes in this direction.

That aside, the research in this field is limited. Research on employee/organizational relationships shows that job satisfaction and turnover intentions are linked, to a greater or lesser extent, to employees' perceived insider status, psychological ownership and identification with the organization for which they work. What happens when those relational ties are loosened? When the place where people work is one brand, when their exchanges and interactions are mediated by another, and when they spend most of their day interacting and socializing with "coworkers" from several different companies or none, do these nomads start to lose touch with their actual employer?

A step forward or a step back?

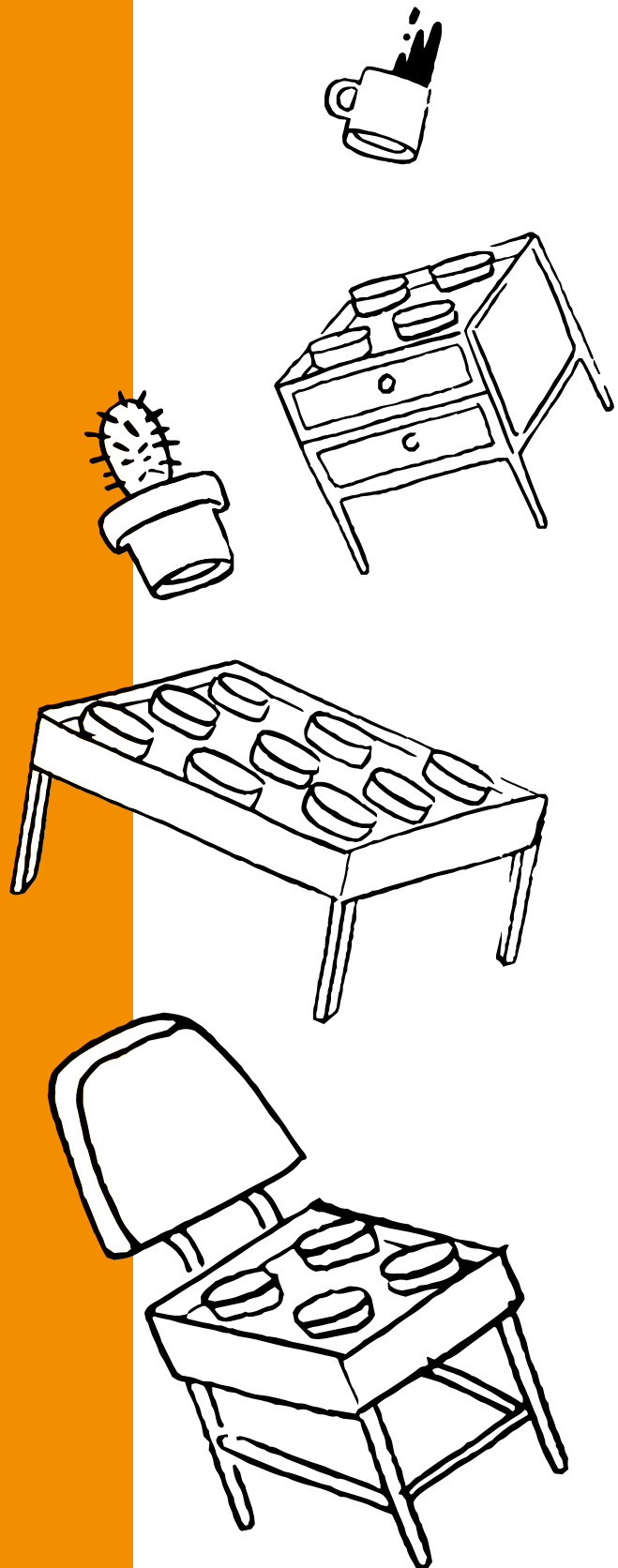
IBM was a pioneer, as far back as the '80s, not only in allowing employees to work remotely but in proactively helping them set up office at home. It's now having second thoughts. Diane Gherson, Chief Human Resources Officer at IBM, recently wrote: "There was a time when we thought all work could be deconstructed and disaggregated and farmed out to freelancers on

talent platforms, with just the 'hub' work, such as project and client management, being retained by the traditional corporation. The gig economy was gaining momentum as the Uberization of entire industries became more commonplace, and work at home/from anywhere was gaining traction as the global labor market opened and internet and mobile computing became more pervasive. For companies, this was a gift from heaven: labor is purely elastic with demand, and pay is for output, not input. For employees, their needs for benefits were solved by new players ... Their need for collegueship was filled by the emergence of coworking facilities, complete with Starbucks for coffee breaks."

But, she added, "This moment has passed."

Instead, she said IBM "embraced agile work at scale," which involves "co-location," i.e., teams working together in the same space, albeit a re-engineered lab or campus, but the key was in them "coming together" to reap the benefits of engagement and trust – two necessary preconditions for creation to happen, which, she said, was much harder to achieve with a "constant reconfiguration of teams unfamiliar with each other and operating as independent players."

The ADP Research Institute has a different perspective. It recently completed a global study of worker engagement, based on a survey of more than 19,000 workers in 19 countries. It found that, yes, being fully engaged at work does depend on the extent to which you feel like part of a team. However, it also found that those employees who worked from home or had some side gig – essentially, some other space outside of the normal work environment that gave them flexibility and a greater sense of control over their own schedules and lives – tended to feel even more engaged



at work. “Remote workers who feel like they are part of a team are actually more engaged than co-located workers who come to the office and feel that they are part of a team,” asserted Cisco’s Ashley Goodall, one of the study’s co-authors.

New questions

Regarding the real-estate business models themselves, some question their sustainability. Their strength – flexibility – is also their vulnerability. So long as the market keeps growing like it has been, companies can contract additional space from a shared office operator without the sunk cost of real estate, and all parties are happy: the company, the shared office operator and the workers themselves. However, if there’s ever a downturn and the company scales back, apart from any loss of workers and the workspaces/lifestyles they’ve

Office-finding apps

These are some of the most popular. Most operate beyond the cities where they were founded.

Barcelona Daysk	Vancouver ShareDesk
London Deskcamping	Utrecht Seats2Meet
NYC SquareFoot	Rome MySpot
Toronto Flexday	San Francisco DesksNearMe LiquidSpace

By 2020

50%

of the global workforce will be mobile, working flexibly and remotely, across all professional classes and sectors

SOURCE: Citrix

70%

of all workers globally work remotely at least once a week and 53% do so at least half the week

SOURCE: IWG


In a global survey of employees in 6 continents

53%

of those who work remotely at least once a month said they felt happier and more productive in their roles than those who don’t or can’t work remotely

SOURCE: Owl Labs

If these trends tell us anything, it’s that talent becomes more important than ever



grown accustomed to, the shared office operator – and by implication the building owner and manager, if they have long-term lease obligations – will get stuck holding the bag.

One market analyst, commenting on WeWork's IPO, pointed out the striking difference between the real-estate operators and other businesses in the sharing economy: "If no one called for an Uber tomorrow, Uber wouldn't have to pay all those drivers. But if no new tenants show up at WeWork tomorrow, WeWork has hundreds of buildings now, and so that unoccupancy would be an expense."

IESE professor Carles Vergara, who collaborates on IESE's annual Real Estate Industry Meetings and who recently published *Timing, marketability and location: the new real estate paradigm*, notes that real estate "is not mainly about location anymore. Increasingly what counts is its marketability – different uses of the assets, different quality standards, different designs and other factors that affect the assets' valuation and profitability." And that requires new skills on the part of investors and managers to analyze and value property in this new context.

And then there are the broader psychological and sociological implications. A European Union research report, *Working anytime, anywhere: the effects on the world of work*, recognized the positive developments of these new models, particularly in increasing the labor market participation of women caring for children. However, it also acknowledged the disadvantages, including "the tendency to lead to longer working hours, to create an overlap between paid work and personal life (work/home interference) and to result in work intensification." When taken to extremes,

some workers "are more at risk of negative health and well-being outcomes."

The report made several policy recommendations, including making sure that any novel workplace arrangements adopted by companies "serve the needs and preferences of both workers and employers," taking extra care to make sure that teleworkers don't feel "isolated from the rest of the working community," and safeguarding "the right to disconnect."

IESE professor B. Sebastian Reiche raises another point. These new workplaces "may make your work seem more intrinsically motivating and enjoyable," he says, "but does this necessarily help you increase meaning? Some will say that being able to decide when, how and where to work in itself helps to make work more meaningful. But to ensure that, you really need to connect with the broader purpose and mission of the organization that you're working for – and workspace itself may not always help you do that. The rise of new forms of work has profound implications for how workers define their roles and identities. Before we get too carried away by the glamorized portrayal of freedom and flexibility afforded by these new arrangements, we must be mindful of the effects on identity and identification when workers may feel less attached to their physical workspace."

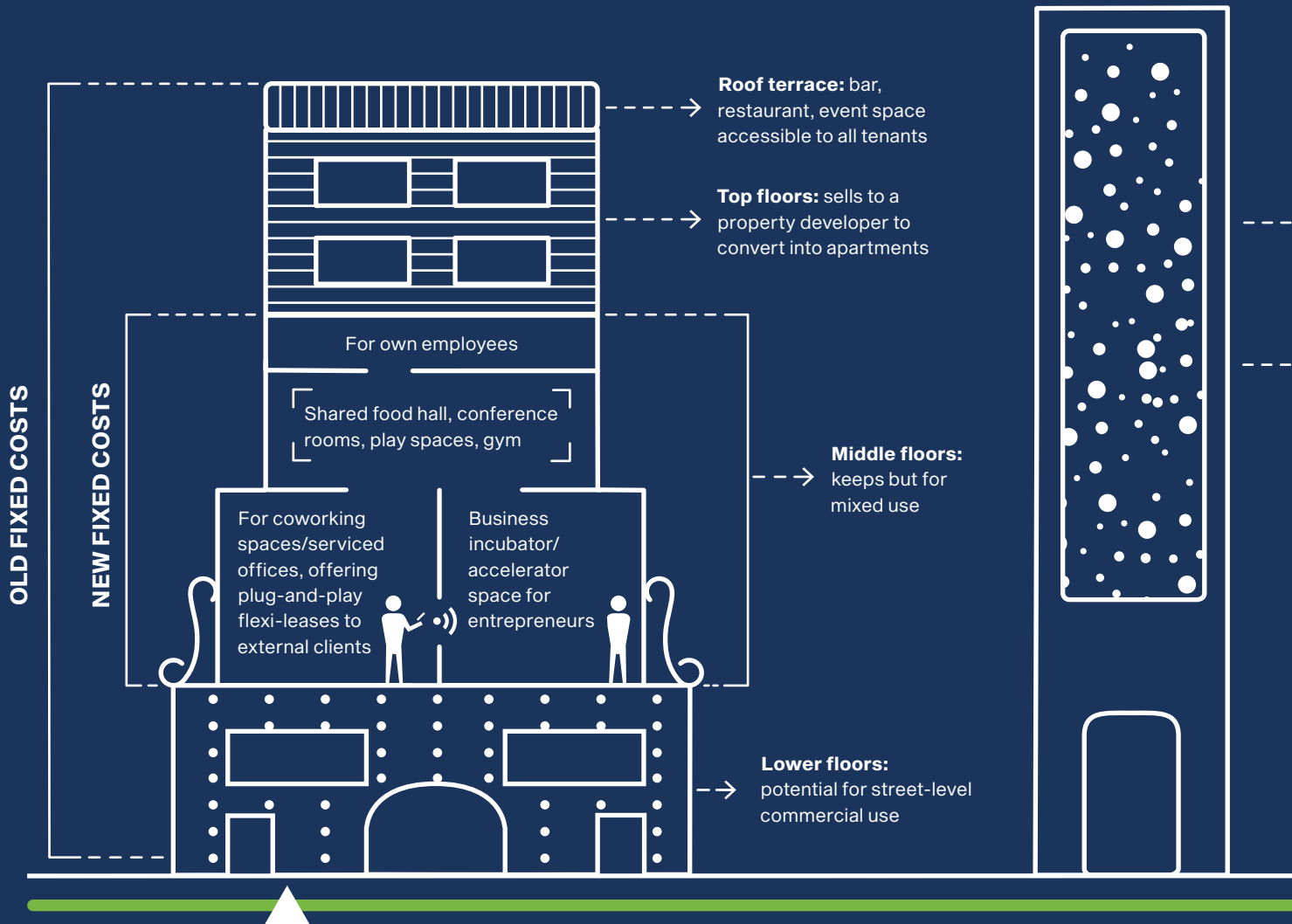
Vergara underscores that people's well-being must be at the center of any real-estate strategy. "If these business trends tell us anything, it's that talent becomes more important than ever. We don't know exactly what the future holds, but we do know it will be based on the attraction of talent. No matter which real-estate model you pursue to reimagine your workplace, always make sure that it's flesh-and-blood, not bricks-and-mortar, that matters most." ■

MORE INFO: IESE professors M. Julia Prats, Carles Vergara and B. Sebastian Reiche have written case studies on Verizon, WeWork and Daysk, respectively.

Blueprint of real estate business models

A. Traditional company

Creates new value by repurposing its own idle or underutilized real estate assets.



Owner-Manager

Building owner
Property management company

Who do I want as a tenant?
Which of these services should I offer?
Do I join these networks?
How can I optimize my building, using digital insights?

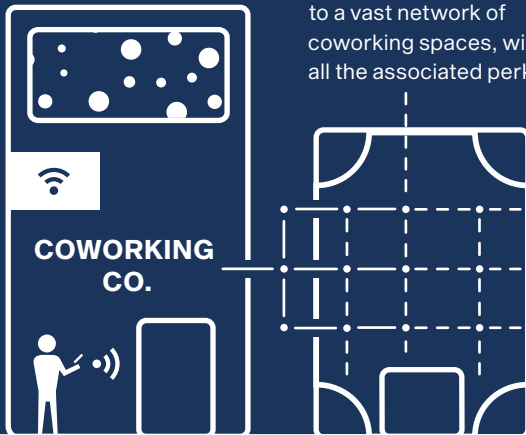
B. Shared office operator

Creates new value by leasing or buying real estate and transforming it into coworking spaces for all kinds of businesses and individual workers.

In prime locations, usually part of innovation hubs, to leverage synergies with neighboring businesses.

A growing company is able to contract extra space quickly and flexibly from a well-positioned coworking operator.

Members gain access to a vast network of coworking spaces, with all the associated perks.



Besides acting as matchmakers, these platforms also create value from the data they gather on worker habits and space utilization.

Companies want this data to plan their own workspaces or to let their own employees choose how and where they want to work.

C. Real estate platform (apps and websites)

Creates value by connecting workers with available workspaces.



User

Mobile worker
Business clients

I need a conference room.
I need a coworking space.
I want to interact with other workers like me.
I need a café where I can work between meetings.
I need a place for my startup.



CREDIT: Marion Vogel

Beatriz Arantes

Manager, WorkSpace Futures, Steelcase (EMEA). A Brazilian national, she has lived in 12 cities in nine countries, so sees herself as a global citizen. An environmental psychologist by training, she researches the relationship between people and space – “how we inhabit our spaces and what they mean to us.”





“

Be intentional about what you say with your space

”

Most people think of work as something that happens seated at a desk. But, as Beatrix Arantes points out, “If you reflect on where you’ve had your most productive conversations, where you got your best ideas, a desk with a computer is probably the least of it.”

