Think:Act

Leading thoughts, shaping vision

Your turn!

CORPORATE CULTURE THRIVES WHEN WE ALL PLAY OUR BEST CARDS

Pride and precedent
How tribal thinking builds organizational cohesion

Snack attack
Can the banana survive pests and rising heat?

Roland Berger

CULTURE

THERE IS NO ESCAPING CULTURE – it forms organically wherever people work together. This invisible force shapes every organization through shared norms, habits and behaviors that ultimately determine success or failure.

Yet culture is not a zero-sum game where advancing comes at the expense of others. Corporate culture is a collaborative endeavor that requires everyone involved to read the room, listen and play their hand wisely – because every move will shape the outcome for the whole team.

In this issue of *Think:Act*, we invite you to explore the many facets of how people work and win together. And play a round of the ultimate game of strategy and synergy.
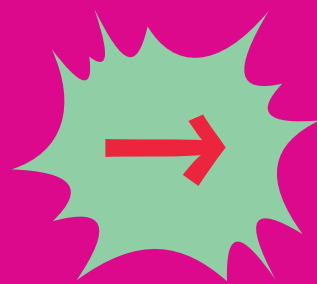
Game on!

Ready to play? On the right, you see six cards. Each of them belongs to a key aspect of corporate culture you will read about. Can you match them?

PREP THE DECK

Carefully remove the perforated cards. Take a good look at the images and how they portray corporate culture.

DELIBERATE

Turn the cards over and read the quotes on the back. Each is drawn from one feature. But which one? And how does it apply to your company?

MIX AND MATCH

Keep the cards handy as you make your way through the stories. Match the card that fits best to each feature.

RETHINK EVERYTHING

Think you found the right match? Think again. There are no wrong answers – and each insight can be applied to how your organization gets things done.
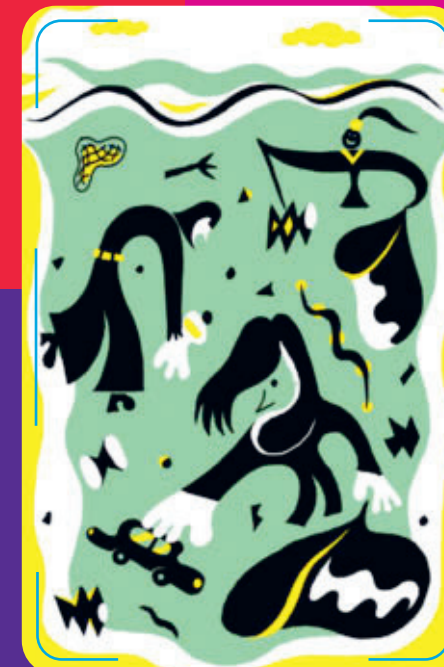
"YOU CAN ORCHESTRATE CHANGE BY SENDING THE RIGHT SIGNALS."

"MOST COMPANIES BECOME CULTURES OF CONFORMITY."

"THE LESS LOYALTY YOU OFFER, THE MORE YOU MUST PROMISE LEARNING."

"WHAT HAS MADE THIS COMPANY GREAT?"

"REWARD PEOPLE WHEN THEY TELL YOU WHAT THEY REALLY THINK."

"I WISH I COULD CHANGE HOW WE DEAL WITH EACH OTHER."

"Cultural change will happen organically, whether you want it to happen or not."

Michael Morris
Cultural psychologist and professor at Columbia University

→ PAGE 26

"An organization
will function
at its best when
it is treated
as a village."

Robin Dunbar
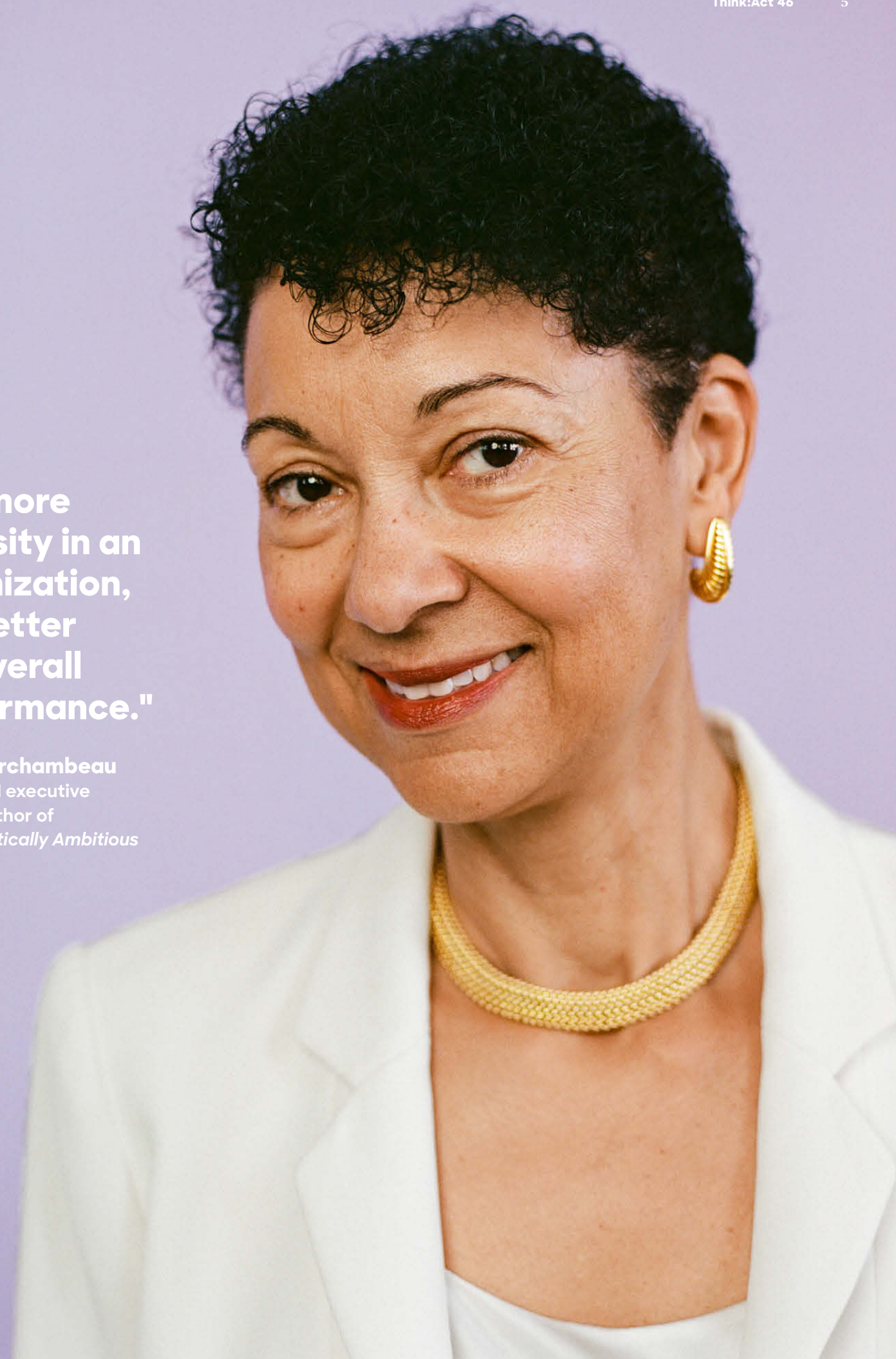Evolutionary psychologist and
author of *The Social Brain*

→ **PAGE 72**

"The more
diversity in an
organization,
the better
the overall
performance."

Shellye Archambeau
Former IBM executive
and the author of
Unapologetically Ambitious

→ **PAGE 60**

Think:Act 46

"Good culture
is this huge
performance
variable that
will dictate the
trajectory of
your company."

— Anne Morriss,
PAGE 38

COVER AND BACK COVER ILLUSTRATIONS: SARAH MAZZETTI

ILLUSTRATIONS: SARAH MAZZETTI, NIGEL BUCHANAN, MINA KIM | PHOTOS: RIVER CLAURE, PSIQUANTUM

Digital

New website
Visit the new look digital edition
of *Think:Act Magazine* for exclusive
content and insights.
**thinkact.rolandberger.com/
en/corporate-culture**

Editorial

Make culture your secret strength

DEAR READER, what makes a company successful? Most people would say: the right combination of strategy, business model and technology. While technically correct, this view ignores a crucial prerequisite for success: a good corporate culture that fosters collaboration, innovation and flexibility.

Only a good foundation of shared values, work practices and social interactions can transform the right strategy into a successful one. In our work with organizations, we have noticed that most transformation projects fail not due to technological or other operational obstacles, but because of a corporate culture that does not align with new processes and structures.

This issue of *Think:Act* focuses on what constitutes a successful corporate culture, how you can fix a toxic culture and how you can leverage tech and AI tools to strengthen your culture.

Read on – and make your culture your secret strength.

Dr. Edeltraud Leibrock
Senior Partner
Global Managing Director, Roland Berger

CULTURE

Think *in numbers*

Putting a figure on ...
THE COST OF SMALL COINS

2.5
SECONDS

The time that handling one-cent coins adds to the length of a cash sale, or about 182,000 hours of cashier work in the US annually based on one transaction per adult per day.

1/20th
OF ORIGINAL VALUE

The purchasing power of the Canadian one-cent coin retained when the government decided to withdraw it in 2012 at an estimated taxpayer savings of $11 million per year.

7
COUNTRIES

The number of Eurozone countries that round cash payments to the nearest five cents and do not produce one- and two-cent coins, although they remain legal tender if brought from outside.

111%
OF FACE VALUE

How much the Reserve Bank of India pays to produce the one-rupee coin, worth about $0.01 and currently the country's second-lowest value coin in circulation.

SOURCES: THE NATIONAL ASSOCIATION OF CONVENIENCE STORES, THE CANADIAN GOVERNMENT, EUROPEAN PARLIAMENT, INDIA TODAY

Food *for* thought

How to live freely in a goal-obsessed world?
by Anne-Laure Le Cunff

WE'VE BEEN TAUGHT that success is a straight line – a ladder to climb, a race to win. But life isn't linear. Rigid goal-setting often leads to burnout, boredom or an endless chase for the next milestone. Instead of treating life as a checklist, what if we approached it as a series of experiments? Living freely in a goal-obsessed world means shifting from linear goals to growth loops, focusing less on rigid outcomes and more on fluid iteration. Instead of obsessing over big milestones, start with a tiny experiment. Test a hypothesis, learn from the results and adjust your trajectory. By leaning into uncertainty, we start to replace fear with curiosity.

True freedom isn't the absence of ambition; it's the ability to pursue what matters without being limited by default definitions of success. When we detach from socially sanctified goals and expectations, we regain agency over our path. Tiny experiments help us sidestep perfectionism, fear of failure and the pressure to figure it all out. In a world that glorifies clear narratives of success, choosing to experiment is an act of quiet rebellion. Ask yourself: What small action could I take today, without worrying about the long-term outcome? Let go of the script. Explore your own path. The adventure isn't in reaching the goal – it's in the process of becoming.

ANNE-LAURE LE CUNFF is a neuroscientist at King's College London and the author of the Ness Labs newsletter. Her 2025 book *Tiny Experiments* explores the art and science of living a more experimental life.

PHOTOS: MIRAGEC/GETTY IMAGES, COURTESY OF THE AUTHOR | ILLUSTRATIONS: JULIA ZIMMERMANN

Think
AT A GLANCE

Thoughts *to live by*

"Creativity comes from looking for the unexpected and stepping outside your own experience."

— **Ibuka Masaru**
Co-founder of Sony

Re-*thinking* buzzwords

Get to grips with new industry lingo in a flash with our stripped-down explanations of the latest jargon.
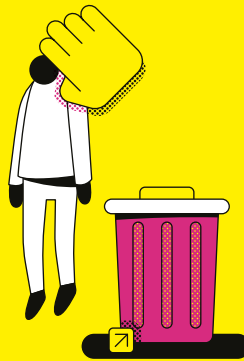
"FOBO"

The new anxiety replacing FOMO stands for the "fear of becoming obsolete," or the angst of being replaced by technology, AI in particular. This is not to be confused with the older acronym, the one meaning "fear of a better option" (or the indecision due to the worry that a better choice might come along later).

Become a ninja of virtual communications

In Ping: The Secrets of Successful Virtual Communication, management professor Andrew Brodsky lays out the basics of mastering modern workplace interactions.

THE AVERAGE WORKER spends 90 minutes a day on instant messaging and virtual meetings. Now "ping" isn't just the sound of a new message coming in, but an acronym for the none-too-catchy conceptual framework – Perspective-taking, Initiative, Nonverbal, Goals – for a tool kit of communication strategies to tackle workplace interactions. From how to convey authenticity to showing just the right amount of emotion to appearing to be busy when really, you're not, it's an exhaustive – and exhausting – guide to choosing the right approach for your desired virtual communication outcome. There is much talk of leveraging and optimizing, productivity theater and virtual language mimicry, managing miscommunication, circumventing sarcasm and appearing "present." And the appendix offers a questionnaire to determine your personal communication style – Responder or Concentrator, Texter or Talker?

Ping: The Secrets of Successful Virtual Communication by Andrew Brodsky. 336 pages. Simon Element, 2025.

Fowl consequences

SINCE EARLY 2022, highly pathogenic avian influenza (HPAI) has wiped out some 170 million farm birds in the US and scrambled the country's egg market in the process. While Australia has also been hard hit by bird flu, losing 10% of its egg-laying chickens, the US' deficit of 50 million eggs per day forced it to ask other nations to shell out any surpluses just as tariff tensions under the second Trump administration were reaching fever pitch. Here's how the most recent outbreak in the US brought questions of how to ensure international food security home to roost.
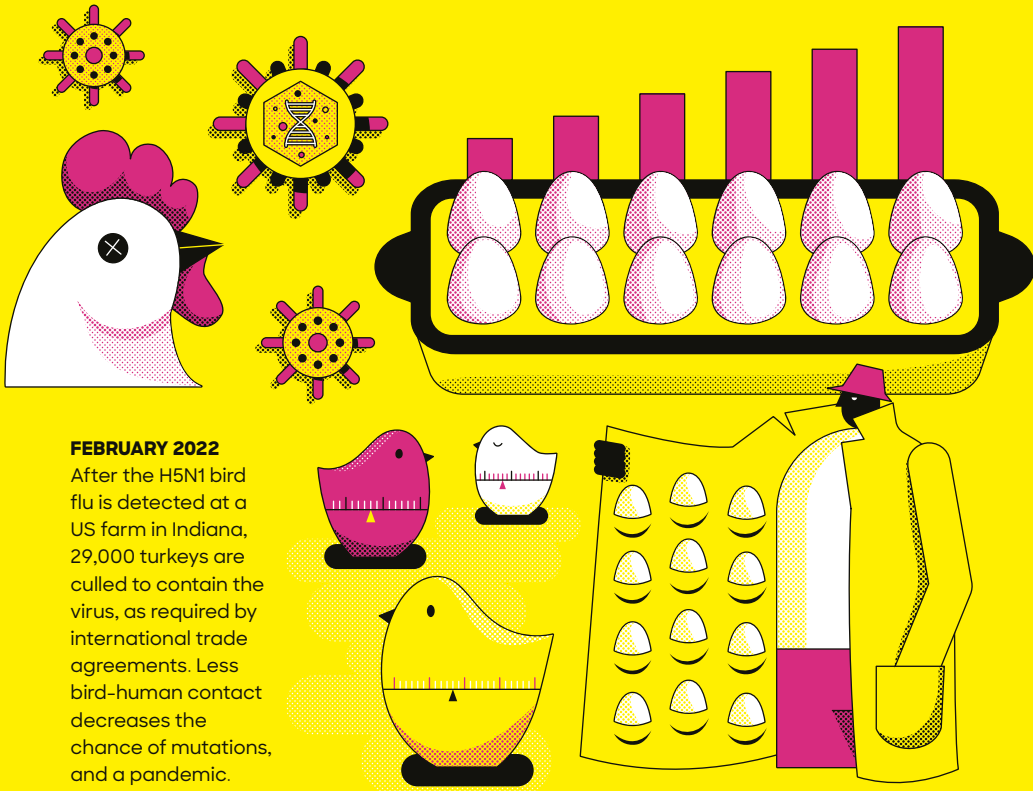
FEBRUARY 2022
After the H5N1 bird flu is detected at a US farm in Indiana, 29,000 turkeys are culled to contain the virus, as required by international trade agreements. Less bird-human contact decreases the chance of mutations, and a pandemic.

DECEMBER 2024
H5N1 is responsible for killing 13.2 million US hens in one month alone. While broiler hens reach slaughter weight at six weeks, egg-laying hens can take nine months to replace. Consumer prices are reported to average $4.15/dozen, up 60% year on year.

FEBRUARY 2025
The average price of eggs in the US reaches $5.90/dozen. An agreement is reached with Turkey for the export of 15,000 tons of eggs through July. The US announces a $1 billion plan to lower egg prices through prevention and vaccine research.

MARCH 2025
The US reaches out to EU countries for exports but is refused due to bird flu reducing their own supplies. While no deals have been attempted with Mexico or Canada, illegal egg smuggling interceptions at the borders are up 36% in the fiscal year.

LOOKING AHEAD
The US has doubled imports of pet-food-grade Brazilian eggs and is reevaluating regulations on broiler hen eggs. And while states are pausing cage-free laws to increase supply, it's worth noting egg prices triggered the 2018 protests in Iran.

SOURCES: REUTERS, THE LA TIMES, THE ECONOMIST, THE WALL STREET JOURNAL, CBS NEWS, ABC NEWS AUSTRALIA, NEWSWEEK, THE TORONTO STAR

PHOTO: VGC/GETTY IMAGES | ILLUSTRATIONS: JULIA ZIMMERMANN

How to ... fly on the cheap

EVERY AIRLINE, IT SEEMS, has discovered its love for extra fees while tightening their loyalty programs. But there are ways to stay airborne in a world of upselling and dynamic pricing. Fare forecasting sites comb through massive datasets and will send out alerts as soon as an itinerary gets cheaper. Using a VPN can also yield savings. Many credit cards come with built-in perks that airlines will charge for, such as free checked luggage, priority boarding and lounge access. The benefits usually exceed the annual fee for those cards. Packing light and taking a gamble with luggage helps as well: You might gate-check a bag for free at the last moment. It's also often cheaper to start at secondary airports and connect through a hub where the trip would otherwise start, or to book an open-jaw ticket. And, who knows, sometimes a train ride might be the best and greenest option.

The heated battle for the global drone market

FROM BRUSHLESS DC MOTORS to lithium polymer batteries, China is soaring ahead in drone component manufacturing. Meanwhile, production in the regions that invented these key technologies – the US, Japan and Europe – is left hovering in place. DJI, China's leading maker of first-person viewer (FPV) drones, now controls 80% of the global market. Challenging that dominance is a matter of national security as much as economic prosperity. FPV drones have become central to the war in Ukraine. After September 2024 Chinese restrictions on sales of drones for military purposes, however, Ukrainian forces have been looking for new supply chains – and hit a wall when China halted the sale of batteries to Skydio, the biggest US commercial drone maker, over sales to Taiwan. The US, in turn, passed a bill in late 2024 that will see sales of DJI products banned if it can't prove it's not a "Chinese military company" within a year. The question remains of how other countries can navigate away from China's supply chain without getting grounded.

SOURCES: MIT TECHNOLOGY REVIEW, THE WALL STREET JOURNAL, THE NEW YORK TIMES, CSIS, REUTERS, THE VERGE

Act
AT A GLANCE

In focus

An in-depth look at the art and science of building and nurturing a healthy culture

CULTURE

Reshuffling the Culture deck

Words by
BENNETT VOYLES

Illustrations by
SARAH MAZZETTI

Corporate culture, once overshadowed by technology and strategy, is reclaiming its place as the foundational core of an organization – fueling innovation, collaboration and resilience. But like any set of rules or tools, these shared values, behaviors and habits need regular updates and refinements to remain effective.

YOUR CUSTOMERS ARE CHANGING. Your products are changing. The technologies you use to produce and deliver your offerings are changing. But your culture? If your company is like most, it's probably more or less the same as it's been for a long time. "Culture tends to change gradually, if at all, at the meta level," says Charlie Sull, co-founder of the corporate culture consultancy CultureX, which has conducted some of the largest studies of corporate culture ever undertaken. In a way, this makes sense: Basic human nature doesn't change. On the other hand, if every other aspect of your business is changing, how can its culture stay the same?

And there are good reasons to improve work environments that employees experience as not engaging – or even alienating. Corporate culture experts have found that teams that feel close to each other and communicate well experience lower turnover and inspire higher levels of engagement. Building and nurturing a corporate culture that accurately reflects an organization's values and goals can provide strategic guidance and become a sustainable competitive advantage.

24% MORE

The change in worker productivity associated with an approximately 20% increase in reported worker happiness.

SOURCE:
CEPREMAP IN ASSOCIATION WITH THE UNIVERSITY OF OXFORD, MIT AND ERASMUS UNIVERSITY ROTTERDAM

In many ways, culture as an agreement among a defined group of human beings is a fluid arrangement, but it can be considered an organization's operating system, the foundational set of rules by which the game is played and things get done. Shared beliefs and behaviors, rituals and habits make a company – its leaders, employees and even outside partners – come together, work together and ideally stay together through the ups and downs of disruptions and economic cycles.

CULTURE HAS A MEASURABLE IMPACT on the bottom line, as well, as plenty of studies have shown. A positive culture can even increase employee productivity by up to 24%, according to researchers from the University of Oxford, MIT and Erasmus University Rotterdam. Having a creative corporate culture increases the number and importance of patents a firm is likely to file, a University of Rome study found. On the flip side, banks with aggressive, competition-driven cultures tend to engage in riskier lending practices, which lead to higher loan losses, according to research by the University of St Andrews in the UK.

Leaders, then, are well advised to pay attention to what deck of cards makes their culture unique – and must be prepared to reshuffle their hand before performance and profits are impacted. When US-based executive search firm Korn Ferry surveyed 500 senior executives from leading companies, it found that almost two-thirds attributed 30% or more of their companies' market value to culture – and one-third attributed even 50% or more.
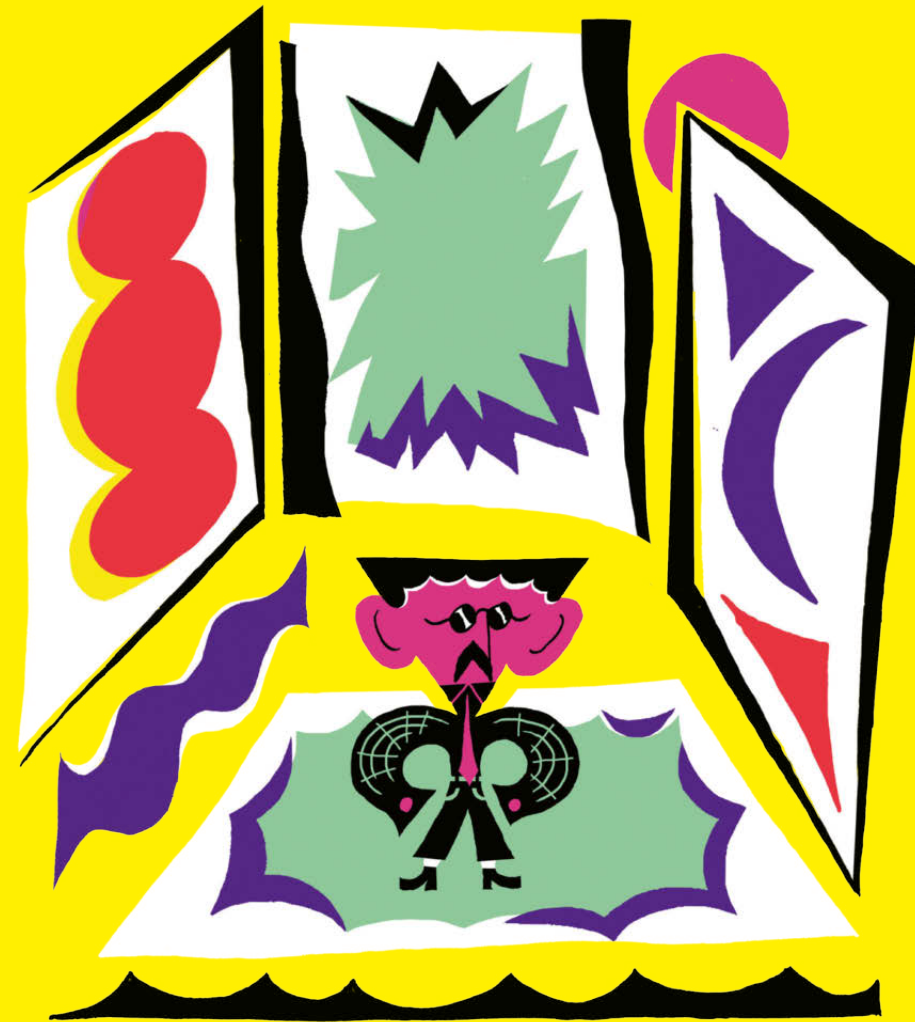
Round I
Defining

CORPORATE CULTURE as a concept didn't begin to take hold in management circles until late in the 20th century as academics and companies tried to understand the interplay between values and performance [see "A short history of corporate culture," p. 16]. The mandatory first step on this journey of discovery is to properly define a company's culture. You might think you have a good sense of it already, but don't be too sure. Studies have found almost no connection – and in some cases, in fact, even a negative correlation – between what people at the top of the corporate ladder considered to be the company's values and how people behaved.