Arantes manages research at Steelcase, the multinational manufacturer of office environments founded more than a century ago in the United States. Based at Steelcase’s Learning + Innovation Center in Munich, she seeks to connect workers, as human beings, to their organization’s mission, via design. Good design, she says, creates a sense of community and common purpose to get the important work done. Here she discusses emerging trends in workspaces and how organizations can meet the future.

What’s happening in workspace design?

I see a huge paradigm shift, one that’s not fully apparent to the general public yet. We’re moving away from designing workspaces for traditional departments or functions like HR, engineering and marketing. Instead, we’re moving toward designing for project work, involving team members from many areas.

Today, a new kind of teamwork is crucial for organizations to respond quickly to market changes and customer needs. Innovation requires a multidisciplinary approach. That’s hard because people have been trained to think in one discipline – to become experts. But the task of creative collaboration for innovation is to break down what people know from their

“In open-space offices, **don’t make it a sea of desks.** Create neighborhoods or smaller communities”

disciplines, to break down their mental models, and negotiate. Our research finds more of that work gets done when people are sitting side by side, tackling problems together.

And yet designing for teams also means supporting individual work within the team. A good workplace will provide a mix of contexts to work individually and socially, digitally as well as analog. If a workspace is helping us to be more effective at what we do, we will come back to it, and that’s the key.

Six dimensions of well-being

How well does the design of your physical work environment foster these six dimensions that Steelcase has found impact personal well-being?

- ✓ **Mindfulness:** does it help you be fully present?
- ✓ **Authenticity:** does the space welcome sincerity and self-expression?
- ✓ **Belonging:** are there places to connect and bond with others?
- ✓ **Meaning:** is the purpose of your work and its impact on the world visible?
- ✓ **Optimism:** does the space empower you to get your work done?
- ✓ **Vitality:** does it support a healthy and balanced lifestyle?

How do you design effective workspaces?

It doesn’t begin with the space. It begins with defining the organization’s vision for the future. We ask the leadership, “Where does your organization need to be in five to 10 years, and how do you plan on getting there?”

Together, we paint a picture of the new culture, processes and technologies that need to be in place. And through workshops, the employees help us understand how they work and how they see themselves in this evolving organization. We also consider other stakeholders, such as visiting employees, customers and suppliers, who are coming into the space. Everyone should feel welcome.

Any design tips? There seems to be some pushback against open-plan offices.

“Open space” goes wrong when it’s used thoughtlessly to optimize real estate. We’ve seen many floorplans where it’s row after row after row of desks. This is the epitome of telling someone that they’re just a number in the organization.

A basic tip for designing a good experience without walls is to create neighborhoods. Don’t make it a sea of desks. Smaller communities help people get to know each other and feel like they’re responsible for their space. That way, they can organize themselves and establish a common etiquette to manage things like noise. You can also do simple things like providing phone booths for making calls.

Really, it’s about humanizing the space. What elements are you bringing in to make people feel comfortable, not just physically but cognitively and emotionally?

How do you design for authenticity?

It’s about aligning the values of the organization with the message that the space is conveying – because spaces do convey messages: they tell us what – or who – matters in



CREDIT: Marion Vogel

the organization; they provide clues to acceptable behavior. That's why you have to be intentional about what you're saying with your spaces, because employees are going to read into it, even if that message was not intended.

For example, I recall a company that had a regular coffee machine for employees and a special espresso machine for clients. But the employees who attended to clients felt entitled to make themselves espressos while the other employees didn't. This created a division. Eventually the policy moved to espresso for everyone, so that everyone felt valued.

For global companies, you can't just copy-and-paste what works in one location to another. Human beings want to understand the *why* of the particular space they're in. If you want people to be engaged at work, you have to make sure their space has a community in which they feel they belong. This goes back to knowing what your organization is trying to achieve, what behaviors it wants to promote, and then creating a space that makes sense to those people working in it.

How is workplace design tapping into the natural world?

We're studying biophilia, which is taking the feel-good qualities of natural environments and translating them into interior environments. A key element is sensorial richness: you feel well when you can observe, as in nature, harmonious complexity. And you can bring that into the office, not just literally with plants and wood, but also by incorporating diverse materials, textures and textiles that hint at the patterns and colors we see in nature. Boring, repetitive environments lead to bored, uninspired minds. Neuroscience research confirms that creativity is a non-linear process involving different types of brain activity. Spaces should reflect that diversity. ■



“

**We can organize
real estate according
to the people**

”

Daniele Di Fausto

CEO of eFM. Di Fausto was appointed CEO when he was just 35 – “a courageous decision unusual for the real estate sector,” he says, representative of “management’s transparency and lack of hierarchies,” which is needed to revitalize real estate for the next generation.

amp '19

Like many companies, eFM, an Italian engineering firm focused on real estate, found its traditional business being upended by digitalization. While it had been using information technology, it was mainly in the form of showing corporate clients how to reduce costs. “But with the internet of things, we started to understand we could do more,” says CEO Daniele Di Fausto. “Space could become a service. This is the trend with which we want to grow the company.” Here he explains what they did and where they might go next.

How did you acquire new skills?

We used ourselves as an experiment, turning our own office into a connected environment. Using sensors and cameras,

we measured the occupancy of our space for each desk, each person and each interaction. Everything – door access, meeting rooms, attendance, maintenance – was handled electronically. In two years, we learned how to create an environment of open innovation.

But that’s inside the building, whereas your mission talks about using tech to release work from time and space constraints.

For that, one of our guys did a separate study. He took 4,200 bars in Rome, analyzed their saturation rates using Google Analytics, and found 80% of the time the bar was busy between 8:45 and 9:30 a.m. and 12:30 and 2:30 p.m. The rest of the time, there was no one. I thought, “This is interesting,” because in the future, work won’t be concentrated in offices in a single building anymore.

Now, put this together with our measurement of desk occupancy. For most companies, a desk isn’t occupied more than 50% of the time. So, not only can we tell companies how they can achieve savings by reducing their space based on average occupancy rates, we can do something even more interesting: we can advise companies on how they can invest part of that savings in improving the engagement of their workforce by not having a centralized office building, and then providing the data on all the alternative places in the city where their people can go and work instead.

How did that lead you to create your spin-off company, MySpot?

Once we had this concept of connecting places in the city, I issued an open invitation to anyone in our company who was interested in exploring this idea further. Within two hours, I had over 50 employees saying they wanted to work on this idea. I said to the ones who were really pushing the idea, “You’re in charge of a startup. I’ll give you \$70,000 and five months to develop a prototype. And you need to work with a business accelerator outside the company. If you manage to get enough transactions from freelance workers, then we’ll know if the idea really is good.”

“Look at us: we started as an engineering company and now we’re putting HR and technology together to create connections between people and real estate”

After five months, they came back with some unexpected findings. They’d started with freelancers, but what they found was that employees of traditional companies were most interested, because they were able to choose workspaces near home or near their kids’ kindergarten. Employees said, “If I have to go out to a meeting in another company, why do I have to go back to my company to work, before going back home? I could just work from another place near the other company or near my house.”

Based on that, we launched MySpot, a platform matching professionals with available spaces in Rome and Milan. Last year, Gartner named MySpot one of the five coolest digital workplace vendors.

Where do you see this going next?

Retail. We think shopping centers, which have already undergone digital transformation, will be further transformed into

“experience centers” where people will meet to exchange different experiences. Say I want to learn about blockchain or design thinking: each place would have its own little community of people interested in that subject, and you could find them via the platform and meet up. Work will become more distributed. It also means spaces will become more hybrid, each with its own special character. So, a café or shop would also become a community organized around a certain specialism. With technology, you can orchestrate this kind of thing and transform real estate from a destination into an entirely new economy.

We envisage this happening at the city level, too. For example, during the 2015 Milan Expo, we came up with the idea of using smart technology in the common areas to understand the connections, exchanges and interactions of people in those places. Our “smart city” operating system was selected among the projects that will form part of MIND, the Milan Innovation District. The ground floors of the buildings in the district will be “common ground,” open to all citizens. In other words, we’ll use it as a testing ground or living lab to see how smart spaces can foster more creative connections and engagement between people, leading to more innovation and value creation, at urban scale.

What else are you experimenting with?

We have the digitalization of real estate, but now we’re exploring the digitalization of people, with a matching platform that creates an experience. Take my smartwatch. From the moment I enter my building, it can detect my heart rate, indicating if I am stressed or relaxed, and I can decide whether to share this information with other people. Suppose, as a team, we agree that an equal distribution of speaking time in a meeting is important to us. With technology, we’re able to measure that. Suppose we don’t just track the number of words spoken but the tone. We can get feedback on the quality of the interaction. This information is stored in my “digital diary,” which tells me, “Daniele, the last time you had a meeting in this room, you got angry. I suggest you have a separate discussion with this guy beforehand.” This means we can organize real estate according to the people, not just



CREDIT: Christine Panagiotidis

in terms of providing the right furniture, but even having the possibility of selecting the right people to attend the meeting to make this experience successful.

Doesn't this raise privacy concerns?

This is absolutely important, especially in Europe, with General Data Protection Regulation. We believe in anonymized data. The information would be held in blockchain across a distributed network. Crucially, the user must have complete control over whether they want to share their personal data or not, and how much. For example, you might want to share just this one piece of information, with this one person, in this one-hour meeting, after which it would disappear.

I have a millennial mind, which means I'm willing to share information with others if: (1) it may be helpful to me personally, to have a better awareness of myself; (2) it may be helpful for others, for us to have a better awareness of each other; and (3) it may be helpful to the community, for us to improve things as a company or team. This goes to the concept of "digital common goods." I share information, not to receive an advertisement, but to create networks of positive things – to improve collaborations, increase human capital and build trust. Any platform we develop must be compliant with these principles.

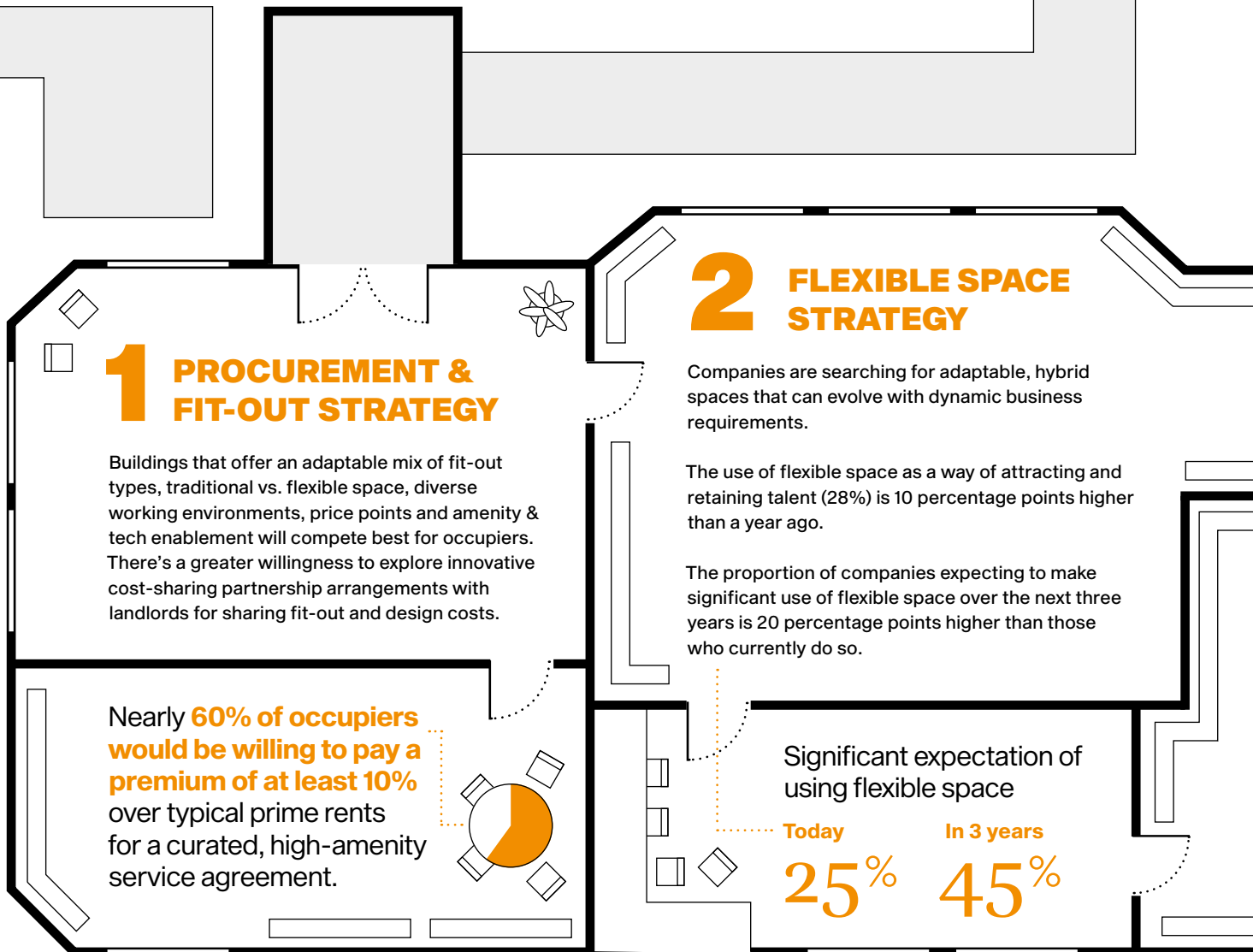
What kind of organizational culture is needed for this?

Like nature, an organization is a complex system. And just like nature doesn't have a boss yet still works, organizations work best if there's no boss who controls you but instead empowers self-managing teams. Let people try new things. If someone has an idea, be ready to test it, and if it works, there's value. Look at us: we started as an engineering company and now we're putting HR and technology together to create connections between people and real estate. In the end, we've transformed real estate from a cost-reduction approach to a value approach, because if the real estate is good, people will be happy; if people are happy, they'll be more productive; if more productive, they'll generate new ideas, more innovation and better results. ■

From CAPEX to UX

Today a building is not just a building. “Real estate has moved from bricks to people,” says Anna Esteban, Spanish director of CBRE, the global real-estate services company. By this she means what used to be a B2B capital expenditure (CAPEX) is now about landlords creating bespoke user experiences (UX) that please commercial tenants from the minute they walk through the door. “Space used to be seen as a cost, and while occupiers will always be cost-sensitive, increasingly they see space not just as a container of activity but as a vital part of the value chain – strengthening brand positioning, supporting corporate values, and helping to attract and retain talent. And for that they’re willing to pay premium.”

Here Esteban highlights the **four key levers** by which companies are using real estate to enhance their appeal.



SOURCE: The CBRE 2019 EMEA Occupier Survey of 180 companies, over 25% of which are headquartered in the U.K., 17% in the U.S. and half in continental Europe. Of the respondents, 40% have a global remit, a third have EMEA responsibility and the rest manage individual countries.
 MORE INFO: <https://www.cbre.com/research-and-reports>

3 USER EXPERIENCE (UX) STRATEGY

Like hotels and shopping centers, offices are featuring concierge-style services in order to provide tenants with a full range of amenities.

Among the priority aims of UX programs are:



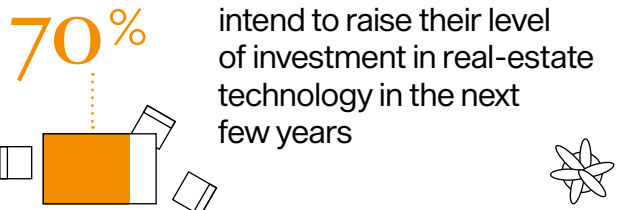
UX programs are expected to grow:

1 in 3 companies have plans to hire a UX lead.

2 in 3 would pay a premium for a building in which the landlord had an enhanced UX offer.

4 TECH STRATEGY

Increasingly technology is viewed as the means of achieving people-centric ends.



The current two most popular real-estate technologies are focused on building and efficiency factors. But those are expected to give way to more people-related objectives in future, including greater use of predictive analytics through AI and machine learning.

Current

- 1 Smart building sensors (for occupancy management)
- 2 Energy management controls

Future

- Occupant navigation apps
- Connected external internet of things

As strategies for skills, space and service are converging, it's no longer just about what the CEO wants, but entails close collaboration between business support functions, particularly real estate, HR, technology and other stakeholders.

Mireia Las Heras

Associate professor of Managing People in Organizations and research director of the International Center for Work and Family (ICWF) at IESE.



CREDIT: Maria Dias

How can we achieve balanced lives?

As the boundaries between our personal and professional lives continue to blur, what can we do to achieve better balance? Creating workplaces that allow people to balance their lives is good for a variety of reasons. It's responding to reality: people have family responsibilities, whether caring for young children or elderly parents, and giving them the flexibility they need to carry out those responsibilities helps them feel more in control, more positive and more energized.

Research shows this translates into greater commitment, engagement and motivation at work. It's also shown to attract and retain talent. Yet, as vital as balance is for today's workers, achieving it has gotten much harder in our constantly connected, globalized societies where we work across multiple time zones and everyone expects an instant response. For all of technology's advantages, it is also one of the chief culprits in keeping us from fully engaging with our non-work pursuits and responsibilities as much as we'd like or need.

While we can't simply eliminate all demands and pressures, we can at least foster organizational cultures that favor work-life balance.

Balance starts at the top, trickling down to employees. Given this, how well do your company's leaders demonstrate their own commitment to work-life balance? Are they as enthusiastic about personal or family engagements as they are about work ones? The supervisor's level of non-work engagement has an important "crossover" effect: as employees perceive it, they come to view balance in a positive light and seek to emulate those behaviors for themselves. Leaders who are able to disconnect outside of work make it easier for others to do so, too.

This is one of the findings of recent research I did with colleagues on how well-being in work and home domains trickles down from supervisors to subordinates. While other studies have explored this dynamic at the peer-to-peer level, we found that supervisors played a special role in making it cascade throughout the organization. Those supervisors who engaged more at work saw how their subordinates performed better at work; likewise, those supervisors who engaged more at home had subordinates who enjoyed more satisfaction at home. This "crossover" effect is distinct from "spillover," whereby the actions in one domain (work) might have unintended consequences on the other (home).

It's worth remembering that this effect can be for good or ill. When supervisors don't have good work-life balance themselves, their subordinates will also perceive this and presume that home engagements are not organizational priorities. Supervisor behavior regarding family balance might have a much bigger impact than any written policy.

That's why leaders should strive to set a good example. Yet, as important as role-modeling is, it helps if your organization already has the right policies in place, so that your behavior is validating and reinforcing, rather than fighting against, your corporate culture. In this, HR plays a key role. Actions include:

- running workshops with supervisors to train, educate and increase awareness of family-supportive behavior.
- assessing employees' needs for being able to balance their work requirements with their personal circumstances.
- providing self-assessment tools for employees to monitor their own performance in work and home domains.
- using behavioral modeling techniques, such as role-playing, to practice the behaviors you seek.

Another tool is to allow "idiosyncratic deals" or "i-deals," which are personalized arrangements specific to the work-life needs and preferences of the individual employee. I-deals generally boost employee satisfaction and reduce turnover intentions. Again, supervisors who enjoy i-deals are more likely to extend them to their teams, and subordinates are more likely to take them up if they see their supervisors using them positively.

Remember, as a leader, you must have work-life balance not only for your own good but for the good of those you lead and the organization as a whole. ■

READ MORE: "A closer look at the positive crossover between supervisors and subordinates: the role of home and work engagement" by Mireia Las Heras et al., appears in *Human Relations*.

GOVERNANCE

Degree of public participation and representation, administrative efficiency and low corruption.



Bern

INTERNATIONAL OUTREACH

An internationally recognized brand that attracts foreign investment and has representation abroad.



London

URBAN PLANNING

Creating compact spaces without overcrowding, accessible public services and green areas for public use.



Toronto

ENVIRONMENT

Meeting the needs of the present without compromising the future: sustainable management of resources, green policies to counter the effects of climate change.



Reykjavik

TECHNOLOGY

A strong ICT backbone to maintain or extend competitive advantage, with high internet penetration and mobile connectivity.



Singapore

7 forces of success

The following conditions are vital for building effective PPPs:

- 1 Value creation** through satisfying the needs of end users (citizens).
- 2 Innovation through flexible contracts**, which focus on outcomes and service provision.
- 3** Cost-benefit analyses consider not just economic value but social and environmental **externalities and agglomeration effects**.
- 4 Use of big data** (via sensors, video, GPS) to identify patterns and trends that can be used to adapt the city to actual citizen behavior.
- 5 New payment systems and business models**, beyond the usual forms of funding like user fees.
- 6 Participation of all stakeholders** to tap their local knowledge and expertise.
- 7 Sound governance and transparency**, essential for building trust.

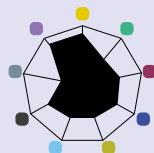
Paris



Reykjavik



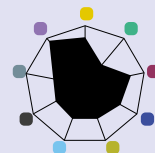
Tokyo



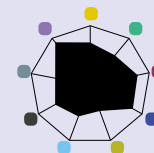
Singapore



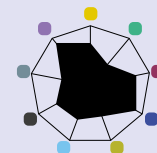
Copenhagen



Berlin



Vienna



Are you wasting money on direct mail marketing?

Targeting direct mail at your most valuable customers might seem a sensible use of marketing resources, but that could be a mistake. A study of L'Occitane en Provence found that allocating the entire direct mail budget to *prospective* customers could yield up to 16 percent more revenue. Another study of U.S. customers of a clothing company found that customers who had purchased in the past but not recently were the ones to target with direct mailings; in fact, the brand's most loyal customers were the ones more receptive to emails. So, before your next campaign, analyze your customers' responsiveness to direct mail vs. email, using these seven steps:



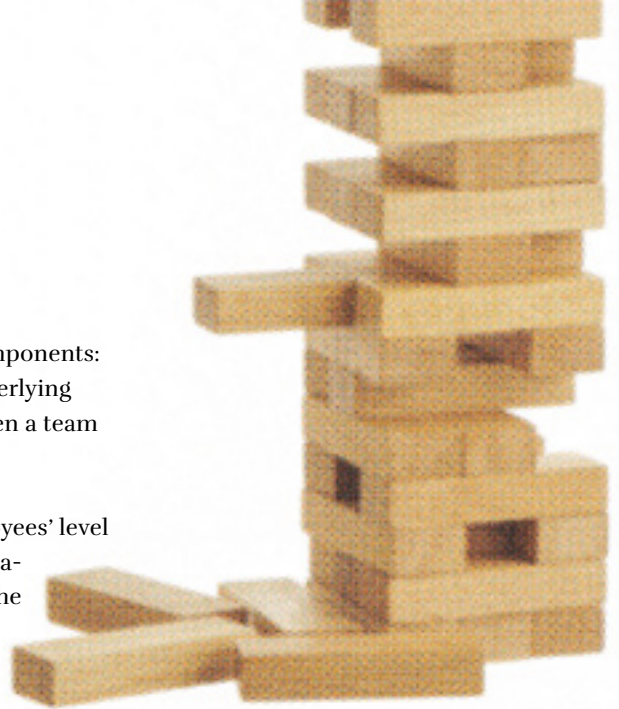
"Direct mail to prospects and email to current customers? Managing multichannel marketing for multinational retailers" by Albert Valenti et al. was awarded the Gary L. Lilien ISMS-MSI Practice Prize by the Institute for Operations Research and the Management Sciences (INFORMS).

The downside of promotion

Trust is crucial for working relationships, underpinned by three components: perceived ability, benevolence and integrity. When any of these underlying conditions change, levels of trust change, too. So, what happens when a team member gets promoted?

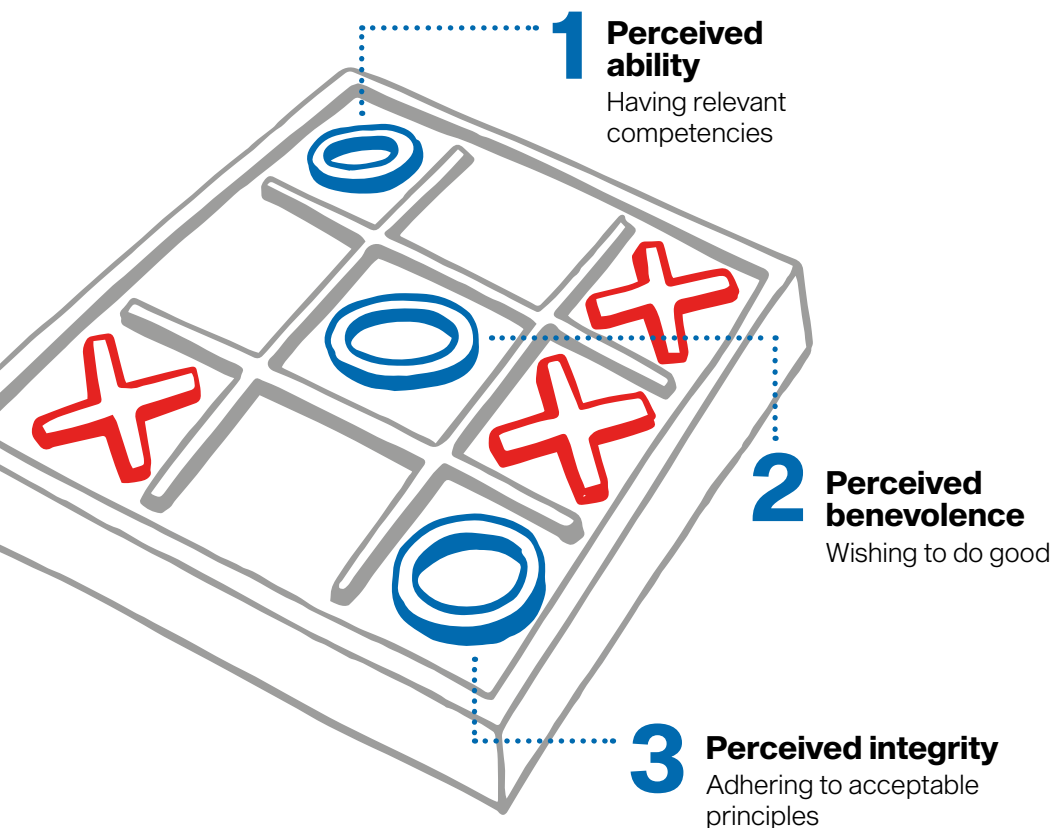
A study of individuals working in teams concluded that when employees' level of power changes, their levels of trust change, too, particularly in relation to the second component. The more power you feel you have, the more you trust other people. A perceived loss of power, on the other hand, introduces insecurity, even paranoia into relationships. Those who feel passed over may give more credence to negative information about others and question their intentions.

Watch out for any change in your team's hierarchy, being vigilant for its impact on trust, morale and performance.



The dangers of payment variability

Payment variability is risky business, especially if you rely heavily on trade credit. Firms that pay after due dates or default on payments can spread financial contagion throughout the supply chain. A new model aims to explain this and spot clues before contagion emerges. Industry risk, operational leverage, leverage target and cost of debt are factors that exacerbate payment variability, affecting not only a company's direct suppliers but also its suppliers' suppliers. Though you may be tempted to reduce payment variability and increase order variability to benefit direct suppliers, be warned: you may end up increasing payment variability upstream on the chain.



"Dynamic influences of power on trust: changes in power affect trust in others" by Sebastien Brion et al. appears in the *Journal of Trust Research*.

"Risk propagation through payment distortion in supply chains" by Alejandro Serrano et al. appears in the *Journal of Operations Management*.

Asia's century

Will geopolitical tensions slow the continent's ascent?

CREDIT: Chatham House



Stephen Green
Former CEO and
Chairman of HSBC



We're living through the most convulsive international geopolitical moment since the end of World War II. Yet, despite dizzying uncertainty, anyone gambling on the political, cultural and economic future could still confidently place their money on the 21st century being Asia's century.

Even amid slowing growth in China – and tension between the world's second biggest economy and the United States – the Asian success story is evolving from one driven by cheap labor into a more complex narrative in which country after country in the region is moving up the financial and technological value chains.

Indeed, China now has perhaps the leading global competence in several areas, notably 5G technology. There is no reason to believe this won't spread across other sectors, or that smaller Asian economies won't see their own technological fortunes rise. Traditional Western powers have long

operated under the assumption that they'll always find higher ground to retreat to as the flood of Asian competition continues to rise. I wouldn't bet on that.

Certain Western competitors will fare worse than others. Asia and the United States are both well aware of the E.U.'s splintering and are game to take advantage of it. With Europe no longer the front line it was during the Cold War, America's strategic interest in the continent has evolved.

China's Belt and Road Initiative (BRI), a mammoth infrastructure strategy with few precedents in modern history, underscores Europe's fragmentation in the face of Eastern competition, as countries, rather than the continent, grapple with whether or not to sign on to it. The BRI is perhaps the clearest example of both increasing East/West connectivity and Asia's boldness in defining it.

The initiative also lays bare certain fault lines, including shipping lanes surrounding China and tensions across the Korean peninsula. Still, despite Asia's immense geopolitical complexities, the region's ascent is bound to continue.

Green spoke on "Asia's Century? Implications and challenges for us all" during a special session at IESE.

Miles to Africa

Km to



Jamesy Laya
Partner, KPMG

mba '03



Being Filipino and working in Singapore, with clients across Southeast Asia, I'm especially interested in ASEAN (Association of Southeast Asian Nations). The region has the third largest labor force after China and India, and is one of the world's fastest growing markets. Its governments and private sectors are spending billions of dollars on infrastructure, technology and healthcare to cater to a population of over 600 million people who are relatively young – and quickly getting richer.

This is the second consecutive year in which private equity investors have ranked Southeast Asia as the most attractive investment destination. Clearly, the economies of North and South Asia have been leading the pack, but over the next 25 to 50 years, ASEAN will be a force to be reckoned with. A significant portion of current investments in ASEAN countries are done out of Singapore through Singapore-based vehicles investing in the region. Many experts, therefore, see Singapore, with its stable government and enviable location, as a natural finance hub. I fully expect Singapore to remain at the heart of booming Southeast Asia in the coming decades.

I say this despite underlying tensions with China and fears of crossfire from the U.S.-China trade conflict. But there's also an overwhelming trade pressure to preserve crucial ties with China. Could these tensions weaken the 21st century's potential to be Asia's century? From where I sit, I see 600 million people betting otherwise.



Ryukichi Miyabayashi
Senior Project Manager,
Dentsu Innovation Initiative

mba '13



Now that the dream of a borderless single economy is waning, the digital economy across international borders is expanding. In the future, there will be a need for a system to monitor corporate activities across countries, while integrating regulatory rules that already existed in each nation. These rules will include how to manage and monitor unique tax codes and the increasingly contentious issue of personal data, to name just two examples.