PICK YOUR CARDS Your culture will be as unique to your company as you make it. Try out some ideas, see what fits and build your hand with both confidence and intention.

This disconnect stems from the fact that leaders frequently misunderstand the nature of their company's culture. Mats Alvesson, professor of business administration at Lund University in Sweden, has noted that many organizations develop hypercultures – a performative culture where people say and do things in ways that follow the demands of the leadership rather than the company's true nature – to the detriment of their health and productivity.

Even companies that do make an effort to analyze themselves run into difficulties because they are using a dated tool to measure their culture: the engagement survey developed in 1932. Only some have started to deploy new AI tools to analyze employees' natural language at scale, hoping to capture the nuanced nature of corporate culture. Alvesson recommends analyzing specific practices and how people relate to them. One example is to consider recording a meeting and then bringing in a culture expert to analyze the interaction.

LOWER-TECH MEANS of self-analysis are also an option. One such shortcut suggested by Cary Cooper, a professor of organizational psychology and health at Manchester Business School, University of Manchester, is to ask people for five adjectives that describe their company. Often, he says, the exercise will show that there is not only little correlation between employees' perceptions and what senior management believes to be the culture, but little overlap between what different teams within the company see as the culture. "You're going to find totally different perceptions. One group has their perceptions, and the majority agree with that, while another group has a totally different perception because they're defining it by the group of people they work with," Cooper says.

In the end, discussion is still the best way to clarify the core elements of the culture. "One needs to aim for open and realistic discussions and reflect upon what one is doing. Asking ⟶

questions such as 'What do we really mean by these words?' 'Is this actually what guides us?'" suggests Alvesson, co-author of *Changing Organizational Culture* and *The Stupidity Paradox*.

Sometimes, looking to the past can offer important precedents and clues about how to go forward. For a deeper grounding, Bill Carr, a former long-time Amazon executive and co-author of *Working Backwards: Insights, Stories, and Secrets from Inside Amazon*, suggests interviewing executives about the principles they followed when they founded the company. "You need someone to go out and speak with the top leaders and role model leaders in the company and ask them a series of questions about what are the defining behaviors and principles that they observe? What has made this company great?" he says.

OTHER COMPANIES HAVE TAKEN a different approach and tried to create a much more detailed overview of their cultures. Netflix, for example, is well known for a PowerPoint deck delineating the company's culture that in its first iteration in 2009 ran to 125 slides.

Last revised in 2024, the deck now reflects not just management's latest thinking about the company's culture, but 1,500-plus comments from the streaming service's 13,000 employees. It supports four major propositions. First, that Netflix models itself "on a professional sports team, not a family." It also emphasizes "People over Process," that is, giving people freedom to make decisions; being "Uncomfortably Exciting" – the idea that in order to succeed in entertainment, the company needs to thrive on constant change; and striving to be "Great and Always Better."

Software company HubSpot has another oft-quoted culture deck that states: "We obsess over our culture just like our product. Because culture is a product. We are building two products: One for our customers. One for our employees. Culture is the product we build for ourselves."

A SHORT HISTORY OF CORPORATE CULTURE

1970

Larry Senn, a graduate student at the University of Southern California, conducts the first doctoral research on corporate culture, comparing Walmart's adaptable ethos with Woolworth's bureaucratic stagnation. He will later co-found the first culture-shaping consultancy.

1982

Terrence Deal and Allan Kennedy publish *Corporate Cultures: The Rites and Rituals of Corporate Life*. The two suggest modifying rituals and rewards to reinforce business goals. Their idea that culture could be reshaped to fit a company's needs made sense to the leaders of a world of growing, diversified conglomerates.

1983

Robert Quinn and John Rohrbaugh of the State University of New York at Albany publish *The Competing Values Framework*, an influential model for understanding organizational culture.

1985

Edgar Schein, a professor at the MIT Sloan School of Management, argues that corporate culture can be divided into three levels: artifacts, by which he meant visible elements such as dress codes and rituals; espoused values; and the underlying, often unconscious beliefs and behaviors that informed what the company actually did.

1990

Daniel R. Denison of IMD Business School releases the *Denison Organizational Culture Survey*, which links culture to performance metrics. Companies find it works well but is expensive. Its emphasis on a central mission started to seem less important as many organizations grew flatter. Nor does its idealistic side fit in with the emergence of shareholder value as the be-all and end-all metric.

2010s

People lose faith in some of the most popular cultural reinforcement tools, including the 360° review, and the rank-and-yank practice, which were found to be demoralizing and counterproductive.

2020s

A proliferation of artificial intelligence tools promises to create new opportunities for understanding corporate culture.

provider are now running up against a culture that demanded 'high-touch, high-quality service. Or maybe you will need to learn to work in the future to satisfy the demands of customers who aren't even people.

Roger Martin, professor emeritus of strategic management at the University of Toronto's Rotman School of Business, says leaders should begin with a bit of introspection – figuring out where they want to go by taking the time to ask themselves what they dislike about the status quo. "What really annoys you about your current outcome as compared to outcomes you wish? What's the biggest gap between what you wish were happening and what is happening?" he says. "If you want to make that gap go away, you have to contemplate making a different set of choices."

ONE HABIT THAT CAN HELP leaders tweak or update their culture is to copy Amazon's signature move: thinking from the customer back. In other words, asking what an organization would need today to attract and support its customers most. Carr says that staying "relentlessly focused" on the customer has been key to Amazon's success and helped give the culture its distinctive shape, growing from just 11 employees in 1995 to more than 1.5 million in 2024.

Understanding your company and clarifying its goals over time, however, is only the beginning. Next comes the far more difficult step of driving change. "If you're an executive at a company, you probably have decades of work experience, and you've developed a series of habits and methods that have allowed you to get to that point. Expecting someone to suddenly change those substantially without dramatic intervention is unrealistic," Carr says.

At the same time, Cooper suggests focusing on a particular objective, then giving individual units some leeway about how they want to get there. One way to do that is to pick an indicator that can demonstrate a cultural change →

Round II
Refining

C ULTURE IS AN EMERGENT PROPERTY – it happens, whether it's intentional or not. Therefore, the question of if and how it needs to change after taking stock is crucial. "At the individual level, it is possible for a company's culture to improve dramatically in a short amount of time," Sull explains. That is, "if they know what their culture is, know what steps to take to improve it and have executive buy-in to improve it."

Often, a culture will outlive the reason it formed in the first place. Maybe your teams keep changing and the people working for you today are short-term contractors. Maybe the front office's business aspirations to be a low-cost service

MIX IT UP
The hand of cards that once defined your culture may not always keep you on track to advance. Shake things up from time to time and create a flexible framework that can respond to change.

is underway, such as publicizing gender pay gaps as a proxy for the degree to which the company provides women with equal opportunities. "That's how change takes place. Change does not take place with people saying, 'here are our five missions,'" explains Cooper.

At Amazon, that kind of focus has been provided by its leadership principles. Carr says his former boss, Amazon founder Jeff Bezos, realized early on "that it's just not enough to articulate your principles. What he sought to do is figure out, how do I create scalable, repeatable processes or mechanisms designed to support, reinforce and cement those principles into daily life?"

A MORE COMMON SCALING TECHNIQUE is for top leaders to model the behavior they want to encourage, Martin says. You want to "be the change you would like to see in the world," he adds, quoting a line often attributed to Gandhi. One of Martin's favorite examples of cultural role models is A.G. Lafley, the former CEO of Procter & Gamble. Lafley made store inspections and interviews with local customers a key part of every country visit. "Did he say to the head of P&G Turkey, 'You have to do this, I am making a new rule'? No, he just did it," he adds. But it sent a signal to managers about the value the company placed on its customers.

What's also necessary is buy-in throughout all levels of management. Spencer Harrison, a professor of organizational behavior at INSEAD, argues that the middle manager is a frequently overlooked source of strength. "We give senior leaders too much credit for building culture and leave very few actions for leaders at other levels of the organization," Harrison says. "One of the keys is for middle managers to realize that, yes, senior leaders do play an important role in setting up the big-C culture – what the entire organization is doing. Middle managers then play an important role in the small-c culture – the culture that exists in their sphere of influence in their day-to-day work," he explains.

> ## "IF YOU'RE AN EXECUTIVE, YOU'VE DEVELOPED HABITS. EXPECTING SOMEONE TO SUDDENLY CHANGE THOSE *WITHOUT DRAMATIC INTERVENTION* IS UNREALISTIC."
>
> — BILL CARR,
> **Co-author of *Working Backwards: Insights, Stories, and Secrets from Inside Amazon***

actually communicate with each other. "We scale product development processes, we scale service chains, supply chain management, but we don't scale human skills very well," he says.

Yet good communication skills are critical. Not only do they help people convey information effectively, but they also create personal connections that are a key aspect in building a good working culture. For Mercurio, building a successful culture in organizations and groups of all shapes and sizes comes down to treating people with respect. "It can be problematic if you have all these big rituals – that we should be together, that we're a purpose-driven organization, that we care about people. But then if I go in every day and I experience the opposite around me, it can create more dissonance and result in more turnover."

FOR A GLOBAL ORGANIZATION, in particular, some extra effort may be required to keep everyone working together across geographies and respective cultural norms. "The Chinese manager learns never to criticize a colleague openly or in front of others, while the Dutch manager learns always to be honest and to give the message straight. Americans are trained to wrap positive messages around negative ones, while the French are trained to criticize passionately and provide positive feedback sparingly," writes Erin Meyer in her acclaimed book *The Culture Map: Breaking Through the Invisible Boundaries of Global Business*.

To cope with the numerous types of misunderstandings such cultural gaps can create, Meyer, a professor at INSEAD, has developed a tool she calls a 'culture map,' a framework that differentiates between national cultures that operate along a number of different axes, such as cultures where people practice explicit and direct communication versus cultures where people prefer to operate more indirectly. Making those unseen barriers visible can go a long way to right a listing culture.

Round III
Reinventing

WHEN IT COMES TO REINVENTING an organization's culture, the message also matters, says Zach Mercurio, a researcher at Colorado State University's Center for Meaning and Purpose and the author of *The Power of Mattering*. He argues that the language used in management education has held back the formation of stronger cultures. Classifying managing people as a "soft" skill, for instance, has encouraged people to think it's of low value and not worth investing much time in learning. Mercurio worries that the fact we communicate in shorter and shorter bursts – think of the flurry of text messages and emojis that fill our days – means people spend less time learning to

BUILD YOUR HOUSE A new structure is only as good as its foundation. For global firms in particular, balance, skill and effort are all required to keep a solid framework from falling flat.

CULTURE

Round IV
Retelling

ANOTHER WAY ORGANIZATIONS have successfully changed their culture is by inspiring employees to look at their work in the context of a larger goal. For example, a 1989 advertising campaign by Tata Steel in India, highlighting the company's humanitarian works with the tagline "We also make steel," sought to refocus the company's identity on the goal of Indian development. "It brought a sense of pride to the nation as a whole and the organization in particular," writes Santosh Desai, a commentator on Indian consumer culture.

One anecdote that comes up in management talks about the value of taking a longer view involves John F. Kennedy asking a custodian what he did at the Cape Canaveral space center,

SET IT FREE
A solid yet flexible framework is one of the best hands a company can have. Play it with creativity and you can build a narrative that represents your culture and your purpose as far more than just a game.

in response to which the custodian said: "I'm helping put a man on the moon." It's a nice story in itself, but there's more to it. The janitor's outlook wasn't just his own, individual positivity. The space agency had cultivated the idea among all 400,000 people working on the Apollo project in the 1960s. "NASA had what was called 'ladders to the moon' etched on these blackboards in their facilities," Mercurio explains. "At the bottom, they had the monthly task group that the team, whatever team it was, was working on. The next rung up had a tangible, measurable objective that task was necessary for, and this ultimately led to how it would put a person on the moon by the end of the decade." He thinks it's an approach worth emulating. "You're not just telling people that they matter or telling people that they should buy into this big purpose. You're showing them indisputable evidence that the thing they're working on today has a measurable impact."

COMPANIES CAN USE THE STORIES they tell, and retell, to strengthen their culture. Angus Fletcher, a professor of story science at Ohio State University, says that in an organizational context, stories help people define both who we are and who we might become, by giving us a way to imagine how our capabilities and character will respond in a new time and a new situation.

Take Marc Benioff, the founder and CEO of San Francisco-based tech company Salesforce, who talks about its corporate culture using the native Hawaiian term for family, '*Ohana*. According to the company, it "represents the idea that families – blood-related, adopted, or intentional – are bound together, and that family members are responsible for one another." The term is prominently used in corporate materials, hiring drives and even for dedicated floors for events in the company's office buildings.

But the coming decade may prove challenging for corporate storytellers – indeed, for anyone trying to shape culture – as AI becomes increasingly

> ## "YOU'RE NOT JUST TELLING PEOPLE THAT *THEY SHOULD BUY INTO THIS BIG PURPOSE.* YOU'RE SHOWING THEM THAT THE THING THEY'RE WORKING ON HAS AN IMPACT."
>
> — ZACH MERCURIO,
> **Researcher at Colorado State University and the author of *The Power of Mattering.***

integrated into the workforce. Despite its advances, AI still suffers from a structural inability to create stories that aren't just rehashes of older stories, Fletcher argues, calling it "a glitch" that will limit its creative value. Other scholars have pointed out that AI can't empathize the way people can, an ability that constitutes a key part of innovation.

If the bots can't tell a good story and they can't feel, how will they fit into the culture? Better than you might think.

For one thing, human beings tend to play nicely with them. Hardwired for empathy, we tend to share, even with virtual creatures.

THE BOTS ARE PROVING to be surprisingly good teammates, too. A recent Harvard Business School study observed the use of AI by 776 veteran commercial experts and technical R&D experts at Procter & Gamble in a one-day seminar. The survey compared the creativity of four groups: people working alone, people working in a team, people working in a team with a GenAI member and people working alone with an GenAI member. Teams with a GenAI member outperformed all other categories, and almost all of the teams that created truly exceptional solutions tended to be teams working with a GenAI member.

Ethan Mollick at the University of Pennsylvania's Wharton School who studies living and working with AI thinks that the findings suggest companies should reconsider "team structures, training programs and even traditional boundaries between specialties." Or, in other words, embark once more on redefining their culture. If respectful and transparent collaboration within a defined group, whether purely human or augmented by GenAI co-workers, is the name of the game, then the cards of each company's culture deck have to be reshuffled and dealt again to create a lasting competitive advantage. ■

CULTURE

Takeaways

☑ **DEFINE YOUR CULTURE:** You may believe you have, but studies have shown a disconnect between what people at the top think and how people behave.

☑ **KEEP TAKING STOCK:** Culture is always in a state of flux, and it pays to realign it with changing goals.

☑ **REINVENTION CAN MAKE YOU STRONGER:** Global expansion and new technologies may mean that what once made sense may no longer be the case.

☑ **MAKE YOUR STORY UNIQUELY YOURS:** Workers at all levels want to feel that they are part of something bigger. Give your organization a purpose to believe in.

The virtuous Cycle

CULTURE

Company culture is like a fishbowl: transparent, contained and shaped by what you put in. Stock it with the right values and people, and it becomes a thriving ecosystem – fueling motivation, guiding strategy and drawing customers who want to dive in.

Words by GEOFF POULTON
Illustrations by CLARA NABI

ON A SCALE OF 1 TO 10, how weird are you?" This isn't the kind of question you'd normally expect in a job interview. But for Zappos, it's just one of the ways they ensure new hires are the right cultural fit. The online retailer prides itself on its quirky working environment. Its Las Vegas head office is filled with ball pits, massage chairs, aquariums and bright decorations. One of Zappos' ten core values – as chosen by its employees – is "create fun and a little weirdness." The company checks its employees are comfortable with being outgoing, creative and adventurous so they can thrive in its flat hierarchical structure. It even offers new hires money to leave if they don't feel it's right for them.

This isn't just some kind of gimmick. Successful organizations intentionally cultivate a culture that aligns with and supports their brand. Another one of Zappos' core values is "deliver WOW through service." Former CEO Tony Hsieh was convinced that happy employees create happy customers and traveled the world talking about "delivering happiness" through outstanding levels of service until his early death in 2020. For him, the equation was simple: "Our company's culture and our company's brand are two sides of the same coin."

ALIGNING YOUR CULTURE AND BRAND is fundamental to business success, says Jennifer Chatman, professor of management at the University of California, Berkeley. "You can't effectively represent yourself to the outside world until you have a strong sense of who you are on the inside. In other words, a brand is the external expression of an organization's values, priorities and behaviors, which are shaped by its culture."

Getting brand and culture in sync can produce significant benefits, making an organization appear more authentic to both its customers and employees. Connecting the two also provides focus and motivation across an organization, which increases efficiency and makes it easier for a company to move toward its vision. But culture shouldn't be prescriptive. In her book *Fusion*, brand leadership expert Denise Lee Yohn emphasizes the need to lay down guardrails that mark boundaries, not tracks that dictate behavior. Employees are human, therefore "your culture should produce unity, not uniformity, within your workforce," she writes.

While Zappos has very clear written definitions of how they do things, others take a different approach when aligning their organizational ⟶

culture with their brand. Luxury fashion house Hermès was founded almost 200 years ago, but over the last decade, it has nearly doubled its head count to 25,000 employees. This posed a challenge: How could the company maintain such long-established DNA during this period of rapid growth?

In a recent interview, Hermès' Group Human Resources Director Sharon MacBeath discussed the firm's reluctance to put their culture into words, in case it somehow "got lost." Instead, the luxury retailer places the emphasis on experience and apprenticeship. Long-time employees are committed to passing on technical and social knowledge to new colleagues, ensuring the company maintains its culture as it changes. Striking the balance between legacy and evolution can be a delicate act, particularly for long-established businesses. But maintaining flexibility is important, says Chatman. "While it's important to have a culture that is strong and strategically relevant, it must also be adaptable. Neither brand nor culture are one and done – you have to make sure you are allowing for a constant inflow of new ideas and creating the conditions for that to happen."

Chatman even has the numbers to prove the interconnection between brand value and healthy corporate culture. About a decade ago, she looked at 60 of the largest US-headquartered, publicly traded high-technology firms, quantitatively measuring the strength of each culture as well as how adaptive it was. She found that the companies that were the most successful by far were those with cultures that were both strong and adaptable. They did better on every financial metric Chatman's

CULTURE DRIVES COHESION

Employees who feel connected to company culture are:

4x
AS LIKELY
to be engaged at work

5.8x
AS LIKELY
to recommend the company as a great place to work

62%
LESS LIKELY
to feel burned out

43%
LESS LIKELY
to be actively looking for another job

SOURCE: GALLUP

team looked at over a six-year period. "I'm talking about a 15% revenue advantage for companies that had strong cultures that emphasized adaptation and innovation."

Comparatively young tech companies present a particularly interesting case. When Satya Nadella became CEO of Microsoft in 2014, he knew he had to make some serious changes. Once the home of innovative excellence, the software giant had become beset by bureaucracy, internal politics and siloed departments. After falling behind in key sectors such as mobile, gaming and social media, Microsoft was struggling. So he championed a more collaborative culture focused on "learning, listening and harnessing individual passions and talents to the company's mission," as he writes in his 2017 book, *Hit Refresh*. Terence Mauri, founder of the think tank Hack Future Lab, applauds that approach. His book *The Upside of Disruption* makes the case that "a culture that challenges assumptions and embraces new ideas and perspectives at all levels" is vital for innovation and long-term success.

Yet creating such a culture of curiosity isn't easy. "Most companies of 1,000 employees or more become cultures of conformity and compliance, stuck in bureaucracy," says Mauri. There are different ways to tackle this. He cites the pharma multinational Pfizer, which has quarterly "unlearning" initiatives in which teams from across the globe meet to identify the largest barriers to innovation within the company. "This doesn't just mean big-bang drug discovery, it's daily innovation – how to work with AI, how to approach productivity, how to communicate," he explains.

THE RESULTS AT MICROSOFT have been positive. The company has abandoned struggling projects such as mobile and become a market leader in cloud computing and artificial intelligence, thanks to a partnership with OpenAI. Under Nadella's leadership, its market capitalization has risen from around $300 billion to $3 trillion. In fact, an outstanding organizational culture has been shown to deliver better financial results. According to research by global workplace reviewer Glassdoor, stocks of publicly traded winners of its Best Places to Work award historically outperformed the US stock market in nine out of 11 years between 2009 and 2019.

To avoid the sort of cultural drift experienced by Microsoft before Nadella, companies should audit the connection between brand and workplace culture. Consider the interplay between a brand's

"NEITHER BRAND NOR CULTURE ARE ONE AND DONE – YOU HAVE TO MAKE SURE YOU ARE ALLOWING FOR A *CONSTANT INFLOW OF NEW IDEAS*."

— JENNIFER CHATMAN,
Professor of management at the University of California, Berkeley

purpose and its core values as well as how they are reflected in both the customer and employee experiences, recommends Yohn. If you engage employees differently from how you expect them to engage customers, there is a disconnect. Resolving this may require adjusting the organizational structure, the working environment, customer service approach, or even the products themselves. Company leaders need to make brand and culture the same conversation and be deliberate about both, adds Chatman. "They should be easy to understand and communicated at all levels of the organization."

COMPANY STRUCTURE CAN BE KEY in the brand-culture connection. Hermès may be a global organization, for instance, but it's also still a family business, accentuating its strong sense of history, continuity and tradition. Outdoor gear and clothing retailer REI, based outside Seattle, Washington, has a very different setup. It's a $3.53 billion business with 15,000 employees, but it's also a cooperative, owned by its 24 million members across the US. As such, community, respect and diversity are a core part of the company's brand and culture, as is a passion for nature, freedom and the environment.

REI was founded in 1938 by a group of climbers who wanted to help people get outdoors more. This simple purpose lives on today – rather than cashing in, REI opts to close its stores on Black Friday, for instance, encouraging employees and members to go outside instead. "Because they're owned by their members, they can think long-term and stay true to their purpose," says Curtis Kopf, who was REI's chief experience officer from 2021 to 2023. Kopf says REI's store workers have a deep and authentic background in the outdoors – many of them are long-standing members and customers themselves. This enables them to offer expert advice. "Ultimately, you can't fool consumers, and the brand is the culture you experience in an REI store." ∎

Takeaways

☑ **YOUR CULTURE IS YOUR BRAND:** When you have a strong sense of what your organization stands for, customers and employees alike will take notice.

☑ **IT PAYS TO ADAPT:** Companies with cultures that emphasize adaptation and innovation have been shown to have a revenue advantage of around 15%.

☑ **AUDITS HELP KEEP THE CONNECTION:** The interplay between brand and culture isn't static. Taking time to reevaluate and adjust is essential to ongoing success.

Tapping into tribalism

Leaders can shape corporate culture by harnessing the deep-rooted human desire to belong. Sending out well-timed signals to their community of employees – and customers – reinforces shared identity, prestige and precedent, says cultural psychologist Michael Morris.

Interview by FARAH NAYERI
Portraits by AMY LOMBARD

MICHAEL MORRIS

is a professor of psychology at Columbia who also teaches at the university's Graduate School of Business. He is a longtime adviser to corporations, NGOs, political campaigns and government agencies on issues around culture. His research focuses on how culture can influence how people interact, communicate and work together. Morris taught for a decade at Stanford University before joining Columbia University in 2001.

IN MODERN-DAY PARLANCE, the word "tribal" is often used to evoke rigidity, dogmatism and divisiveness. As an adjective, it is not one that conjures up visions of progress, harmony and evolution. And yet, that is exactly the word that Michael Morris, a cultural psychologist at Columbia Business School in New York, has chosen as the title of his new book.

In *Tribal: How the Cultural Instincts That Divide Us Can Help Bring Us Together,* Morris explains that human beings are naturally prone to join a "tribe" of like-minded people: a community, an organization, a company. The culture they share, and their loyalty to it, can be harnessed by leaders to bring about positive change and evolution and "lift a team to greatness," he argues. Leaders can transform a tribe, Morris tells *Think:Act* in an interview, "but it requires breaking the old culture before nurturing the growth of something new." →

Q.

Can you elaborate why you chose *Tribal* as the title of your book?

Some people bristle at the word "tribe." It's a really old word, and it came into other languages through being the label for the 12 lineages of Israel. Then it was translated, as the Bible was translated, and by Shakespeare's time, it was used to refer to the Scots, to New World nations, to the Aztecs or to the Jewish Diaspora in Europe. Only a couple of centuries later did the word "tribe" take on this pejorative connotation when you had the era of colonial expansion and this political pressure to dichotomize European civilizations from non-Western tribes. That pejorative connotation still lingers.

How did this academic term make its way into the corporate world?

Around the same time it became radioactive in anthropology and largely vanished from some academic fields, the word proliferated in popular parlance. And it is a word that companies use to describe their most dedicated customers – the Macintosh tribe, the Harley-Davidson tribe – and

their really dedicated employees. It seems to be the word, at least in English, that best captures the feeling of what it's like to be in a large community united by common ideas: whether it's a common aesthetic, a common definition or a common worldview. Living tribally is what makes us human.