This is a global trend, of course, with such digital regulations being a hot topic of political conversation in the United States and Europe, whose General Data Protection Regulation (GDPR) may prove to be a template for such systems going forward.

When it comes to Asia, I believe that the current political and commercial confrontation between China and the United States is accelerating the formation and rule-making prowess of newly potent economic zones in the region. This will give several local players in Asia an important role in determining the economic actions against the companies that dominate today's global economy, including Amazon, Apple, Facebook and Google.

In particular, Cambodia, Myanmar and Laos are growing vigorously. And there exists a tantalizing, if remote, opportunity for a booming country to fill the region's regulatory void. The question is: which Asian player, if any, will take that leap?

Europe



“SUCCESS

Change starts from within. Nowhere is this adage truer than with the internal appointment of Satya Nadella as CEO of Microsoft in 2014, succeeding Steve Ballmer, who in turn succeeded Bill Gates. Nadella, an Indian-American engineer who had been with the company for 22 years, wasn't the obvious choice, and the direction he has taken Microsoft since his appointment has been no less surprising. Under his leadership, Microsoft has moved from the software business into cloud computing, transforming the company culture in the process. In April 2019, Microsoft passed a market cap milestone of \$1 trillion.

Nadella recently sat down with IESE professor Sandra Sieber at a special event organized by Microsoft Spain with APD, a professional association for executive directors. In the words of his book, leaders need to “hit refresh,” re-evaluating which things need to change in order to build new capabilities and thrive in this ever-changing world.

We can all agree that digital technology is going to have a profound impact on every sector of our economy. What is it that we, as leaders, will have to master?

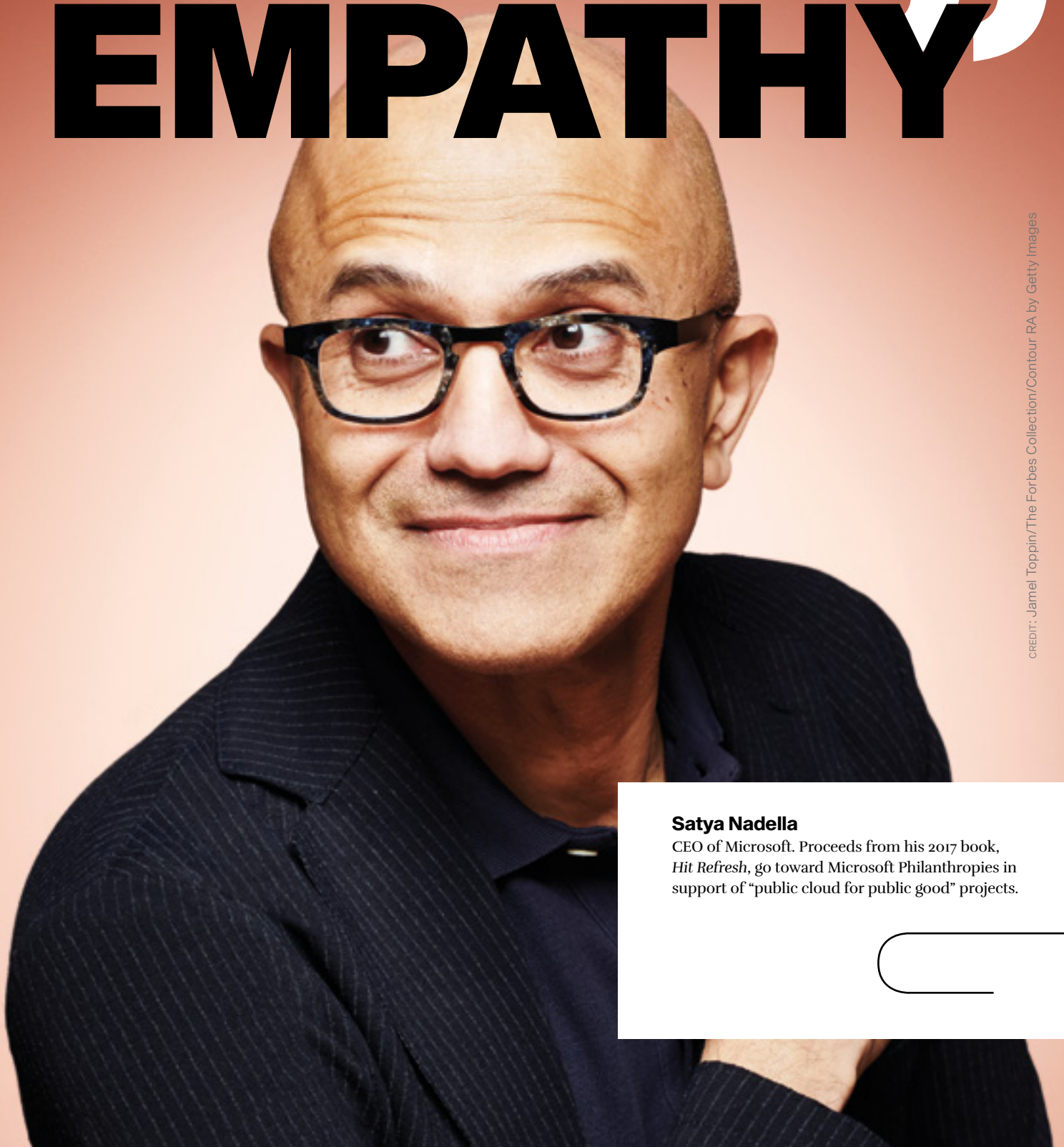
Two elements. First, the combinatorial or exponential nature of tech intensity. It doesn't matter whether you're in

The essence of business is meeting customers' needs. And understanding their needs requires empathy. But you can't invoke empathy at the push of a button. It's something you have to practice daily. Finding out what to keep and what to let go, and where to build new capabilities, is a nuanced, empathetic process, as Sandra Sieber found out when she interviewed the Microsoft CEO.

retail, healthcare, tourism or logistics, you need to think of yourself as getting the best software/digital technology as a commodity input, and then using that to create non-commodity technology outputs in how you service your customers, optimize your operations and empower your employees so they can collaborate, communicate, create new value and change the very nature of the product. This is even more important for smaller companies, because they don't have to waste time, energy or resources on developing something that's already available in the market and it's world-class.

COMES FROM

EMPATHY”



CREDIT: Jamel Toppin/The Forbes Collection/Contour RA by Getty Images

Satya Nadella

CEO of Microsoft. Proceeds from his 2017 book, *Hit Refresh*, go toward Microsoft Philanthropies in support of “public cloud for public good” projects.



But the second element is, as you're making these choices, trust – especially in the business models of your supply chain – becomes extremely important. It's not just about using a commodity; there also needs to be an alignment of interests between you and your suppliers.

This represents a key shift, which you at Microsoft have undergone, from just being a technology provider to becoming a technology partner within a larger ecosystem.

That's right. You can't do everything on your own, nor would you want to. Wherever I go, the first question I ask is: What's the local capability? How many partners do we

have? What intellectual property is being created that's relevant to tourism, retail, banking, manufacturing, and so on? We care deeply about making sure we're creating local capability that helps small businesses become more productive, large multinationals more globally competitive, and the public sector more efficient, increasing better health and education outcomes. That's how we measure ourselves. We're building a broad ecosystem on top of our platform, so each partner can create their own digital play. We're not one platform and everybody else is an application; we're a network of platforms. That's how I view platform economics going forward.



Traditionally digital technologies have been characterized by concentration and network effects. But this sounds like a different dynamic...

That's why we don't even frame it as one platform with everybody else on it, but as: how do we build a more open network of platforms to connect our businesses and create more efficiencies and scale, for all of us to benefit? That's the worldview we have.

Technology is a great enabler, but there are also some legitimate concerns. How should technology be managed responsibly?

There are three unintended consequences of technology that I think all of us have to be mindful and clear-eyed about. First, privacy. We need to deal with privacy as a human right. So, whether you're a bank or a retailer, it's not just about being compliant with the General Data Protection Regulation (GDPR), but you have the responsibility to treat the data you

“Your entire life has to involve constantly pushing yourself to develop a deeper sense of empathy, recognizing that that journey never ends”

collected with your customers’ permission as somebody else’s human right. I fully expect the GDPR to be available globally. I hope the entire world converges on one standard versus fragmenting.

The second concern is around cybersecurity. Whenever there’s cybercrime, the people most impacted are small businesses and individual consumers. So, we’re trying to come together to help protect small businesses, the public sector and ultimately consumers, sponsoring what we term as the Geneva Convention for cyber.

The last one is AI and ethics. The pace of innovation in AI is so rapid that we, as creators, need to have design principles. So, just like we used to teach our software developers how to write good user experiences, we’re now teaching them how to write good AI, based on principles of fairness, privacy, security, inclusion, transparency and accountability. We cannot abdicate our own responsibility for the models we create. So, just like GDPR protects human rights around privacy, we may need to have regulation on the good uses of AI.

This sounds like it requires empathy: understanding technology from the user’s point of view. Is this empathetic ability something that business leaders could work on?

My success depends on my customers’ success. That’s the essence of business. If we’re successful, it means we’ve some-

how been able to meet the needs of customers, even their unarticulated needs. But where does that inspiration for being able to be in touch with that unmet, unarticulated need come from? It comes from empathy – that deep sense of understanding the real needs out there. It’s not, “Oh, I talked to 10 customers and I’m doing exactly what they told me to do.” It’s going deeper to understand what’s behind those words.

How does one invoke empathy? You can’t just go to work and hit the empathy button every morning: “Now I’m going to be empathetic.” Your entire life has to involve constantly pushing yourself to develop a deeper sense of empathy with those around you, recognizing that that journey never ends.

At Microsoft we’ve been trying to develop what we describe as a learning culture. Stanford University psychologist Carol Dweck wrote a famous book called *Mindset*, which shares a simple concept. Take two schoolchildren: one has great innate capability but is a know-it-all; the other has less innate capability but is a learn-it-all. You know how the story ends: the learn-it-all does better than the know-it-all. And that applies to CEOs, to companies and to company cultures.

The goal is to adopt that growth mindset and use it to develop a deeper sense of empathy, so that you can create those products and services that meet the unmet, unarticulated needs of your customers. ■



CREDIT: Edu Ferrer

Viresh Prashar

Cofounder and CEO of Fruitful, his fourth startup involvement. His first innovation was creating a self-driving lawnmower as a teen, so he didn't have to mow in the summer heat. "My parents weren't too happy with the state of the lawn or the mower, but they just didn't understand the bigger magic of the idea!"

gemba '09

Ripe for innovation

A new business idea, using technology to link farmers directly to retailers, is set to improve the lives of growers and consumers in India.

Indian by culture and heritage, Viresh Prashar was born in Nairobi but moved to Washington, D.C., at an early age with his family. Growing up, he marveled at being able to communicate by phone with his family members living in a small village back in India. Later, when Skype was created, he was equally amazed at being able to see all his aunts, uncles and cousins as if they were in the same room.

“I saw how telecom was bringing the world together and making it much smaller,” reflects Prashar. He developed a passion for the communications side of technology, which led him to launch a career in business and technology. He worked for Oracle for 10 years as well as for startups, including Sling Media, which pioneered the world of online video streaming.

Driven by a desire to combine enterprise and social purpose, he decided to strike out on his own entrepreneurial journey. He worked with small tech companies around the world, helping them tap into new markets.

Along the way, he found a common thread: “It doesn’t matter where you go, it’s all about the people – developing people, motivating people. People are what make things happen.”

Prashar applied this wisdom in 2017 when he co-founded Fruitful, which connects farmers directly to mom-and-pop shops through an online platform, eliminating intermediaries. The company now employs a team of about 20 people in New Delhi.

“Both my father’s and mother’s side of the family come from farming backgrounds,” he explains. “In India, farmers are struggling. We came up with this idea to create a for-profit business while still having a social impact.”

India has roughly 160 million hectares available for cultivation and 100 million small farmers,

meaning that the average small farmer has less than two hectares to cultivate and live on. This presents a huge challenge for small growers in a country where there is limited transparency in agricultural markets.

Moreover, 95% of retail in India is dominated by 12-14 million micro- and small enterprises. “We use technology to organize them onto a single platform and give farmers direct access to this market so they’re paid better, because there are no middlemen,” he says.

“On the other side, the middle class is growing very fast and we’re seeing an increase in demand from consumers and families who want to know where their fruit and vegetables are coming from, how they’re handled, and how the farmer is being treated. So, an ethical approach to consumption is evolving. And as India is largely a vegetarian country, we saw this as a massive opportunity to go after.”

Hunger for change

Fruitful fills a need in India, where there are no big supermarkets as in Europe or the United States. Instead, nearly all produce is sold in family-run corner stores.

“The fruit-and-veg trade is a \$100-billion-a-year market that’s still operating on an ancient system. There’s a limited flow of information and limited transparency, so small farmers have a hard time in the market. They have to rely on local traders, and this is typically where they’re taken advantage of, because they don’t have market information. Our technology provides a free flow of information, helps them get better prices, and connects them to reliable markets.”

You might think that a high-tech solution – using apps for iOS and Android, its own proprietary system and the cloud – would not be the most natural way of reaching small farmers, but Indians are avid tech users, Prashar says. “In India,



CREDIT: Edu Ferrer

you see a strong desire to adopt new technologies. There's a hunger for access to information and to be connected."

The number of smartphone users in India is roughly 300 million today. And that number is expected to double over the next three to five years. "When you have 600 million connected devices, you have the infrastructure and the basics to start to leverage information flows," he says.

While the old, established trading relationships are strong, Prashar predicts that technology will usher in disruption.

Massive impact

The time for change in the fruit-and-veg marketplace is ripe. "Agriculture touches 60-70% of employment in the country and accounts for 20% of the GDP, which is huge."

Internal consumption of fresh produce represents \$100 billion a year – a massive space where even a small increase in efficiency has the potential to impact many lives. "An average rural family size is four to five people, so you're talking about potentially impacting 500 million lives," he says.

“It’s time for change in the fruit-and-veg market. We’re changing the dynamics”

Fruitful already works with some 10,000 farmers and is attracting the attention of major organizations, including the World Bank and Syngenta Foundation.

“Farmers live in a world of uncertainty where they have to first invest in the crop, then transportation, and then get it to the market without knowing how much they’ll sell or at which price. There’s a huge mismatch between knowledge of demand and what to supply. This is the gap we’re bridging. We’re changing the dynamics of the market.” ■

ARTICLE BY: Larisa Tatge, based on an interview by Edu Ferrer



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Alejandro Lafarga
CEO of Madrileña Red de Gas

pade '17

STOP CUSTOMERS FROM SUFFERING

Transformation is underway at Madrileña Red de Gas, thanks to a new customer-centric mission. If a regulated public utility can do it, Alejandro Lafarga says there's no reason why your business can't also pursue customer-service improvements.

Alejandro Lafarga's office is a light-filled, hangar-like space without walls – a sign of the changes afoot in his business. “Here we’re sharing a common corporate culture and putting our brains together to solve problems and stop customers from suffering.”

He explains, “In energy, there are high barriers to entry, so we tend not to look to other utilities for service model innovations; we look elsewhere.” Lafarga found inspiration in a simple app to reserve restaurant tables online, as well as from Amazon: “They deliver when they say they will.” Could such things work in his business?