What advice do you have for leaders on using tribal instincts to help their businesses and organizations grow and develop?

What's most relevant is that cultural change in your organization will happen organically, whether you want it to happen or not – but it won't always go in the directions that serve you. And you can orchestrate it by sending signals. There are three kinds of signals: peer signals, prestige signals and precedent signals. They are a really important tool kit to keep in mind when you're trying to shape the evolution of the culture.

Could you explain those three types of signals in more detail?

The first are peer signals. Controlling what appears to be prevalent is something that leaders can do, in part through what they publicize and what they facilitate. Prestige signals are another powerful lever: what people see as carrying status in the organization. They are things that you can control through whom you elevate, whom you platform, what accomplishments you showcase, whom you promote. You can shape the appearance of what carries prestige in the organization. Any behavior that you want people to do more of, you should try to send prestige signals around.

The final and least obvious one is that you can shape the future direction of change by sending signals about precedents: about the past. You may think of the past as fixed, but history is not fixed. History is rewritten every generation, and one of the best ways that leaders can gain legitimacy and buy-in for their plan is by showing people that this plan has some deep continuity with the collective past, with prior chapters in the organization's life. That gives people a feeling of meaning, because it helps them see that what they are going to do is following in the footsteps of prior generations whose legacy they are carrying forward.

You don't necessarily want to do these things all at once. When change initiatives fail, it's often because there are too many signals sent at the same time, and it's confusing to people. They don't know what to follow, and they become suspicious.

*CORE INSTINCTS
Morris met Think:Act
in May 2025 for this
exclusive photo shoot
at Columbia Business
School, where he
co-designed and
co-teaches the core
class that starts the
MBA curriculum,
called LEAD.*

"WHEN CHANGE INITIATIVES FAIL, IT'S OFTEN BECAUSE THERE ARE *TOO MANY SIGNALS SENT AT THE SAME TIME*, AND IT'S CONFUSING TO PEOPLE."
— MICHAEL MORRIS

What are some of the companies that come to mind when you think of a successful use of these signals to change both internal and external cultures?

One example that's on the top of my mind is Kodak. It essentially had a near-monopoly on the kind of film that would be used for amateur photography. But there wasn't much demand, because in the early 20th century, people thought of photography as a serious affair, better left to the professionals in their studios – going to get your picture taken was a thing you did a couple of times in your life. You had to get dressed up, and you had to sit there and have a serious expression and hold it for the camera. That was what Kodak was up against.

How did they change it?

They developed a cute and easy-to-use camera that they called the Brownie that was the 1900 equivalent of the first Macintosh computer. Then they gave it away to scout troops, YMCA groups ⟶

and young active people who would use it playfully in public. They sold it as a loss leader, so that people could afford it. They wanted people to see their peers take pictures in a more lighthearted way, then see the photographs that resulted from that. Kodak managed to change the tradition of what we're supposed to do when we're getting our picture taken, which is saying "cheese" and smiling. Now it's a deeply ingrained cultural norm: Americans have to try really hard not to smile for the camera.

What about cultural icon Apple. What was its approach to changing popular culture?
Apple's biggest influence was that Steve Jobs thought: I'm going to make a personal computer that looks like a Cuisinart and I'm going to make the liberal arts people of the world feel like the computer is their thing. Apple really changed popular culture through this idea that all sorts of people could be empowered in what they were doing. Steve Jobs called it a bicycle for the mind.

Which tribal instincts did Steve Jobs and then – by extension – Apple appeal to?
One thing that Apple thought a lot about when trying to socialize its products was that they wanted people to see other people using their products. When Apple's laptops first started coming out and becoming really widespread, the company had to decide whether to position the apple icon on the laptop so it was upside down for the person using it when they shut it, or for the person seeing it from a different table in the cafe. And they prioritized the person seeing it elsewhere in the cafe, because they wanted that person to say: "What's that cool laptop over there? Oh, it's an Apple!" They've been very aware that prevalence signals – what you see your peers doing – are an important step in normalizing a practice.

One of Apple's most successful ad campaigns that was explicitly tribalistic in its underpinnings showed an actor who looked a bit like a young Steve Jobs, a cool guy with long hair who looked kind of artsy. He was the Apple guy. Then they had a nerdy-looking comedian who bore a distinct resemblance to Bill Gates, and he was the PC guy. These two were like caricatures of the prototypes of the user: Do you want to be the Mac guy, or do you want to be the PC guy? Apple at the time were a smaller company, and they owned a certain segment of the market – the market for graphic designers, for video production, etc. They were very much speaking to

their tribe, and saying: "Don't switch, don't go over to the dark side." Even though, at that point in history, PCs cost about a third as much, and were in some ways superior technically, Apple was trying to keep the loyalty of their customers by making it an explicitly tribal issue.

You also mentioned a third instinct, appealing to precedent. Could you give a real-world example of how that works?
One company that does this really well is Levi Strauss & Co. Their jeans were developed during the Gold Rush, because regular pants weren't rugged enough for prospectors climbing all day. So, they used a riveter to put the denim together. They've kept their 501 product, and they've always had it, which shows the continuity back to the founder.

Gen Z doesn't believe in a lot of consumption. They want to buy vintage clothes – and they don't want to buy as much. Levi's has been able to say that the 501 is the ultimate sustainable product, because it was always built to be more rugged, and it's always been a hand-me-down product, which people reuse and recycle. Levi's can make something seem both trendy and traditional, which is usually the best way to sell something.
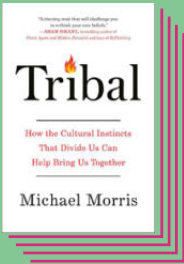
There must be examples where these attempts to appeal to tribal instincts have gone awry ...
Trying to impose cultural hegemony is always something that is resisted, to some extent. Take Bank of America – a lower-status consumer bank, but one that happens to be large – at a moment of crisis acquiring a very prestigious centuries-old investment bank like Merrill Lynch. The Merrill bankers were not going to readily adopt the identity of the bank that acquired them, including the Bank of America pins and logos.

In general, tribal thinking goes awry when people rely on the ideas of the culture inordinately, in a sort of unchecked way, and it leads them to make bad decisions that hurt the organization. What you want to do in an organization is have a healthy group identity so that your employees are glad they work for you and not for the competition, while at the same time learning from everything that the competition does and planning realistically about how to counter the things that the competition is doing that may be valued by consumers. Sometimes firms tend to derogate, to caricature the competition at those moments when they feel most threatened.

> "ONE OF APPLE'S MOST SUCCESSFUL AD CAMPAIGNS WAS *EXPLICITLY TRIBALISTIC.* DO YOU WANT TO BE THE MAC GUY, OR THE PC GUY?"
> — MICHAEL MORRIS

Tribal: How the Cultural Instincts That Divide Us Can Help Bring Us Together by Michael Morris, 336 pages. Thesis, 2024.

> "WHAT YOU WANT TO DO IS HAVE *A HEALTHY GROUP IDENTITY* SO THAT YOUR EMPLOYEES ARE GLAD THEY WORK FOR YOU AND NOT FOR THE COMPETITION."
> — MICHAEL MORRIS

You have also investigated how companies use flags, totems, coats of arms and logos – like MGM's lion, or Ferrari's horse – to shore up tribal loyalties.
Indigenous groups across the world all have this convention of totems. Clans have totems, and the totems are usually animals that humans interact with which are admired for something: the strength of the lion or the bull, the fierceness of the bear, the speed of the bird, the endurance of the camel. The same animals recur throughout history in totems, then coats of arms, mascots and corporate logos. That doesn't seem to be going away.

If you think of your arbitrarily constructed social groups – whether a corporation or a profession or a social club – as being like an animal species, then it inherits, in your mind, a lot of tacit qualities. You hear that when people talk about their groups. They say, "critical thinking is in the DNA at our company, and we can't not be innovative." ■

Takeaways

☑ **LIVING TRIBALLY MAKES US HUMAN:** Whether by a common aesthetic, worldview, hobby or profession, people bond through the idea of a shared identity.

☑ **SEND CLEAR SIGNALS:** Peer association, positive reinforcement and ties to tradition all shape groups, but keep the message simple to avoid confusion.

☑ **GROUP IDENTITY CAN'T BE FORCED:** Attempts to impose cultural hegemony will be met with resistance. Create something people are proud to be part of.

From flattery to feedback

Companies that welcome and value grassroots input in a systematic and thoughtful fashion achieve more than engendering honest debates. They create a better sense of employee buy-in and become more dynamic and successful down the road.

Words by **MEGAN TATUM**   Illustrations by **NADINE REDLIGH**
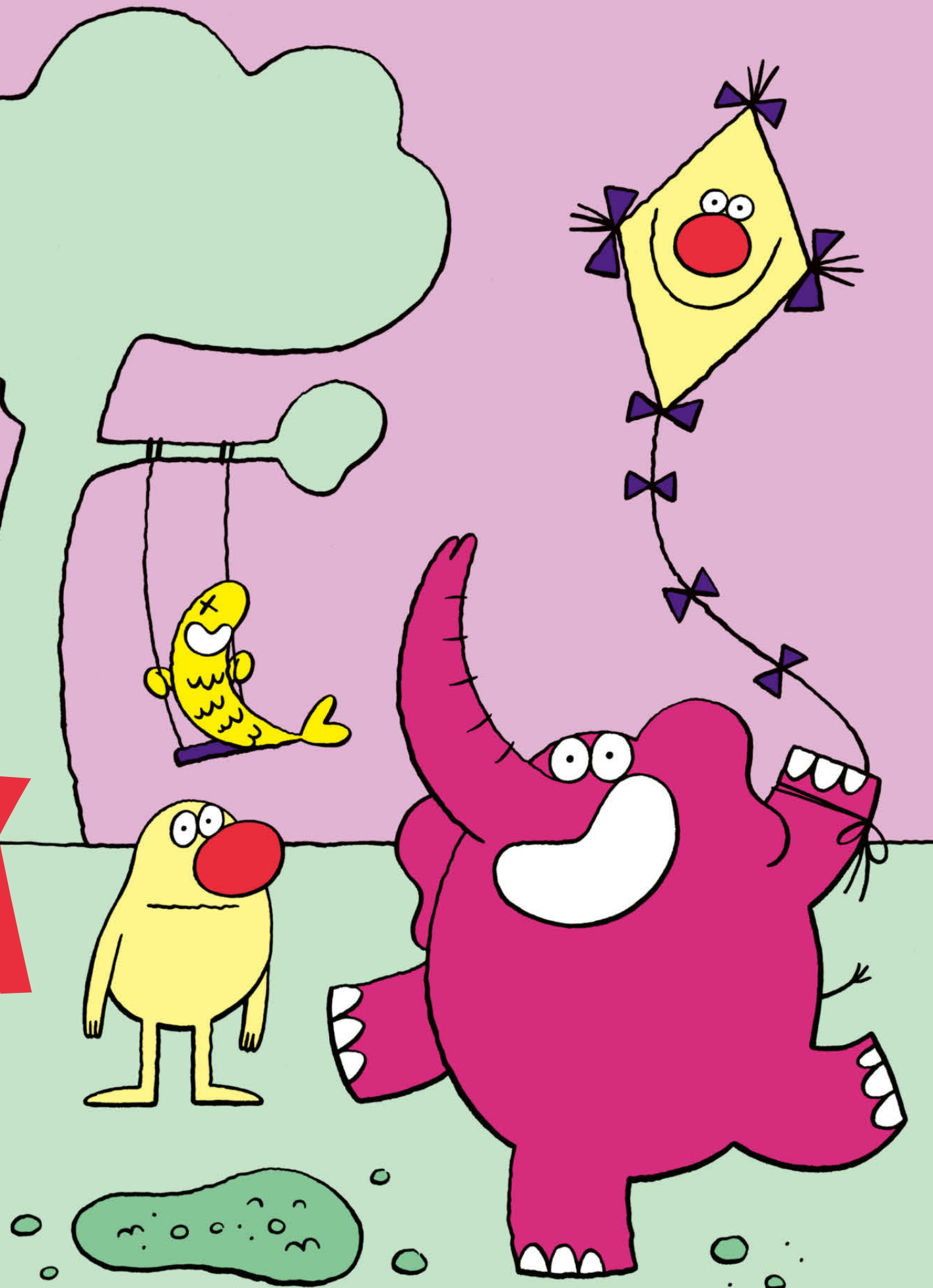
KIDS MESSING ABOUT in a playground: That was the blueprint for Lego Group's leadership team back in 2017 as it sought to reinvigorate its culture amid flatlining sales. Like children playing make-believe or scrambling up monkey bars, the Danish toy manufacturer wanted its teams to feel safe to take risks, speak up and experiment, a strategy it dubbed "the leadership playground." This wasn't some empty management rhetoric. Loren Shuster, the new-in-role chief people officer, established a cross-functional working group of 15 employees charged with articulating the new leadership principles and soliciting feedback from hundreds more employees. He then recruited volunteers from 1,200 teams to serve as "playground builders" and help embed the new culture they'd co-created. Eight years on and given Lego Group's incredible return to growth – it achieved record results in 2024, with revenues up 13% to around $10 billion – it's a testament to the power of opening up the corporate floor to grassroots contributors.