It was in Beatriz Muñoz-Seca's classes on service operations at IESE that Lafarga says he started to focus beyond core pipeline functions to really consider “the extended enterprise.” In Madrileña's case, that includes the several suppliers that compete in a liberalized market to secure customer contracts. “We have about 120 direct employees but another 350 to 400 people in ‘the extended enterprise’ who do everything field-based” – driving their trucks to customers' homes to read meters, make repairs and conduct mandatory inspections. “We have to share values and work together as one team.”

Tips and questions for assessing your service operations

Analyze

- What are your company's “promise,” its “essence” and its “flame red”? In other words: What does your company wish to accomplish? What does it have in its DNA to deliver on that promise? And what special spark does it have that can help it be the best?
- What are your client archetypes?
- What are your customers' hidden needs?
- How can your company deliver a new portfolio of services based on these needs?

Build capabilities

- On what do your employees spend time?
- What do your employees know today and what must they know by today?
- What must they know by tomorrow? ▶

Lafarga's new mission was to let customers have more say in their service. But could that be accomplished with no additional resources, just more efficient operations?

Consider the old way: customers would receive a letter informing them that they should be home on Wednesday at 11 a.m. But what are working people supposed to do? That prompts customer anxiety.

Their solution? “This year we launched an app for customers to choose an available time and date. This requires more complex planning and different work hours from before, but our suppliers

► Be one team

- How can you put your heads together to get things done?
- Think different: look to other sectors for customer journey improvements.
- Consider rethinking your office layout to improve efficiency and build a new operational culture.

Focus on the extended enterprise

- Which service providers beyond your core employees could be engaged in better delivery?
- How is the service configuration for all of your ecosystem?
- Are you extracting all the value added from all the service players?

Look beyond

- Technology should add value and efficiency.
- Take a Renaissance approach, appropriate for the times in which we are living. Can you find inspiration beyond business experiences? From anthropology? Arts and culture? Sociology?

“Being the first utility in the country to do this has been a point of pride”



agree to take this on and make it work. Overall, it will be more efficient for everyone. For suppliers, it means less knocking on doors when no one is home. And customers like having the freedom to select when they want inspections, using online tools.” Besides fulfilling the company’s new mission, being the first utility in the country to do this has been a point of pride.

They started by analyzing their employees’ capacities, then how they were using resources and where they were being used best. By going through such an exercise, the company discovered spare resources that could be reallocated toward this new project. “You may not earn more,” Lafarga says, “but, crucially, you’re not going to earn less while still being able to make vital service improvements that stop your customers from suffering.” Above all, taking time to assess your current service in search of operational improvements means “we’re not accepting the status quo.” ■

MORE INFO: Beatriz Muñoz-Seca’s books, *How to Make Things Happen* (Palgrave 2017) and *How to Get Things Right* (Palgrave 2019), contain blueprints for solving problems and designing systems that deliver your service strategy.

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“I’m a tsunami survivor”

When life knocks you sideways, don’t lose yourself in despair but use the experience to learn and grow. So urges Maria Belon, the survivor of the 2004 tsunami whose story inspired the movie *The Impossible*.

“I’m a tsunami survivor,” says Maria Belon, emphasizing that she was just an ordinary person caught in extraordinary circumstances – circumstances that drove home to her that “life is an incredible gift that lasts a very short time.”

With this introduction, Belon recalls that fateful day on December 26, 2004, when she and her family were caught up in one of the worst tsu-

namis in recorded history, which swept across Southeast Asia, killing at least 225,000 people and leaving a trail of destruction in its wake.

Her story served as the basis of the 2012 movie, *The Impossible*, directed by J.A. Bayona and starring Naomi Watts as Maria and Ewan McGregor as her husband, Enrique. The couple – along with their three young children, Lucas, Tomas and Simon – were vacationing in Khao Lak, Thailand, when the deadly wave struck their hotel.



CREDIT: Maria Dias

Maria Belon

A doctor and lawyer by training, Belon is now a motivational speaker, teaching others to find happiness in every situation. She shared her story at IESE with Executive MBA alumni and their families.



Although it's hard to imagine a more singular event, Belon believes her story can be universalized to represent “any difficult experience – whether failure, accident or loss – that fills you with a deep sense of confusion, pain and anguish.”

Almost 15 years later, Belon visited IESE Barcelona to share what she learned that might be of help to others facing their own situations that demand they discover their own inner reserves of resilience.

Focus on what really matters

The Belon family's Christmas vacation to Thailand was partly an escape from their uncertain lives: her husband's job was on the rocks, “and I had made the wild decision to leave the working world and take care of my family,” she says.

After the birth of her first child, Belon says she had a recurring dream of a giant wave swallowing up her children. When this nightmare became reality, one thing she remembers when she emerged from the wave, still in shock, was the importance of love, and that its absence – the loneliness – was the hardest part of facing your worst fear.

In that moment, without knowing whether she or her loved ones would survive, she suddenly realized what really mattered. She encourages others to put their problems into perspective, without worrying too much about the future. Once you've got your priorities straight, “everything else is manageable.”

Don't be ruled by fear

Fear should be treated as a means of growth, she says, and not as something that paralyzes you.

“Those days taught me how to use my fears to keep moving forward. Bravery is about using fear to learn and grow”

“It’s human to be afraid,” she admits, “but those days taught me how to use my fears to keep moving forward. Bravery is about using fear to learn and grow.”

In participating in the making of *The Impossible*, Belon had to revisit those fears. A lot of negative feelings resurfaced, and people questioned if it was a good idea for her to put herself through it all again. Yet, despite the challenges of doing so, Belon feels it was worth it, if it could bring some degree of comfort or inspiration to others, as the movie’s viewers, including other survivors, have attested it did.

Do what you can to help

While convalescing in one of the hospitals that the survivors were taken to, Belon encouraged her son, Lucas, not to just linger by her bedside but to go out and put himself to use. So, he started help-



CREDIT: Maria Dias

ing to find and reunite family members who had been separated during the chaos.

This anecdote illustrates the importance of standing in solidarity with others in times of need. It’s good for those on the receiving end, but it’s also good for the giver. As Belon’s own mother used to say to her, “Never forget there’s always someone going through something a lot worse than you.”

Keep smiling

When facing life’s adversities, try to stay positive, she stresses. For Belon, the toughest experiences don’t always have to be devoid of humor. In fact, she says it was being able to laugh with her son in the midst of their ordeal that helped them get through it.



In business settings, Belon believes in having people on teams who can spark joy in others. “The jester is often the wisest person in the room and is usually the only one with enough courage to point out that the emperor has no clothes.”

Ask what for, not why

Belon has had depression and post-traumatic stress. Yet she has still found reasons to be thankful. When asked at what point she began to see what happened in a positive light, she cites a conversation with her son, who told her it wasn’t as important to ask *why* their entire family was alive as it was to ask *for what purpose*.

“The *why* part I do not know, but I do know what I’m alive *for*. After something like that, we realize how insignificant we are and that it’s our responsibility to give ourselves to others.”



Maria Belon (right) appears alongside Naomi Watts (left), who played her in the movie, during the film’s premiere in Madrid.
CREDIT: Juan Naharro Gimenez/WireImage/Getty

“After something like that, we realize how insignificant we are...it’s our responsibility to give ourselves to others”

Lose the ego

Looking back now, Belon says she feels embarrassed when she thinks of her pre-2004 self. “I see the old me as capricious. I think that’s where I’ve undergone the most radical change.”

She sees society as plagued by “a terrible, brutal disease: the ego.” She encourages people in important positions never to forget that “their main responsibility is to make their communities and their workplaces better, and to devote a lot less time to feeding their own egos.”

Belon has reached the stage where she can accept what happened to her as “a gift” insofar as it has allowed her to appreciate what truly matters. She celebrates the human resilience she witnessed in the midst of disaster.

“Don’t wait for a tsunami to strike before you stop and rethink what you’re doing with your life,” she advises. “Start living how you want to live right now.” ■

ARTICLE BY: Lluís Rusalleda

Amna Alyamani

“Entrepreneurship requires a lot of mental strength.” This budding entrepreneur believes she now has what it takes to succeed.

mba '19



FLOUR POWER

When Amna Alyamani encountered obstacles working in her chosen field in Saudi Arabia, she wasn't going to be defeated. Now this undaunted entrepreneur wants to employ – and empower – other women, one croissant at a time.

After finishing her MBA at IESE, Amna Alyamani returned to Saudi Arabia to put her newly acquired entrepreneurial skills into action by setting up a bakery/café in her home city of Jeddah that will employ only women. If all goes well, she'll begin franchising in three years, with an estimated nine employees per location. Though the scale is initially small, the ambitions are not. "The objective is to empower and create jobs for women," she says.

Historically, labor market opportunities for women in Saudi Arabia have been limited. However, in recent years, they have been allowed to work in sectors, such as hospitality, once closed to them. "I will give them the tools and the training to be able to work," she says.

Her bakery will produce high-quality but reasonably priced breads, croissants and other pastries, including brownies, cookies and cakes, as well as fresh juices, teas and weekly roasted coffee. A soft launch is planned for the fall, with an official opening in early 2020.

Labor market reforms

Alyamani earned a BA in Hospitality Management and Marketing from the Glion Institute of Higher Education in Switzerland and has a certificate in Basic Patisserie from Le Cordon Bleu in Paris. But when she went back to Saudi Arabia to work in her chosen field, she ran up against strict regulations limiting what Saudi women were allowed to do.

Instead, she began working in the marketing department of Al Baik, a Jeddah-based fast food chain. Of the 5,500 employees of Al Baik at the time, only three were women, including two daughters of the owners. "Women weren't really allowed to work in the hospitality sector," she says.

Since then, the country has introduced some reforms, in the hopes of preparing the economy for a post-oil age. While last year's lifting of the ban on women driving received most of the media attention, just as important are measures to expand their role in the workplace.

They are reforms born, at least in part, of necessity: while unemployment for Saudi men is just under 7%, according to official statistics, joblessness among Saudi women is more than 30%.

Becoming a bread winner

After five years with Al Baik, Alyamani realized she wanted to strike out on her own. She also realized she didn't have the necessary business skills to do so. "I didn't know what I needed to know to set up my own business," she says. So she pursued an MBA next. The coursework, she found, was challenging. "But the first A I got was in Entrepreneurship, so I knew I was on the right track."

During the summer between the first and second years of her MBA program, she worked in a Paris-based bread factory in the mornings and consulted for a restaurant looking to expand in the afternoons, which strengthened her resolve to set up her own business after graduation.

She also appreciated IESE's teaching method of using real-life case studies, teamwork and interactive discussions. "It taught me to have a voice and to speak up," she says.

"I look at who I was before and who I am now, and I'm so happy," she beams. "I've never been more ready." ■

ARTICLE BY: Michelle Wallin

SMART PICKS

Food for thought

Corporate venturing on the map

Companies hunting for the next big idea and startups in search of funding come together for these major industry events held around the world. Consider adding these to your calendar. And discover the answers to your own questions, along with these that typically keep chief innovation officers up at night.



FROM MY DESK

By M. Julia Prats

Head of IESE's
Entrepreneurship Department



How can we identify and avoid bottlenecks, at every stage they occur?

How do we measure success?

How long should we wait before killing a venture?

Debunking the myths

Corporate venturing – established firms collaborating with startups to innovate – continues to gain ground. Nonetheless, some executives are skeptical of it, mainly because they cling to some fallacies around it. Many people see it only in financial terms, missing its usefulness in strategy-setting. They think it only pertains to large corporations, whereas many SMEs are adopting it successfully. They think it requires a big investment (it doesn't). They question its sustainability and whether it can deliver short-term results – to which I would say, define "results" (which can be new knowledge, mindsets and business models, not just revenue) and timeframes can be as long as they need to be, depending on what you're looking to achieve. Perhaps the biggest mistake is to tell yourself, "My corporation is better than any startup. I don't need them." The 121 international executives we interviewed, who have embraced corporate venturing, would beg to differ. I recommend finding out more about it, so you don't miss out.

Success stories

Study what these companies did. You can do it, too.



SAP: creating a corporate accelerator

SAP wanted to secure more users for its new software product, HANA. By creating a corporate accelerator in which startups used the product, SAP increased the number of users exponentially while proving its efficiency. Within two years, SAP had ramped up its accelerator program, with more than 1,500 startups using the new platform.



Adidas: sourcing entrepreneurs from universities

Adidas wanted to customize sneakers, bearing in mind each wearer has different density points in the sole. It teamed up with a university professor who had founded a startup called Carbon, combining molecular science with 3D manufacturing to make and shape the shoe's midsole, at scale.



Intel: investing in startups

Intel was looking for new ways to increase its revenue in response to changes in the business environment and the competition it faced. Through its Corporate Venture Capital unit, it began investing in hundreds of startups whose solutions required Intel products. This strategy yielded high financial returns, which made its investments (more than 800 over 10 years) more affordable over time.

These are just three of 22 case studies found in the booklet *Open innovation: corporate venturing success cases tackling the most common challenges*.

MORE INFO: www.iese.edu/entrepreneurship

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KNOW

By Stefan Stremersch

**Inspire, Diverge,
Converge: 3 steps
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and José Antonio Segarra

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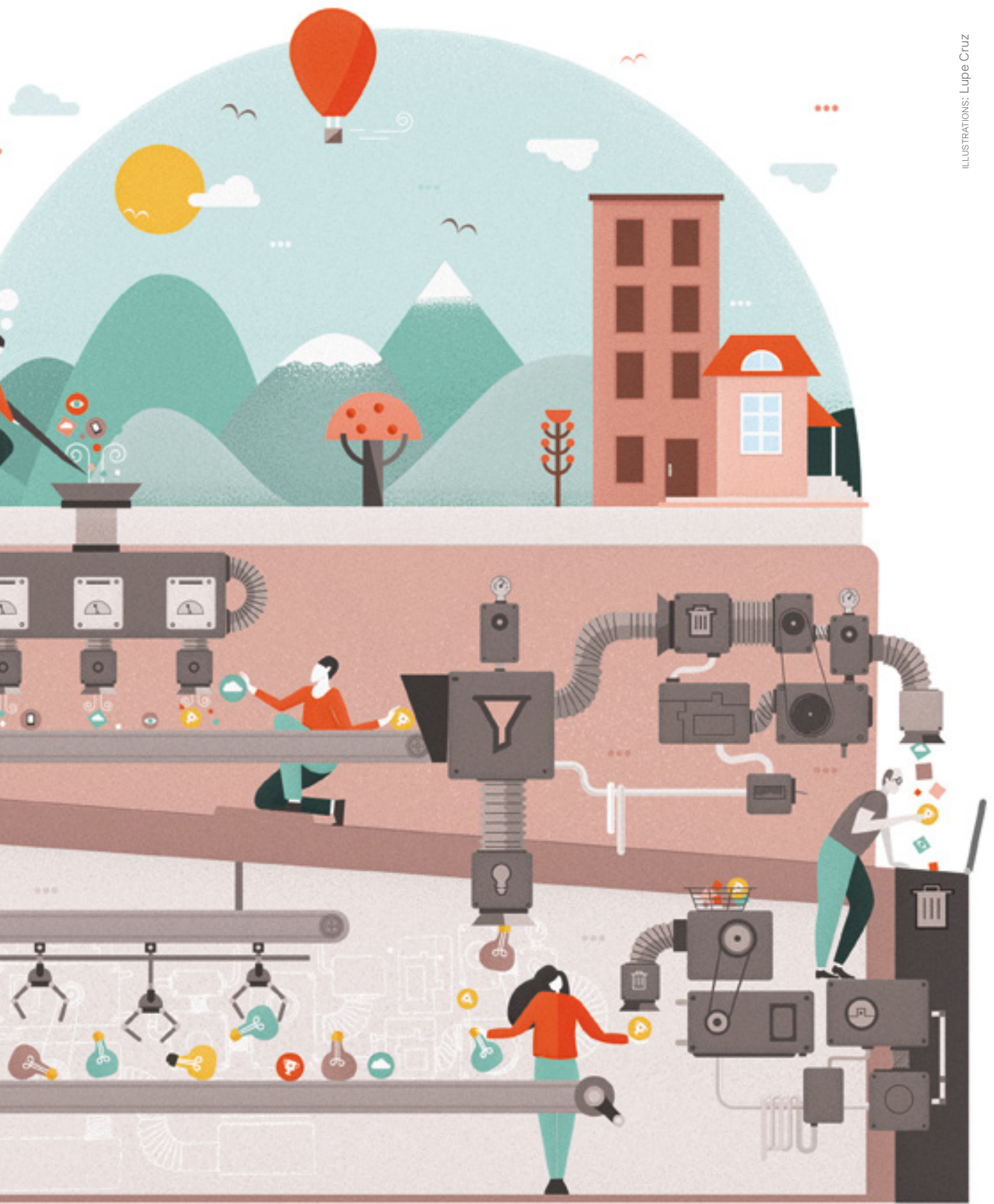
Inspire, Diverge, Converge

3 steps to better decisions

By Stefan Stremersch

Business leaders are under more pressure than ever to resolve strategic dilemmas. You've tried the traditional approaches. Now try a better, three-pronged approach – and spur your organization toward greater profitability and success.