LEGO AREN'T THE FIRST to discover that. Former Red Hat CEO Jim Whitehurst has spoken openly about the culture of "vigorous debate" that set the US software firm apart when he joined in 2007, with engineers openly challenging leadership decisions in meetings without retribution. In 2009, Chief Talent Officer Patty McCord would sum up Netflix's values in a well-known "culture deck" that led with "radical honesty" – the idea that every single person within the organization, no matter their role or place in the hierarchy, could speak frankly and directly about what needed to change. And at Airbnb, so-called "Elephant, Dead Fish, Vomit" sessions are designed to promote "fearless feedback," encouraging teams to share issues (elephants), past mistakes (dead fish) and things they need to get off their chest (vomit).

But these examples remain the exception rather than the rule. At most workplaces, what Whitehurst dubbed "terminally nice" cultures persist where employees keep thoughts, ideas and criticisms to themselves. The bigger an organization gets, the more centralized all decisions become, says Karin Hurt, co-author of *Courageous Cultures*. "At the beginning, there's this very entrepreneurial, cowboy attitude of 'all ideas welcome,'" she explains. "But as organizations grow and they get clearer on their strategy, decision-making gets more centralized." That's a necessary evolution, according →

CULTURE

to Hurt. "You can't grow and have 200 people all providing input on everything. But there's a sweet spot where you get the clarity and the structure of decision-making and still tap into innovative ideas."

So, how do you achieve that balance? Being told she sounded "stupid" by Sheryl Sandberg while working as a Google executive was what led Kim Scott, who has also taken on the role of a CEO coach at numerous tech firms including Dropbox and Twitter, to reevaluate the value of frank, honest feedback at work – and write a book about it entitled *Radical Candor: Be a Kick-Ass Boss Without Losing Your Humanity*. For all that criticism can sting, Scott believes unequivocally that cultures that encourage "compassionate candor" make organizations more dynamic and successful. For one, that approach stops leadership from developing a blind spot. "Flattery will come at you like a thick dangerous fog, and the only way to burn through that fog and to find the lighthouse is to reward people when they tell you what they really think, even if it's hard to hear," she says. As Andy Grove, former CEO of Intel, has pointed out, while leadership may sit at the center of an organization, "snow melts at the periphery." Or as Scott puts it: "The big risk to leaders is ignorance. That they don't know what's really happening if people are afraid to tell them."

CULTURES THAT VALUE GRASSROOTS input also create a sense of employee buy-in, with the organization's mission becoming a shared one. This proximity between the mission of an organization and that of its employees, or "purpose congruence," creates "a very powerful force," says Maryam Kouchaki, a professor of management and organizations at the Kellogg School of Management. "It gets people motivated, more satisfied with their job and less likely to leave." She shares the metaphor of three bricklayers to illustrate the point. One says they're laying a brick, the second that they're building part of a wall and the third person: "when you ask them, they say we're building a cathedral." By imbuing an everyday endeavor with a bigger mission or purpose, the task itself may be the same, but the employee's perspective is transformed.

Additionally, in today's workplace, in which employees no longer stay at a single organization for life, developing less hierarchical, more reciprocal relationships reflects the reality of modern work and creates a win-win for employer and employee alike, believes Chris Yeh, co-author of *The Alliance:*

FROM THE BOTTOM UP

Some successful companies are rethinking how culture is built.

NETFLIX

In 2009, Chief Talent Officer Patty McCord put "radical honesty" first for Netflix's culture and – despite some high-profile scrutiny – it's remained a cornerstone at the streaming service, where staff speaks up and shares criticism (respectfully).

AIRBNB

When Airbnb laid off 1,900 staff during the Covid-19 pandemic, the candid letter sent to staff by CEO Brian Chesky – in which he shared behind-the-scenes efforts to stay afloat and outlined specific ways the organization would help its "alumni" find new roles – reflected the tech platform's open culture. It also encourages "fearless feedback" within its teams.

"THERE'S A SWEET SPOT WHERE YOU GET THE *CLARITY OF DECISION-MAKING* AND STILL TAP INTO INNOVATIVE IDEAS."

– KARIN HURT,
Founder of Let's Grow Leaders and co-author of *Courageous Cultures*

Managing Talent in the Networked Age. "We work at a job for a reason beyond just the paycheck," he says. "We want to accomplish something in our lives. We want to advance our careers. Being explicit about it means that employees are not drifting along, wondering where they're going or wondering why they're at the company. They always have a clear sense of purpose."

Yeh likens this more open relationship to an "alliance" that's been formed between an employee and a manager, at the center of which is a defined "tour of duty," or an agreed mission over which an employee is given ownership. "Everyone agrees on what the success conditions are, and everyone agrees on what accomplishing that mission will do for the employee and their career – and for the manager, employer or business overall," Yeh goes on to explain. "The goal is to make sure that as long as that employment relationship exists, the employee and employer are always very clear on

why and what they're working toward together, much like allies would when they sign a treaty of alliance."

At LinkedIn, former Senior Vice President of Engineering and Operations Kevin Scott would always open job interviews with the question: What job would you like to have after you leave LinkedIn? "The reason that question is so important is because it allows the manager to acknowledge the truth that normally we're all conditioned to hide, that the employee will not be there forever," says Yeh. It opens the relationship with honesty and encourages a job candidate to come back with the same.

Laying the foundations for a radically honest culture starts with psychological safety. First used by Harvard Business School Professor Amy Edmondson in the late 1990s, the term refers to a shared belief within any team that it is safe to take interpersonal risks, such as speaking up and sharing ideas, without retribution. That retribution
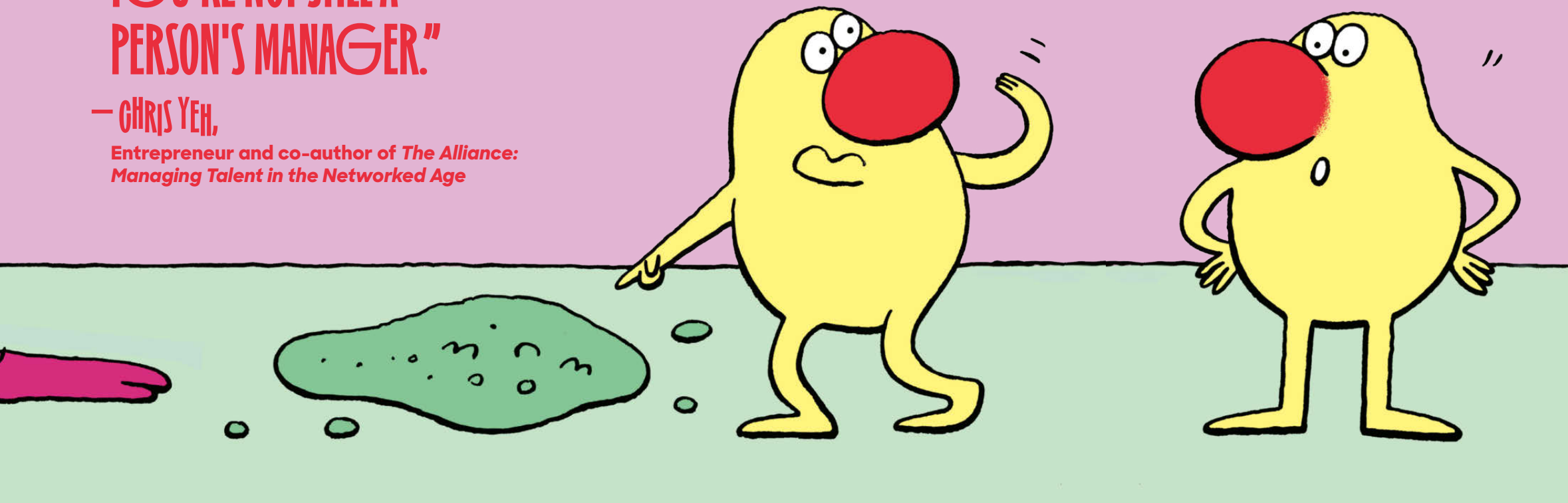
Courageous Cultures
by David Dye and Karin Hurt, 224 pages. HarperCollins Leadership, 2020.

needn't be as extreme as being fired or being carted off to jail, points out Tom Geraghty, founder and CEO of UK-based Psych Safety, a firm dedicated to fostering safety cultures. "It may be as seemingly minor as your boss rolling their eyes or tutting when they're brought an idea. That can affect us on a deep level."

IN SECTORS WHERE EMPLOYEE SILENCE COSTS LIVES, such as aviation and nuclear power, organizations have been quick to embrace the concept. After miscommunication contributed to the 1977 Tenerife airport disaster, in which two Boeing 747 aircraft collided on the runway, Crew Resource Management (CRM) procedures were quickly adopted by all major airlines. The shared training manual was designed to prevent communication breakdowns and ensure all crew and ground staff have the green light to share concerns. "One of the immediate realizations in aviation was the role of a steep power ⟶

"THE FACT THAT *YOU ARE AN ALLY* DOES NOT MEAN YOU'RE NOT STILL A PERSON'S MANAGER."

— CHRIS YEH,
Entrepreneur and co-author of *The Alliance: Managing Talent in the Networked Age*

LINKEDIN

The networking site pioneered the concept of an "alliance" between managers and their teams. The idea was to provide employees with a sense of agency that facilitated speaking up and taking ownership.

LEGO

Inspired by kids in a playground, Chief People Officer Loren Shuster created employee working groups to recommend new leadership principles and gathered feedback from thousands more staff members at the toy manufacturer.

BRIDGEWATER

Founder Ray Dalio encourages staff at the world's largest hedge fund to hold each other to account according to what he calls "principles." These include: "don't tolerate badness," "be willing to shoot the people you love" and "look for people who sparkle."

CULTURE

gradient, i.e. the difference in power between the highest-status and lowest-status person in the room," says Geraghty. "The steeper the difference, the less likely people are to speak up." By making small changes to micro-level interactions, leadership can effect a big psychological shift to create an open failure culture. That's why pilots will now introduce themselves to crew with their first name.

Employees also need what Karin Hurt calls "strategic clarity," or guidance where their ideas are welcomed and where they're not. "If you have high psychological safety, but people don't understand the strategy of where your business is headed, you're going to get a lot of ideas, but you're not going to necessarily get the remarkable ideas that you need," she points out.

To facilitate this, create clear, open channels of communication, recommends Hurt. In their research for *Courageous Cultures*, she and co-author David Dye found 49% of employees say they've not

The Alliance: Managing Talent in the Networked Age by Reid Hoffman, Ben Casnocha and Chris Yeh, 224 pages. Harvard Business Review Press, 2014.

been asked for ideas from management. Their advice is to tell people when you want their feedback and repeat this ask several times, ideally five times, in five different ways to get the message across. Managers should also be specific with the ask to avoid the unhelpful or esoteric, but also to make it easier for people to contribute.

At UK-based infrastructure firm Balfour Beatty, for instance, the firm's "My Contribution" initiative requests ideas through focused campaigns on strategic topics such as safety, "bouncing back" from the Covid-19 pandemic and sustainability. It says it has had more than 15,000 ideas shared by UK employees since it launched the initiative in 2015. In 2024 alone, it saved an estimated 53,800 hours and around $4 million in costs.

How leadership responds, however, is just as crucial. Listen, challenge, commit: These are the three pillars that Scott recommends that leaders deploy when framing their responses to employees

to balance encouragement with the top-down needs of an organization. Leaders should also offer any challenges they may have via "respectful disagreement" when an idea in its current guise doesn't work. "But before you disagree, think about what that person has told you," she says. "Find the 5 or 10% that you do agree with and give voice to that to show you were listening."

Hurt frames this as "responding with regard," for which she also has a three-step framework. "First gratitude," she says. "Now you're not thanking them for that specific idea because it might be a really wacky idea. But say thank you so much for caring enough about our organization to be thinking creatively about this. Thank you for raising your hand when that might have felt awkward. Then, information. You provide information about why that idea won't be used or if it's halfway there, what else you would need to have in order to make that a great idea." You need to ensure that you close the

loop too, she explains, flagging when a grassroots contribution spearheaded meaningful change. "Fifty per cent of the people in our *Courageous Cultures* research said the reason they don't contribute ideas is because they think nothing will happen as a result. Most of the time, it's just that that loop is not getting closed."