As trade wars heat up between Western companies and their Asian counterparts, managers must grapple with some knotty dilemmas. For instance, should you lower your prices to preserve volume? Or should you keep your prices high, accepting a short-term loss of volume that you can hopefully recover longer term? Yet, what happens if your customers get used to your lower prices and don't see them as temporary like you do? And what will you do if the customers you lost because you kept your prices high don't come back as expected?

It's a familiar dilemma, but one that is occurring more often, owing to radical changes in business models and technology that are increasing both in their speed and disruptive impact. In this article, I'll share an effective model for tackling dilemmas called Inspire, Diverge, Converge. It's derived from real-life case studies and a survey of 308 companies that colleagues and I conducted as part of a large-scale research project. Although the research was carried out in the Netherlands and Belgium, the insights are widely applicable, as many of the organizations that I work with have since attested.

Three core dilemmas

Let's start by considering three core dilemmas that business leaders face today. These are by no means the only ones, but my research has shown that 9 out of 10 businesses are facing at least one of these, and half of the companies we studied have confronted at least two of the following:

1. LARGE VOLUME VS. HIGH PRICE. This dilemma, as described at the beginning, highlights a basic rule in economics: the negative correlation between volume and price. The product volume sold by a firm will go up as prices go down; and, when the firm raises prices, volume drops. How you choose to resolve this dilemma depends on your particular corporate strategy: Hermès opts for high price, while Zara chooses large volume. If you choose lower prices, you might be able to sell greater volume; however, this could undermine your market position, especially in the long term.

Complicating this dilemma are economies of scale. In the technology industry, companies like Apple need to engage in volume battles to maintain a premium price position in the long term. Some markets defy the law of supply and demand: so-called Giffen goods, named after economist Sir Robert Giffen, are those that are increasingly consumed as they become more expensive.

2. SHORT VS. LONG TERM. Should you satisfy a need immediately or wait for a larger, perhaps better, future reward? This dilemma looms large in a business context. Former General Electric CEO and Chairman Jack Welch put it this way: "Anybody can manage short. Anybody can manage long. Balancing those two things is what management is." This tenet has taken central stage in the aftermath of the global financial crisis as the cost of wrong choices between the short and long term was made painfully apparent.

I detected another method, used by 22% of firms, which outperformed the other approaches

Short-term financial goals may become more attainable when, say, R&D investments are cut back. However, this move might threaten long-term earnings, as you will be unable to launch new products or services. On the other hand, large investments in projects that are only profitable in the long run may lead to bankruptcy, due to lack of liquidity. Investors may lose patience waiting for long-term gains.

In terms of overall strategy, if you focus too much on the long term, you might miss out on unexpected opportunities that emerge along the way. But if you are excessively swayed by the issues of the day and pounce on anything that moves, you may become an organization adrift, no longer able to distinguish yourself in any way.

3. LOCAL VS. GLOBAL. A market consists of local niches, each with their own equilibrium between supply and demand. Many companies start out as niche companies, specializing in a particular customer or product group. Winners, however, move beyond their original niche and typically become more global. European soccer clubs can only survive at the top level (Champions League) if they're able to become global brands. FC Barcelona, for instance, has managed to navigate this challenge effectively.

But you can also wander too far away from your niche. Lego discovered this after entering the businesses of theme parks, television, electronics and jewelry. The company has since gone back to its core: the Lego brick. Often, the local/global dilemma boils down to choosing which niches you would like to operate in, who your target market is, and which niches you should avoid.

The usual approaches

To resolve these dilemmas, business leaders typically apply one of the following decision-making models:

- **the consensus model.** The leadership team seeks the middle path on which everyone can agree, which rarely strays too far from the status quo (usually based on something the company did in the past).
- **the conflict model.** Members of the leadership team fight it out among themselves, each in defense of their own interest and of doing it their own preferred way. This usually ends in a solution that not everyone is happy with.
- **the analysis model.** The leadership team spends an inordinate amount of time thinking and learning about the problem in order to identify the “right” answer (as if there is only one correct solution), thereby delaying (sometimes forever) execution.

In my research, I found that the consensus model was the most common approach, with 44 percent of firms using it to make decisions. The analysis model was the least used, coming in at just 13 percent. The conflict model fell in the middle at around 20 percent.

However, in measuring the extent to which organizations confronted core dilemmas, the profit pressure on the organization and the impact of profitability on employment in the organization, I detected another decision-making method, used by 22 percent of firms, which outperformed the other approaches.

A superior approach

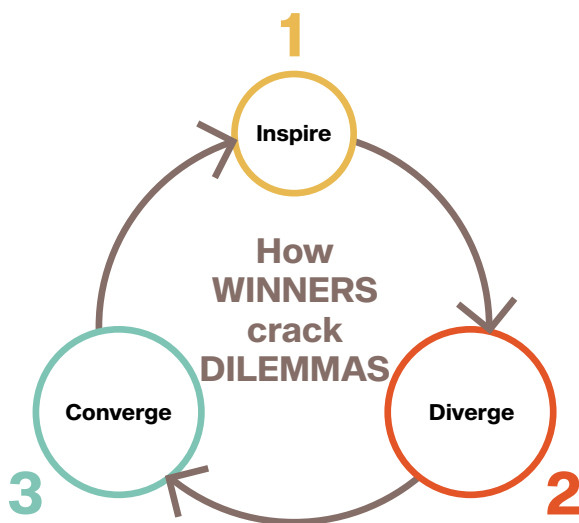
The approach that delivered superior results is a three-step model that I call Inspire, Diverge, Converge. Let's look at how it works.

Step 1: Inspire

Inspiring starts from the assumption that others have probably already come up with a solution to your dilemma, but not in your own organization's past or industry. By looking to others' solutions and inventorying them in detail, you gain novel insights and possible solutions. At this stage, the key questions you should ask yourself are:

- Who has already solved my dilemma and how?
- Did it work? Why or why not?
- Could I also use this solution in my own organization?

The power of analogical thinking is that it takes you beyond your own context. Unfortunately, this doesn't feel very natural when applied. Many managers don't wander far enough outside of their comfort zones in search of analogical situations. Research shows that two-thirds of all managers consider their own past decisions a more important source of inspiration than the experiences of other companies.



A good example of inspiring is when the world-famous chef, Grant Achatz, opened his restaurant, Next, in Chicago in 2011. For inspiration on pricing, he looked to the airline industry, varying prices according to day and time. Borrowing an idea from theaters, customers were required to buy tickets in advance, with no reimbursement for no-shows. In 2012, after opening an online box office, tickets to the restaurant immediately sold out. In a matter of seconds, the restaurant had collected payment for the entire year.

One caveat when engaging in analogical thinking: Avoid superficial similarities by taking care to differentiate between “source of inspiration” and “application.” Boeing made this mistake when, in order to reduce costs in the development of its 787 Dreamliner, it tried to emulate Toyota's supply chain. But Boeing underestimated important aspects specific to Toyota's outsourcing system and, as a consequence, the project incurred major delays, costs and, ultimately, reputational damage.

Step 2: Diverge

Next, search for varying opinions and perspectives on your dilemma. In this step, it's important to embrace a diversity of people and organizations outside of your own specialty, experience or perspective. Questions to ask yourself are:

- Why, why and, again, why?
- Is this what we want?
- Are we able to do this?
- Are we allowed to do this?

Scott E. Page, a professor of complex systems, political science and economics at the University of Michigan, has written extensively on the trade-off between diversity and ability, and finds that groups of diverse problem-solvers can outperform groups of high-ability problem solvers. How?

Suppose you put two people together in a team to come up with solutions to a problem. If they both



hold similar views, they'll likely come up with the same solution ($1 + 1 = 1$). But what if they each have different perspectives? Chances are they'll come up with different solutions ($1 + 1 = 2$). A combination of these two solutions can even provide a third option (effectively making $1 + 1 = 3$). As the size of a diverse team expands, the number of possible solutions increases exponentially. A diverse team with three members will generate seven possible options, and a team with five different members as many as 31. This intrinsically drives divergence.

The story of King Gillette illustrates this point. In the late 1800s, most razors were made of forged steel. Not only were they expensive to manufacture, but they dulled easily and had to be constantly sharpened. For Gillette, inventing a cheaper, disposable razor seemed like the perfect idea, but he was told that his alternative – using sheet steel – wasn't viable from a metallurgic point of view, owing to its thin, fragile nature. Nevertheless, after more than a decade, Gillette did succeed in producing his razor from sheet steel with the help of two machinists, Steven Porter and William Nickerson. Porter came up with the idea of sandwiching the blade between two plates, while Nickerson saw to it that one could easily change the blade by unscrewing the plates; he also built a machine to mass-produce the blades.

Gillette reportedly said, "Fool that I was, I knew little about razors and practically nothing about steel, and could not foresee the trials and tribulations that I was to pass through before the razor was a success. But I believed in it ... I didn't know enough to quit. If I had been technically trained, I would have quit or probably would never have begun."

I once collaborated with the French tire company, Michelin, in its InnovationWorks program and witnessed firsthand the importance of divergence. All Michelin employees – first in the U.S., then in China and after that in Europe – were asked what new opportunities there might be for the company in terms of novel forms of mobility in the widest sense of the word. Not only did they hail from all parts and ranks of the organization, but they also varied in terms of gender, age and level of education. They came up with more than 5,000 highly diverse ideas. Michelin selected around 150 of them, which were then developed by autonomous teams. Within these teams, diversity was once again insisted upon. Michelin harvested great success from this divergence. It started more than 10 new business activities, some of which have become solid profit growers for the company.

Step 3: Converge

The final stage is convergence. After making a selection from all of the solutions generated in the divergence phase, a decision made together with other stakeholders will generate the support necessary for effective implementation. While divergence enriches, convergence unites. Convergence requires two things: clear choices and decision-makers' ability to persuade others. Reflect upon these questions:

- How do I convince people that this is the right choice?
- How do I get my people to commit?
- How do I design experiments, so we can try them and build confidence?
- Once tried, how can we scale it from experiment to new policy?

There will undoubtedly be some organizational resistance. As such, only experiments can confirm whether you're on the right path

When faced with many options, we risk what behavioral economists call choice overload. The more options there are, the more difficult a choice becomes. Faced with many options, people often make mistakes. Their first inclination is not to choose. Instead, they ask for more information or they seek to postpone making the choice. As the number of options increases, we are more likely to choose the wrong one. Moreover, we tend to be less satisfied with the choice once we make it because we feel less confident about it. Have we considered everything, or did we miss a crucial detail? If we can't resolve our doubts, they'll continue to rankle, making us less determined when it comes to implementation. Managers must recognize and guard against these cognitive biases. In our research, we found that companies that converged quickly on their important decisions were more likely to see an increase in profits, while companies that didn't were more likely to see their profits decrease.

Persuasiveness, meanwhile, requires both rational and emotional appeals. You have to convince people rationally of your choice but connect with them on an emotional level, too. Consider U.S. civil rights leader Martin Luther King Jr. who, on the one hand, stated his case using historical facts and the rights guaranteed under the U.S. Constitution; at the same time, he touched people emotionally, most notably in his famous "I Have a Dream" speech: "I have a dream that my four little children will one day live in a nation where they will not be judged by the color of their skin but by the content of their character." Convincing others by both reason and emotion is a surer way of attracting followers.

No matter how sound your choice process or how persuasive your arguments, there will undoubtedly be some organizational resistance. As such, only experiments can confirm whether you're on the right path and silence your critics. Experiments serve to validate assumptions. They should be done in contexts where any collateral damage will be minimal or safely contained if your assumptions prove wrong. The results should be openly communicated. If your assumptions are incorrect, you may have to go back to the Inspire or Diverge phase. If your experiment was successful, you're ready to scale it up or to roll it out as a new policy. Either way, ensure that your organization remains in constant learning mode.

The author



Stefan Stremersch is a professor of Marketing at IESE and he also holds the Desiderius Erasmus Distinguished Chair of Economics and the Chair of Marketing at the Erasmus School of Economics in Rotterdam.

My desire is that, with Inspire, Diverge, Converge, you'll feel better able to make the difficult decisions that can spur your organization toward greater success. As your decision-making ability increases, so will your ambition. And ultimately it is the will to succeed that distinguishes the winners. ■



SOURCE: Stremersch, S. *How winners make choices: a source of inspiration for companies with ambition*. Boom uitgevers Amsterdam, 2016. ISBN: 9789024406814. Additional case studies and tools for resolving dilemmas and making difficult decisions can be found at <http://www.howwinnersmakechoices.com>.



Good management

By Rafael Andreu, Josep M. Rosanas and José Antonio Segarra

In managing free and responsible people, we must always be mindful of the “footprints” our actions are leaving on others.

José Antonio Segarra

Student, colleague, exemplary friend

We first met José Antonio Segarra as an MBA student at IESE. On the first day of class, he turned up in his sergeant's uniform. It was the perfect riposte to Pere Agell, then program director, who had warned him that if he missed a single day he would be barred from class until the following year. Years later, Agell would supervise Segarra's doctoral dissertation and together they would co-author an interesting book on forecasting.

Segarra was an excellent student. Responsible, wise, kind and collaborative, he was the ideal participant for the case method, which he would later master as a professor.

We were delighted when Segarra decided to stay on at IESE after finishing his MBA, and even more so when, in 1984, the three of us joined Manuel Vellilla and Carmen Rossinés on the MBA team, which was led by Juan Antonio Pérez López, who had just stepped down as IESE dean.

Those were unforgettable years. We worked hard but we had a great time. We saw each other frequently and didn't leave any subject untouched. We changed a lot of things and were happy with what we were doing.

As in any team, there were points of contention and even the occasional argument. Segarra, attentive and cooperative, typically wanted to get to a decision as soon as possible. Professional, pragmatic and geared toward action, he was invariably on one side of the discussion, while I (Rosanas) was usually on the other, more academic side. In the end, we always came to an agreement and, in the process, learned to appreciate each other more. In this network of affection, he was at the center.

All this came to an end one day, and we each went back to our teaching, research or consultancy work, assured in the knowledge that we had a solid friendship, based on mutual respect, to fall back on. We only saw each other sporadically, but it didn't matter. When we came together, it was like striking up a conversation from the day before.

A little more than a year ago, in the context of a series of informal meetings that some IESE professors were having, the idea arose of producing a document that would summarize the foundational, traditional spirit of IESE, especially with regard to its conceptual approach and its approach to teaching. Segarra and I (Andreu) convinced Rosanas, who was rather skeptical about the whole thing but said "yes" because of the mutual trust we shared.

After some initial rounds of partial drafts, Segarra compiled them in the form of a list, adding whatever he thought was missing. What followed was a period of intense work and revision, this time with more agreements than disagreements.

Segarra worked at his incredible pace until nearly the end, when he was forced to slow down. All three of us were very happy when our paper was completed, excerpts of which we have included on these pages.

"Everything written here is true!" Segarra would say with his eternal smile and that slightly cheeky, provocative expression of his. We couldn't agree more. With a glimmer in our eyes, we say: "*Gràcies, noi!*" We'll keep working at it, though it won't be the same without you!"

By Josep M. Rosanas and Rafael Andreu

A firm is an expression of human beings' freedom and responsibility; it's the direct outcome of their capacity to seek opportunities and be entrepreneurial, committing resources and effort, organizing people, and developing and taking advantage of the latest technologies. Thus, a firm's origin lies in people's social nature: firms are, above all, communities of free and responsible people.

There are no firms without people, and it's impossible to discuss entrepreneurial initiatives while ignoring their true protagonists: the men and women who cooperate to do something that they would be incapable of doing individually, to meet the real needs of people in society. This is what Antonio Valero, IESE's first dean, called professional coexistence.

This vision of a firm as a community goes far beyond a nexus of contracts specified *a priori* among its members and stakeholders. A firm is a living organization where responsibility is continuously given and received, or taken away, where commitments and obligations are taken on collectively and individually, internally and externally.

The implications of this are impossible to predict because, in the course of carrying out these activities and exercising these responsibilities, people and groups continue to develop personally and professionally, within an atmosphere that supposedly respects their freedom and dignity.

Viewed another way, we can say that the role of senior management is to administer power over others' work and implement decisions that inevitably affect them, and not just in economic and professional terms.



Two areas of managerial responsibility are particularly important in guiding a firm to its aims via the coordinated action of people:

- the design of organizational structures and the choice of people for them, which includes defining, monitoring and updating the performance of managerial assignments; and
- the design of procedures that advance the professional coexistence of those involved, including objective-setting, evaluation and compensation, training and development, supervision, accountability, and forms of working together.

Like it or not, firms spontaneously create (or destroy) much more than strictly economic value, simply because their operations require interactions among people in which learning takes place.

It is necessary to be virtuous and to act based on immutable, non-negotiable principles. Virtues must be part of being a good manager

Both generally and particularly, in a firm setting, when people interact, they learn. Whether they want to or not, they spontaneously get something from the interaction: an impression, a way of doing things, a viewpoint, recognition that they were doing something badly or well, a market trend, the attitude and competence of the other person, a customer preference or ideas for a large-scale overhaul. We call the results of these learnings “footprints.” Depending on the quality of the footprints, one interesting outcome is that the trust between people who are interacting can improve (or worsen), even substantially.

Footprints, let us remember, are an asset (or liability) incorporated into a firm through its employees and other stakeholders, and they ultimately help to improve or worsen subsequent economic results. This is a fundamental aspect of management dynamics that is seldom considered explicitly.

To manage free, responsible people while respecting room for autonomy and contributing

to their human and professional development, it is necessary to be virtuous and to act based on immutable, non-negotiable principles. Therefore, virtues must be part of what it takes to be a good manager – that is, the person who has the job and responsibility of guiding others toward action in order to transform reality and achieve the results sought.

This is the key for the CEO to be able to harmonize objectives and to manage, always leaving positive footprints – or at least avoiding negative ones. ■

The authors



Rafael Andreu is a professor emeritus of Strategic Management and Information Systems at IESE.



Josep M. Rosanas is a professor emeritus of Accounting and Control and holder of the Credit Andorra Chair of Markets, Organizations and Humanism at IESE.



José Antonio Segarra was a professor of Marketing at IESE before he passed away in May 2019. He taught on almost all of the school's programs, particularly the MBA and Executive MBA programs. An advocate of the social impact of business, he left an indelible mark on thousands of executives throughout his more than three decades at IESE.

SOURCE: “Management, gestión, dirección: la visión singular del IESE” by Rafael Andreu, Josep M. Rosanas and José Antonio Segarra is published by IESE under the auspices of the Credit Andorra Chair of Markets, Organizations and Humanism.

TIME CHECK

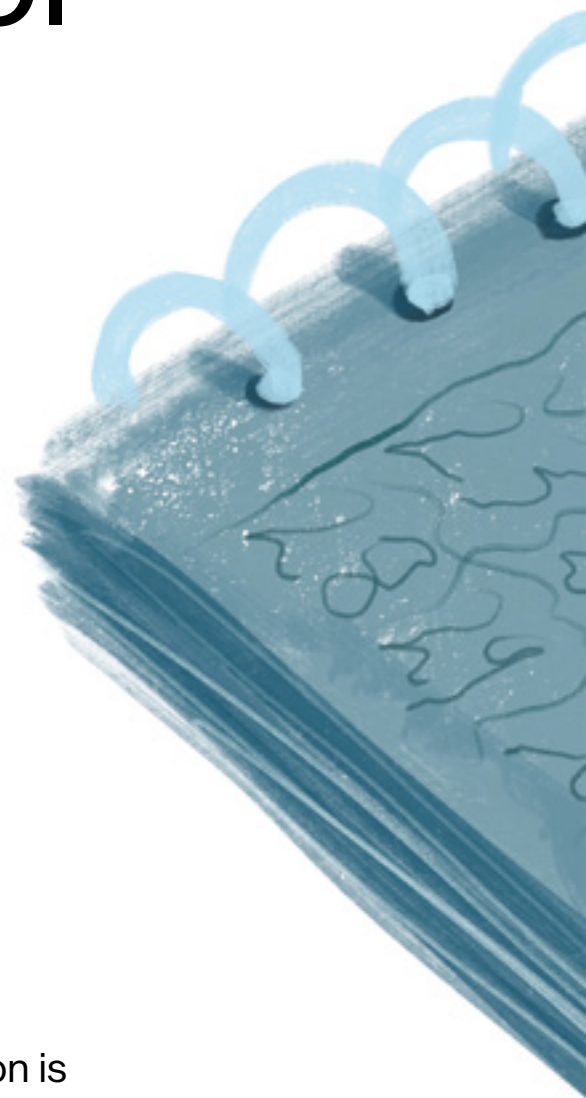
How to control
your agenda
so it doesn't
control you



In conversation
with Nitin Nohria

Dean of Harvard Business School

In the busy CEO agenda, crucial time for reflection is the one thing that tends to get squeezed out. Reading this article, then, becomes all the more important, as the insights will likely make you think twice about how you are spending your time.





“**M**anagers work at an unrelenting pace, their activities are characterized by brevity, variety and discontinuity, and they are strongly oriented to action and dislike reflective activities.” So asserted Henry Mintzberg, based on his seminal study of managerial activity, which was published in *The Nature of Managerial Work* back in 1973. How much has changed in the decades since?

Harvard Business School Dean Nitin Nohria, together with Harvard professor Michael Porter, decided to find out. Between 2006 and 2018, they tracked CEO participants of their New CEO Workshop to see how they used their time – 24 hours a day, seven days a week, over 13-week periods. Last year, they published their results so far, though the study is ongoing. During a visit to

IESE, Nohria took time out to highlight key take-aways from the research.

Why is time so important?

How you spend your time is not just something substantive; it becomes symbolic. By that I mean, you can quantify an hour spent with someone in strictly substantive terms. However, the time you spent with that particular person also represents time that you didn't spend with someone else, and that other person might interpret this as, “You care more about that particular person than you care about me.” So, your use of time includes a symbolic dimension signaling to others who and what you consider to be important.

What inspired you to study how CEOs manage their time?

We were inspired by the workshop we ran for new CEOs. We would ask them about their biggest



Time to step up

When transitioning to leadership, Nitin Nohria stresses three things that new CEOs should be especially careful about.

1.

First, recognize there's no way that you can do this job by yourself. As soon as you become CEO, your job is more about creating a context in which you enable other people to do the work of the company. Look for places where you can find leverage – the highest form being the quality of your team. We find that CEOs spend 30-50 percent of their time in interactions with their senior management team. If you can't rely on those people, if they aren't the very best people, then the leverage you get out of that time with them will be less than if you just interacted with really remarkable people. Everyone knows the team is important, but at the most senior level, it becomes even more important.

2.

Second, your presence is deeply symbolic. So, think very hard about where you need to be present, and in what way. When are you going to be the person who is encouraging people? When are you going to be the person who's framing the conversation? When might you actually be in a decision? Be careful about putting yourself in the position where you're giving orders. You want to be in a position where, more often than not, you're ratifying things.

3.

Finally, too many people who are COOs or presidents when they become CEO still carry their old job with them. It's a common mistake: they remain too involved. This is a telltale sign that this person hasn't yet evolved from being a COO or a president to, in fact, the CEO role.

“You can quantify your time in strictly substantive terms. But your use of time includes a symbolic dimension signaling to others who and what you consider important”

The tyranny of the inbox

Email seems to be consuming the life of CEOs.

The most striking thing we've observed in our data set over the past 12 years has been the rise in the use of email: it now takes up 25 percent of the total time of a CEO.

What happens is, CEOs will schedule some alone time, which they hope to use for reflection and preparation, to step back from the incessant daily demands of their time and think a bit. But when we present CEOs with their actual data, the single most distressing thing for them to see is that 80-90 percent of their alone time was spent just responding to emails. What this means in practical terms is that, rather than having read or thought about what it is they ought to do, they're coming to meetings less prepared.

The other worry about email is that it drags you into tactical, granular-level detail. You start to feel like you have to check everything, and the organization develops the habit of needing to check everything with you. The more that happens, the less time you're spending on strategic matters and the less trust there is in other people.

concern, and many of them said, "You know, I thought I was good at managing my time, but in this job, I suddenly find that whatever I had been doing in the past is being challenged, because in the CEO role, every constituency wants a piece of my time." And if you have that much demand on your time, the temptation is to schedule every minute of it. But one thing we've learned from our study is to be careful about scheduling every minute of your time, because it's important to maintain some unscheduled time.

How should that unscheduled time be used?

In at least one of two ways. One is to make yourself more available to people. In fact, because of the study, I personally changed my time this way. It's too easy to get stuck in your office where everybody comes to meet with you, simply because that's what makes you and your assistant most comfortable. Instead, I've been trying to make sure that I'm getting out of my office and meeting people on their turf.

Unscheduled time should also be used to get a feel for what's going on in the organization. Walk the halls. Not everything happens by plan. It's a good way of staying attuned to spontaneous events that happen in real time. If you're always on a schedule, time goes by and you haven't really given certain matters the attention they deserve. For example, you can follow up on how people are reacting. Say you were in a meeting, and you had a sense when someone left that meeting that they weren't very happy. This is the time when you should walk by their office and say, "Is everything okay? Are you fine?" These are some of the ways in which unscheduled time can be used best.



And how not to use it?

The greatest risk we've seen is that people use spontaneous time just to do email. There's always the inbox that seems to be filling up, if not in reality, then psychologically. And people are always tempted to do that. But that's the worst way to spend these blocks of spontaneous time.

How should leaders balance the internal vs. external demands on their time?

Based upon our data, we found CEOs spend around 70 percent of their time on internal matters and 30 percent on external. The problem is, you can get so internally oriented that you're not spending enough time with customers or investors; you're not being the right spokesperson for the reputa-

tion of the company externally. Alternatively, you can get too distracted by the outside, constantly running around, managing investors, managing the reputation of the company on the outside, and then people inside the company say, "Where's my CEO?" It's very important to find the right balance.

Your research also finds that effective leaders are those driven by a clear personal agenda, so they're not distracted by those who shout the loudest.

Every CEO must have a personal agenda. In fact, an important point that we make is that there is a company-wide agenda, which the CEO has to articulate, but it is impossible for the CEO to do everything that is on the company-wide agenda at any given point in time. So, the CEO has to decide, within this company-wide agenda, what is it that I'm personally going to do?

**“Take meetings: how many do you initiate vs. how many do you let others initiate?
A 50/50 balance makes sense”**

For example, if the strategy needs to be changed, or you need to do a merger, or you need to make sure you're bringing new talent into the company, it's really important for you to know what part of that agenda you're going to be driving personally. “What do I do? What do I delegate to others? What do I follow up on with other people?” If you have that clear, then you're not going to get stuck only ever responding to other people's agendas.

As with internal vs. external, this sounds like another key balance that leaders have to strike.

We say that you have to be at least 50 percent agenda-driven, but you need to leave the remaining 50 percent of your time to be reactive to things that are happening in the world and in your organization. Take meetings: how many do you initiate vs. how many meetings do you let others initiate and get on your schedule? A 50/50 balance makes sense, because if you end up being the only person who asks someone to meet with you, then people will experience you as inaccessible. This is just one example, but it's an important thing that CEOs need to pay attention to.

How should leaders read your research? Should they compare how they spend their time relative to how the CEOs you studied spend their time?

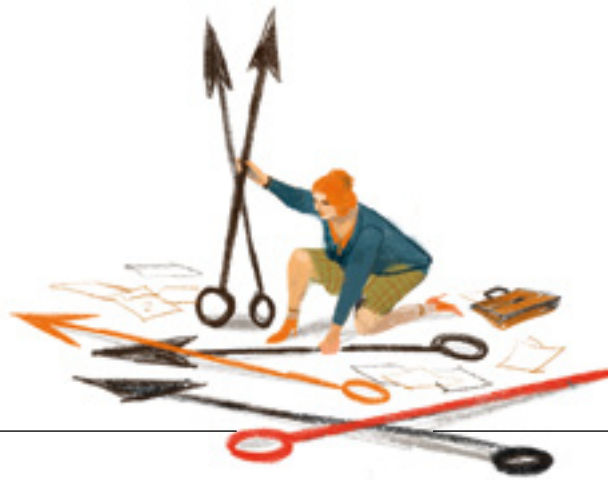
That could be a start. Do a mental accounting of your own time and see how you come out relative to the distributions of our data set. However, if you find you spend your time differently, that's not necessarily a bad thing. For example, if you're running a large multinational business, the amount of time you have to spend outside in subsidiaries or in different countries will be quite different from that of a domestic business. Or if you have a very good leadership team in place, the way you spend your time, in terms of how much you can delegate and rely upon your leadership team, will be quite different from someone trying to build a leadership team. There's no one-size-fits-all. But, at the very least, checking how you spend your time relative to our averages is a useful first exercise. There are usually two or three things that will surprise you.

What about leaders doing a real accounting of their own time?