DONE RIGHT, A CULTURE OF "RADICAL CANDOR" isn't about erasing hierarchy or interpersonal boundaries. When three years ago Netflix fired three marketing executives for what it termed "grousing about colleagues" on Slack, the company was accused of undermining the culture of "radical candor" it had so espoused. But an open, honest culture isn't about giving employees free rein to act with "obnoxious aggression," points out Scott. "Listening to one person talk badly about another behind their back is just stirring the political pot and norms like that won't last if there are not consequences for violating them," she wrote in a LinkedIn post shortly after the incident hit headlines.

Yeh adds that "hierarchy is essential" and goes on to explain: "The fact that you are an ally does not mean you're not still a person's manager. The way we view the relationship is, be honest and treat the person as an equal in terms of entering into the alliance but preserving that notion of hierarchy. A lot of that falls upon the manager because the manager is typically in the position of power. It's up to the manager to create an environment where the employee is going to feel like they can thrive, where they feel like their objective is clear and where someone cares about their development."

A healthy culture that values input regardless of rank or role means creating the space, safety and strategic clarity for employees to innovate, experiment and speak up, but with boundaries in place that ensure that nobody – including the wider organization – gets hurt. Just like a playground. ◾

Takeaways

☑ **DON'T BE "TERMINALLY NICE":** Keeping thoughts, ideas and criticisms to yourself may be polite, but it won't help you grow or build a stronger organization.

☑ **CREATE WIN-WIN RELATIONSHIPS:** Employees no longer stay at one firm forever. Create the conditions for them to invest in the company and their own path.

☑ **YOU STILL NEED A LEADER:** Even the most critique-friendly culture needs guidance surrounding what's welcome, what's not and what ideas to push further.

Going on detox

Companies that prioritize growth at the expense of building a healthy culture risk turning into a toxic stew. Disrespectful, abusive and unethical behavior can sink a brand's reputation fast if leaders don't listen to their employees and measure change as it happens.

Words by GRACE BROWNE

Illustrations by JULIA KLUGE

IN 2017, ANNE MORRISS and her wife, Frances Frei, were happily living parallel lives as a married couple: Morriss as the CEO of a biotech company, Frei as a professor at Harvard Business School focused on organizational transformation. Their respective lines of work often overlapped and they often chewed on topics around corporate culture at the dinner table. "And then Uber called," Morriss recalls. The ride-hailing company was a mess. A high-profile sexual harassment case sprawled across the front pages of newspapers and reports of an aggressive "win at all costs" mentality were creating a public relations nightmare that equated Uber with rampant "bro culture," shorthand for immature, hypermasculine behavior.

In its crisis, the San Francisco-based company asked Frei to take a leave of absence from Harvard and come in to help clean things up. It was $\longrightarrow$

a leap of faith, but Morriss and Frei also saw it could be a powerful testing ground for the ideas around corporate culture they'd spent so long thinking about. Frei's newly created position at Uber was senior vice president of leadership and strategy and her approach was focused on rebuilding trust.

Uber had compromised its relationship with its employees, and part of Frei's work was repairing that. It started with rewriting the company's cultural values, with input from the thousands of employees. Frei also rolled out educational courses for the more than 3,000 managers across the company, teaching them how to communicate better. The founder and CEO Travis Kalanick was ultimately forced to resign following a shareholder revolt, which laid the blame for the ruthless and toxic culture at his feet. By the time Frei left in 2018 and a new CEO, Dara Khosrowshahi, took the helm, the previous challenges had become a thing of the past.

Today, Uber's catharsis stands as a cautionary tale, not only for Silicon Valley, but many other industries as well. It highlights the dangers of prioritizing growth at the expense of building and nurturing a healthy culture, as well as illustrates how difficult it is to fix an organization from within once toxicity has become the norm.

COMPANY CULTURE IS AN AMORPHOUS, difficult-to-define phenomenon, but many have tried to pin it down nevertheless. Management theorist Edgar Schein described it as "the learned, shared, tacit assumptions on which people base their daily behavior." For Morriss, "it's all the unwritten rules of work, and most of the rules of work are unwritten." She goes on to explain that "in an example like Uber, it really broke through and it revealed its importance." And the negative effects are undeniable and manifold: A bad company culture can tamp innovation, lead to high employee turnover and hamper productivity. It can even lead to outright illicit behavior as in the case of US bank Wells Fargo, where employees opened millions of fake accounts under the names of real customers in order to make their sales commissions quotas.

While Morriss was never technically on the Uber payroll, there was a lot of informal collaboration throughout the experience. When the contract with Uber ended in 2018, she and Frei contemplated a return to their previous lives – or to continue their mission to cleanse companies of their toxic culture. The two academics decided to team up and now run a consultancy business working with clients

"ASK TRULY EXCELLENT LEADERS WHAT THEY THINK ABOUT ALL DAY AND I GUARANTEE YOU *CULTURE IS IN THE TOP THREE* ON THEIR LIST."

— ANNE MORRISS,
Organizational change consultant and co-author of *Move Fast & Fix Things*

such as WeWork and Riot Games, have written three books and host a podcast for the TED Audio Collective doling out leadership advice.

In their new book, *Move Fast & Fix Things: The Trusted Leader's Guide to Solving Hard Problems*, a cornerstone of Frei and Morriss' advice is centered around the idea of trust. Morriss points to the example of Google. In the early 2010s, Google had become obsessed with a quandary they were facing: Why was it that, despite the fact they were hiring the best people they could get, when they were together on teams, only sometimes would those teams excel – and often they would not. To get to the bottom of the problem, Google started Project Aristotle, a tribute to the Aristotle quote of "the whole is greater than the sum of its parts."

Analyzing reams of data and sifting through the literature, the initiative sought out what made the perfect team. The project came to the conclusion that what mattered was not who was on the team,

THE TOXIC FIVE

1
DISRESPECT
A lack of dignity and consideration for others.

2
NON-INCLUSION
Discrimination against age, gender, race, disability, sexual orientation and gender identity.

3
LACK OF ETHICS
A prevalence of dishonesty and lack of regulatory compliance.

4
CUTTHROAT BEHAVIOR
Tolerance of backstabbing and ruthless competition.

5
ABUSE
A culture of bullying, harassment and hostility.

but how the team worked together and the norms which exist within that group. And the norm that came out on top? "Psychological safety," Morriss says. The concept of psychological safety was made mainstream by Harvard professor Amy Edmondson and posits that in order to thrive at work, people have to feel like they can speak up, share both ideas and concerns and admit mistakes – all without fear of repercussions.

For Charlie Sull, the supposedly amorphous nature of company culture was frustratingly obtuse. In 2020, he teamed up with his father, Donald Sull, a professor of practice at the MIT Sloan School of Management, to found CultureX. The Sulls wanted to take a data-driven approach to finding out what defines a toxic culture. "Pretty early on, we discovered that the biggest bottleneck to effectively managing the culture is effectively measuring a culture," Sull says – because if you don't know how to measure it, you won't know how to fix it. And even if you do enact changes that improve the culture, Sull adds, without accurate data, "you can't say for sure whether it's getting better."

THE INSIGHT BECAME THE FOUNDATION for a research project called The Culture 500. The father-and-son team analyzed over 1.4 million anonymous employee reviews from more than 500 of the largest employers in the United States posted on the website Glassdoor. They found that when employees mentioned certain features of a company – its agility, whether it had a collaborative nature, pet-friendliness – it would have a small impact up or down on the overall satisfaction reported in their Glassdoor rating between one and five stars. But there was a smattering of topics that, if mentioned negatively, "just completely tank the Glassdoor rating," Sull explains.

As a result, the Sulls have identified what they call the "Toxic Five" that will doom a company's culture. They consist of disrespectful behavior, abusive behavior, unethical behavior, cutthroat competition and noninclusive behavior, encompassing both gender and racial discrimination as well as favoritism. If these five shortcomings are mentioned by employees, they could bring reviews down by a full star, Sull says.

They also found in their research that a toxic workplace culture leads to far more staff turnover than bad pay. This became important during the Great Resignation – a cultural movement during the height of the Covid-19 pandemic in 2021 ⟶

and 2022 when employees were quitting in droves. Employers reacted by hastily creating better cultural atmospheres at their organizations to retain workers, often with mixed results.

Sull notes that now that the job market has shrunk and people are hanging on to their jobs, the appetite to improve culture has dissipated. "It's cyclical with the labor market," he says. "When employees are quitting a lot, then the leadership of companies really cares about this issue; they reach out to us about the employee experience to find ways to improve it." In 2025, though, prioritizing company culture has gone on the back burner for most companies. "We think it is misguided, but that's the situation right now," says Sull.

Morriss, however, is more optimistic. Among the organizations that she and Frei work with, roughly half of them are in crisis, such as Uber was. But the other half are just taking big swings, she explains. They appreciate how important culture is and therefore want to be deeply thoughtful about how to evolve it in a way that supports their new strategy. "If you isolate the leaders who are truly excellent and you ask them what they think about all day and what explains the performance of their organization, I guarantee you culture is in the top three on their list," Morriss says. And this concern is with good reason since a toxic workplace culture can have serious ramifications beyond the internal mood of employees, potentially jeopardizing public trust and irreparably damaging a brand.

TAKE AIRPLANE MANUFACTURER BOEING, which has been put through the public relations wringer for years. Disaster after disaster has torpedoed the brand's once stellar reputation. In 2024, people across the world were horrified when a fuselage panel covering an unused emergency exit door blew out on a Boeing 737 Max 9 plane mid-flight. It was one more in a long list of incidents, including two crashes in 2018 and 2019 that killed 346 people and the crash of a 787 in 2025 that killed more than 270 people.

Aside from mechanical and quality assurance issues, experts ultimately blamed a weak company culture. They point to the slow and steady shift internally at the company from one focused on innovation and design to one overwhelmingly focused on profit. The change is thought to have started following the entry of executives from another aircraft manufacturer, McDonnell Douglas, in the late 1990s. Since then, the emphasis on financial metrics led to a company culture of fear,

HOW TO FIX TOXIC CULTURE
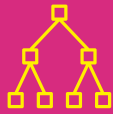
THE WILL

Improvement needs to come from the top. Executives need to understand what culture is, why it matters and commit to creating a good one.

KNOWLEDGE

Leadership must make an effort to capture the essence of company culture – and what tools can help improve it.

PSYCHO-LOGICAL SAFETY

Staff need to feel like they can voice ideas, questions or concerns without fear of negative consequences or humiliation.

documented by internal emails that came to light during various lawsuits and investigations. The concerns of employees went ignored, owing to a lack of trust and transparency in the organization's culture. As a result, fixing the culture at a company like Boeing isn't just an HR issue, but a much larger safety issue with implications for the millions of passengers that use their planes.

Channels of open dialogue are paramount to a positive corporate culture, says Neal Hartman, a professor at the MIT Sloan School of Management. "That includes being transparent at many different levels, including the idea that – regardless of your position in the organization – if you see something that you perceive is wrong or not going exactly as it should be, that you are comfortable bringing that up to the appropriate personnel."

It's a daunting challenge, as Boeing's current CEO Kelly Ortberg, who came on board in August 2024 to turn things around, admitted to employees

after a good six months in office. "The thing I wish I could change is how we deal with each other," he said. "We're very insular. We don't communicate across boundaries as well. We don't work with each other as well as we could." Yet changing the storied company's culture to make sure employees' voices are heard would be "brutal to leadership," he added.

WHAT, THEN, DOES IT TAKE TO TRULY TRANSFORM a toxic work culture beyond leaders announcing they know it needs fixing? Sull boils it down to two big factors: top-team prioritization and knowledge. If you're a low-level employee embedded in a toxic company culture, then making efforts to change things will be a losing battle. "There's this whole force of nature going against you," he says. "Culture is this systemic force that's affecting everyone." That's why change needs to come from the top. "Toxic culture isn't something that can be fixed from the bottom; it's not something that can be fixed from the middle. You need the executive team pulling all these different levers for culture in order to have an impact," according to Sull.

As for knowledge, leaders need hard data on what the culture actually is. "Once you have all those pieces of information, it becomes a lot easier to actually address this problem, and then you can measure it to see if it's getting better," Sull says. New AI tools are a welcome innovation since they can take an organization's pulse much faster, more frequently and more accurately than rote surveys employees dread filling out at regular intervals. A good company culture is often seen as a "nice-to-have," adds Morriss. But she and Frei view the matter differently, and rather as something essential: "It's this huge performance variable that will dictate the trajectory of your company. How fast you can go, how quickly you innovate, how much people trust each other." ∎

> ## "TOXIC CULTURE ISN'T SOMETHING THAT CAN BE FIXED FROM THE BOTTOM; YOU NEED *THE EXECUTIVE TEAM* PULLING DIFFERENT LEVERS."
>
> — CHARLIE SULL,
> **Corporate culture expert and co-founder of CultureX**

Takeaways

☑ **CULTURE IS UNWRITTEN, AND UNDENIABLE:** It may seem amorphous, yet a culture's effects are anything but intangible. Make sure it exerts a positive influence.