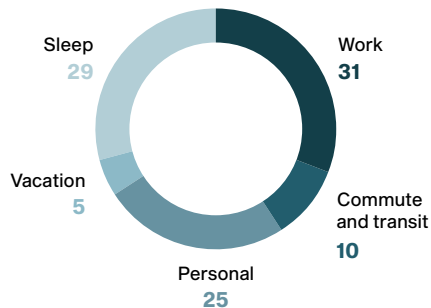
I would encourage every CEO to pick a quarter in the year and ask your assistant to create a

How does your time compare?

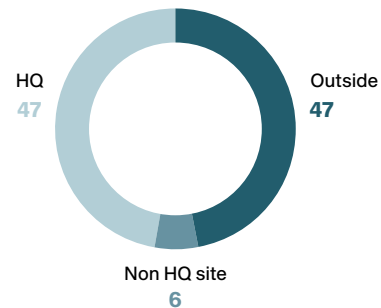
Mentally check yourself against the averages of the CEOs that Porter and Nohria studied.



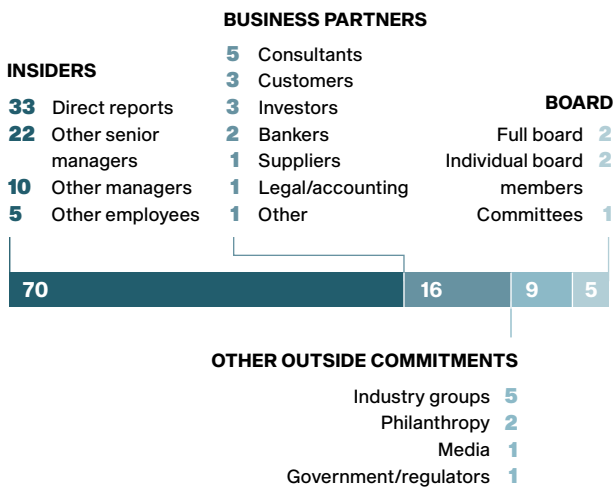
WORK VS. PERSONAL TIME (%)



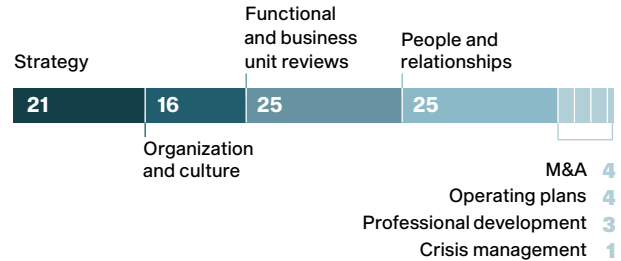
WHERE THEY WORK (%)



TIME WITH KEY CONSTITUENCIES (%)



CONTENT OF WORK (%)



SCHEDULED VS. SPONTANEOUS TIME (%)



MEETINGS VS. ALONE TIME (%)



SOURCE: "What do CEOs actually do?" by Michael E. Porter and Nitin Nohria.

Try this eye-opening experiment

Ask your assistant to note the time you spend on the following activities in a typical quarter* and generate a pie chart of the results. You may be surprised.

- Meetings: note frequency and length (one-hour, weekly); nature (one-on-one or face-to-face, scheduled or impromptu); who initiated them.
- Electronic communication.
- Time with internal vs. external constituencies (e.g., investors, customers, etc.).
- Functional and business-unit review time.
- Strategy time.
- Time on organizational structure and culture.
- Spontaneous time, blocks of alone time.
- Time with direct reports vs. other employees.
- People and relationship time.
- Weekends worked.

**Sample list. Tailor to your circumstances.*

summary set of statistics about how you spent your time in that quarter. Even if it's not as detailed as the research we did, it's useful to do some real accounting of your time as a check against your mental accounting.

I now do this every semester. I ask my assistant to do a pie chart of how I spend my time – with alumni, with students, with faculty, with the leadership team. Just seeing that pie chart and how it changes from semester to semester has been very instructive to me. So, while I have my own mental accounting of how I'm spending my time, I've actually found that the discipline of looking at that chart is a good thing, not just for me but for my assistant to be able to tell me, "Look, you might be giving too much time to this group versus another."



**“All of the CEOs
in our study
recognize that
electronic media
are squeezing out
necessary time
for reflection”**

Is technology making us better or worse at managing our time?

All of the CEOs in our study recognize that electronic media are squeezing out necessary time for reflection – for having some ability to step back and see above and beyond what is happening in the moment, to think in a bigger picture about the company. Every CEO reported to us that the best thinking time they get is when they’re on an airplane by themselves. In fact, that has become the most commonly reported time for reflection and thinking.

The problem now is there’s Wi-Fi on planes. And because it exists, the temptation is to sign on. But you don’t have to if you don’t choose to. Why not say, “Okay, this is my precious time that I have. Let me actually use this time to read, to think, to reflect”? Yes, it requires discipline on your part. Eventually I hope that AI and some of these new technologies will give people the ability to be more self-disciplined about this time that they need to reflect. Ultimately, however, you can’t be saved from yourself if you’re not going to use your time wisely. ■

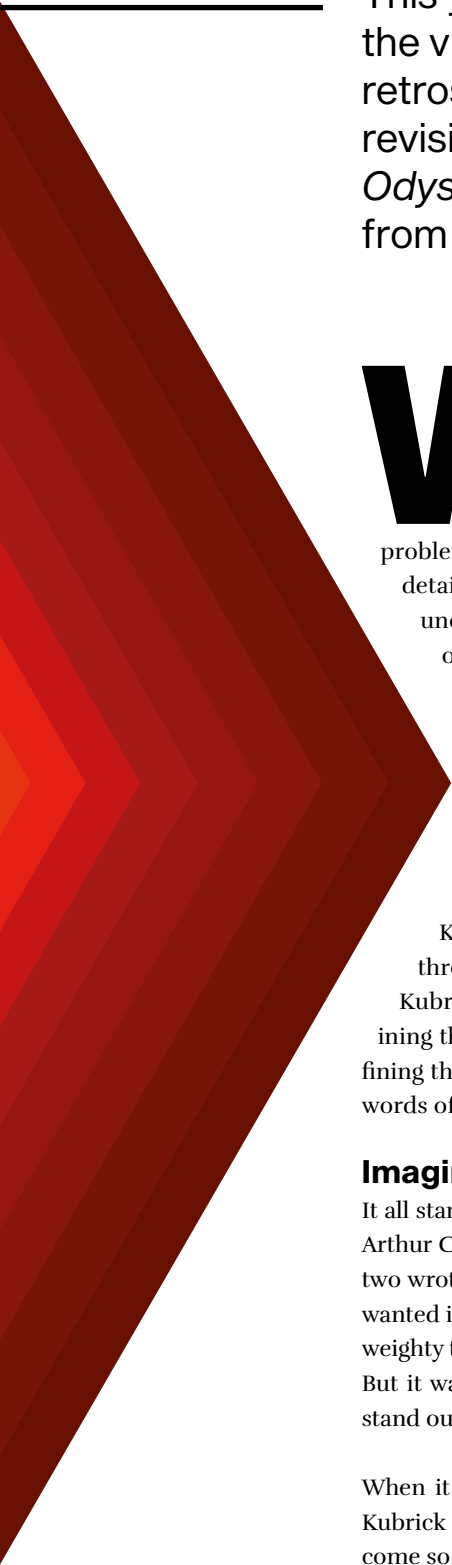
READ MORE: “How CEOs Manage Time” and “What Do CEOs Actually Do?” by Michael E. Porter and Nitin Nohria, *Harvard Business Review* (July-August 2018).



FULL STOP

2001

**A creative
odyssey**



This year marks 20 years since the death of the visionary director, Stanley Kubrick. As a retrospective of his work tours the world, we revisit his groundbreaking classic, *2001: A Space Odyssey*, to discover some keys to innovation from the filmmaker's creative process.

When the movie *2001: A Space Odyssey* hit theaters in April 1968, few could imagine just how accurately its director, Stanley Kubrick, had divined the future. Indeed, many moviegoers were nonplussed, with one *New York Times* critic remarking, "The movie is so completely absorbed in its own problems, its use of color and space, its fanatical devotion to science-fiction detail, that it is somewhere between hypnotic and immensely boring. The uncompromising slowness of the movie makes it hard to sit through without talking – and people on all sides when I saw it were talking almost throughout the film."

And yet, half a century later, the movie's vision of a man at odds with his computer and its depiction of future technologies – voice assistants, artificial intelligence, touch screens and robotic arms – are hailed for being a prescient masterpiece.

Kubrick's innovations are the subject of a touring exhibition that passed through Barcelona earlier this year and is currently in London. "Stanley Kubrick: The Exhibition" provides clues as to how one might go about imagining the unimaginable, like he did, "from predicting the modern tablet to defining the aesthetic of space exploration a year before the moon landing," in the words of the exhibition.

Imagining the future

It all starts with collaboration. Kubrick teamed up with the legendary sci-fi writer Arthur C. Clarke, whose story, "The Sentinel," provided the initial inspiration. The two wrote the screenplay together. They wanted to tell a good story but they also wanted it to be epic ("Go big or go home!" you might say today). They tackled such weighty themes as human evolution, alien life forms and our place in the universe. But it was the special visual effects – for which the movie won an Oscar – that stand out most to this day.

When it comes to fear of robots taking control and replacing human workers, Kubrick certainly got that part of the 21st century right. How did he manage to come so close to the mark when aiming to capture the future?

Four plot points from a creative genius

1

Motivation

2001: A Space Odyssey was a personal passion project. What moves you? What inspires you? What do you feel most passionate about?

2

Understanding

Surround yourself with experts who can lend their knowledge and expand your understanding of a subject. What do you need to know? Who can you consult?

It helps that the movie was set in 2001 – a near future rather than a distant one. The farther you stray from the present, the more you must rely on guesswork, and the more fanciful your predictions become. Kubrick, however, wanted “a believable future,” as the director of London’s Design Museum told CNN, not of “bug-eyed monsters” but with “plausible spaceships.” Kubrick insisted on his future being grounded in proximate realities, based on data and supported by scientific experts, so that it fell within the realms of possibility.

Considering every angle

His obsession with accuracy and attention to detail drove him to take apart any object he was studying in order to understand not only its precise nature but its context and relationship to other concepts. This painstaking process of deconstruction and reconstruction enabled him to tease out new connections and meanings. (It also sometimes led to blockages, as with his Napoleon project, which never came to fruition because he spent so many years researching the details, including the legendary tale of him sending a production assistant to Waterloo to gather soil samples just to replicate the same earth on screen.)

His inquisitive mind led him to search out the leading lights in science and engineering, so they could advise him on technical aspects and ensure that his results were as realistic as possible. Despite his projects being shrouded in secrecy (even Clarke didn’t see *2001* until it premiered), he frequently held meetings with outside experts to learn about the latest developments in a field and to put his

3

Creativity

Be curious. Use your imagination. Come up with as many solutions to a problem as possible. Test the most promising ones.

4

Innovation

Don't make do.
Never settle. You'll never go as far as Kubrick did unless you push the limits.

own ideas to the test. For example, he sought advice from no less than the U.S. space agency, NASA, for building his own movie spacecraft. A British aerospace company built the giant, rotating centrifuge set the size of a Ferris wheel. And the renowned scientist Marvin Minsky provided input on the pioneering field of artificial intelligence. (One of the movie's characters, Dr. Kaminsky, was reportedly named in Minsky's honor.)

Kubrick would explore a given scenario from almost every possible angle: geopolitical, economic, social, technological. For *2001*, he analyzed what was going on in the world, then imagined how it might evolve and reflected that in the movie. So, while the Space Race was at its height in the 1960s, he figured the Cold War would thaw eventually, and his movie's vision of an international crew working together in a space station has, as we know, become the norm.

Now, as the world braces itself for corporate-sponsored space tourism and human missions to Mars (the planet before Jupiter, the destination of *2001*'s space voyagers), what kinds of credible scenarios could we likewise project 50 years into the future?

Pragmatic creativity

Although famous for elevating his craft to an art form, Kubrick couldn't completely ignore commercial considerations. He may have eschewed cranking out Hollywood blockbusters,

Stanley



Kubrick



but he knew he had to achieve a certain degree of financial success in order to continue indulging his passion projects. Some say he was uniquely able to do both.

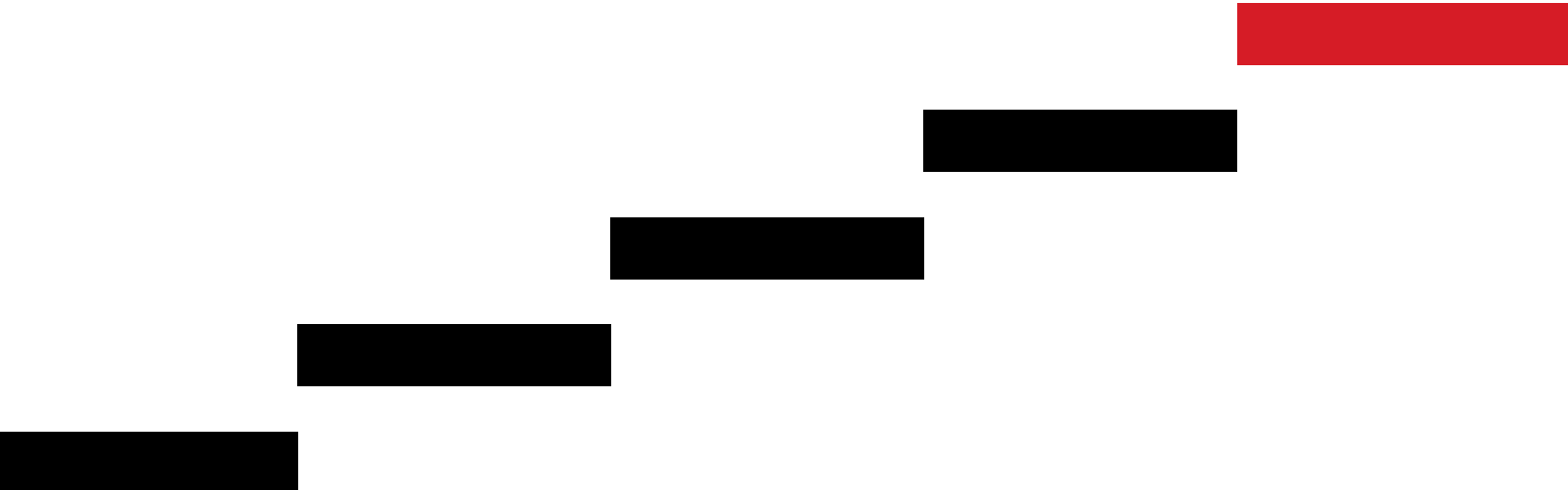
“You are always pitting time and resources against quality and ideas,” he said in an interview, likening filmmaking to a game of chess.

Chess also taught him to approach things in a more strategic, disciplined way: “Among a great many other things that chess teaches you is to control the initial excitement you feel when you see something that looks good. It trains you to think before grabbing, and to think just as objectively when you’re in trouble. When you’re making a film ... a few seconds’ thought can often prevent a serious mistake being made about something that looks good at first glance.”

This is not to say that he didn’t allow room for spontaneity within that careful, meticulously thought-out approach. The script, for him, was a starting point, the foundation of the overall plan. But it was never beyond revision – it was also a jumping-off point. For all the prior planning that goes into a project, you never really know what innovative results will arise until you shout, “Action!” ■

Before he became a director, Kubrick (pictured) was a photographer. That gave him an eye for such classic images as these from *2001: A Space Odyssey*.

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