☑ **BAD CULTURE LEADS TO HIGH STAFF TURNOVER:** A toxic atmosphere will quickly lead to a lack of trust – and send your best staff looking for greener pastures.

☑ **GET THE HARD DATA:** Knowledge is essential to correct a toxic culture. Create open dialogue to get the information you need to address the problem.

CULTURE

CULTURE

Life's but a dream

By mixing modern consumer culture props with traditional indigenous objects, Bolivian photographer RIVER CLAURE transforms the barren Altiplano into surreal dreamscapes. The result is a vivid cultural tapestry where past and present are interwoven.

Photography by RIVER CLAURE

CULTURE

WHEN THE SILVER AND ZINC MINES in Bolivia's Potosí region were exhausted, the local population began to dwindle. Infrastructure crumbled. Many families then started to leave for the cities. River Claure's was among them when they decided to move to Cochabamba in the late 2000s.

Years later, the Bolivian artist returned with his camera and a project called *Warawar Wawa*, or "Son of the Stars" in Aymara. Working with locals who have remained in the highlands, Claure creates dreamlike photographs that allow his subjects to regain agency, reimagine themselves and reconnect with their cultural roots. "In my images, I try to do two things: to question in an unconventional way the established ideas about collective identities

WORLD OF WONDER
Taking inspiration
from Saint-Exupéry's
The Little Prince,
Claure's photographs
explore a magical
meeting between
the world of fantasy
and that of reality,
or perhaps, like
the famous quote
from the book, how
"what is essential is
invisible to the eye."

and to observe the cultural and historical mix of which we are all the result," he explains. The project earned acclaim at the 2024 Venice Biennale.

Claure draws on the Aymara concept of *Ch'ixi* – a gray color created when different colored threads overlap in communal weaving. His photographs similarly weave together tradition and global mass culture, the magical and the everyday. His approach centers on an unlikely muse: Saint-Exupéry's *The Little Prince*. In Claure's hands, the cosmic wanderer becomes a Bolivian child exploring the arid landscape in traditional dress mixed with a FC Barcelona soccer jersey, encountering other locals along the way. These carefully staged scenes challenge how the Global North has historically represented Bolivia through folkloristic photography. ■

ANOTHER PLANET
Claure's body of
work challenges the
dynamics of how
history and collective
identity in his native
Bolivia have been
shaped by images
largely produced in
Europe and North
America. He reframes
the narrative, much
like the planet-
hopping prince in
Saint-Exupéry's
book, through careful
observations and
playful interventions.

SON OF THE STARS
How does it feel
when we recognize
that our own image
has become a
symbolic creation
of identity, both
personally and
collectively? Claure
probes this question
through a series of
tableaux vivants
that offer nods to
Saint-Exupéry's tale
of the prince, from
the child traveler
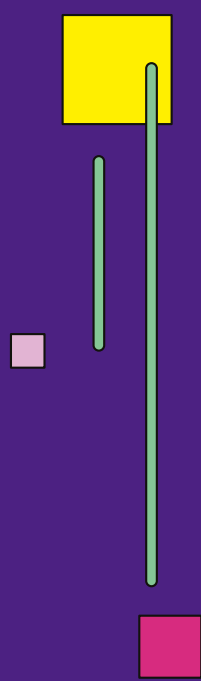to the rose that
called him home.

The culture add mindset

Today's workplaces must move beyond rigid office mandates and instead foster connection, inclusive hiring, lifelong learning and well-being. AI tools are key to balancing these shifts if work is to become more fulfilling and equitable.

Words by MEGAN TATUM   Illustrations by ANNE ALBERT

ON

of leadership. [But] we're still very caught up in short-term solutions, using frameworks that might have worked before but should now be obsolete. It's a misunderstanding of what has happened in the last five years to fundamentally change the workforce," she adds.

The pandemic sparked structural changes in how we work. Overnight, designated office spaces became optional, imbuing workers with new freedoms and flexibilities. Millions reevaluated their careers. Half of all employees surveyed in a 2021 US Catalyst/CNBC poll said they intended to make changes – triggering what was dubbed the "Great Resignation." At the same time, technology took on a transformative role. Not only were in-person conversations digitized on private Slack channels and video conferencing platforms, but leaps forward in generative AI turned bots into assistants, trainers and even therapists. Against this backdrop, cultures need to change or risk hemorrhaging
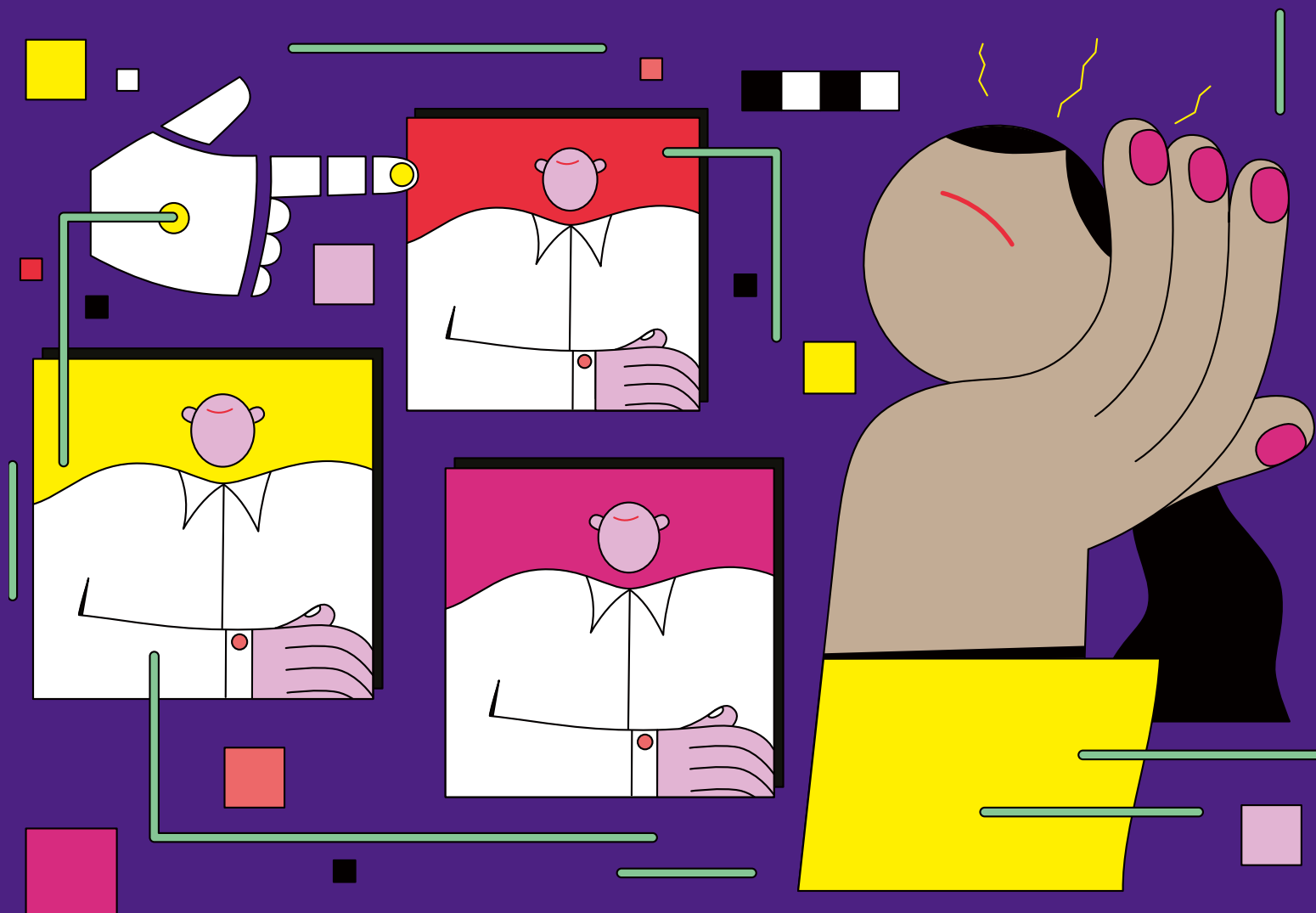
"THE HIRING PROCESS TELLS YOU WHAT A *COMPANY'S VALUES* ARE. IF YOU SAY YOU VALUE JOY, BUT THE INTERVIEW PROCESS IS PAINFUL, THEN YOU DON'T."

— ERIC STUTZMAN,
CEO at the Achieve Centre for Leadership and co-author of *The Culture Question*

talent. Half of HR decision-makers in the UK say employee retention is now their biggest challenge, according to a 2024 Ciphr survey.

If RTO mandates aren't the answer, how do HR teams go about creating cultures in this "new normal" with inclusion, connection, purpose and well-being baked in? And how heavily should they lean on the technology now central to our work lives to do so?

CULTURE STARTS BEFORE A PERSON JOINS the organization, says Eric Stutzman, CEO at the Achieve Centre for Leadership and co-author of *The Culture Question*. "The hiring process tells you what a company's true values are," he says. "If you say you value joy as a company, but the interview process is painful and dragged out, then you don't." From the language used in a job advert to the efficiency of the interview process, each touchpoint is a reflection of the organization's culture.

Inclusive hiring is a major piece of the puzzle, believes Ruchika Malhotra, author of *Inclusion on Purpose: An Intersectional Approach to Creating a Culture of Belonging at Work*. "You want to create a workplace where everyone feels like they belong and they can feel safe to speak up and take risks," she says. "That can only happen when managers and leaders understand and fully appreciate what it means to manage and lead a diverse workforce, to include people who have historically been left out, and to make sure that you create a culture where everyone feels like they can belong."

For Malhotra that begins by designing hiring practices that do away with tropes like "culture fit" – shorthand for sifting out difference. "We are hardwired to seek out people who remind us of us and who make us feel most comfortable and validated in our own identities," she points out. "As a result, we often sift out people who are perfectly qualified just because they don't 'fit' race, gender or other identity boxes. Our biases, our prejudices or 'gut feel' all come into those decisions because we're people." Instead, she encourages HR teams to adopt a "culture add" mindset, actively seeking out candidates who bring diverse perspectives and skills, as well disrupting subconscious biases.

Facilitating connection in a post-pandemic workplace is another crucial feature of a healthy culture leaving even the best-resourced HR teams stumped. But for Moss, rather than "using blunt instruments like RTO mandates, we need to be saying how do we create more team cohesion ⟶

ON SEPTEMBER 16, 2024, an email with the subject line "Strengthening our Culture and Teams" landed in the inbox of Amazon employees with a metaphorical thud. In it, CEO Andy Jassy kicked off with some good news on the growth of Prime Video and new investment areas. But then, buried 10 paragraphs in, came the kicker: From now on "our expectation is that people will be in the office outside of extenuating circumstances." For Jeff Bezos' successor, the Return to Office (RTO) mandate, as it became known, was a surefire way to strengthen the tech giant's culture. Five days in a shared space would reinvigorate communication, collaboration and creativity, he insisted. But for many of Amazon's more than one million staff, it proved deeply unpopular, sparking petitions, HR protests and many reportedly hunting for new roles. A poll of 2,585 Amazon workers one day after the memo by anonymous job review site Blind found 73% were thinking about resigning.

RTO mandates like Amazon's are symptomatic of how organizations are failing to adapt and evolve their culture to suit a fundamentally different workplace post-pandemic, believes Jennifer Moss, workplace culture expert and author of *Why Are We Here? Creating a Work Culture Everyone Wants*. "There are a lot of very institutionally baked tactics and strategies that have been hard to slough off," she says. "RTO mandates don't improve cohesion; they don't improve productivity. They're contrary to the goals

73% OF STAFF

The percentage of a sample poll of 2,585 verified Amazon employees who were considering resigning the day after the company issued a Return to Office (RTO) mandate in 2024.

SOURCE: BLIND

*PUT A FINGER ON IT
Is your hiring process the problem? If your culture has become one of nodding conformity, it may be time to consider how diverse skills and perspectives could be more valuable than a seamless fit.*

CULTURE

and team building into our regular cadence of work?" Currently, a lack of imagination on how to use the office in a hybrid work environment – with colleagues often side by side on Zoom calls or carrying out tasks without collaboration – means any time spent in the office is wasted. "There's nothing meaningful about the time you're spending in the office that builds up cohesion and that social and relational energy," says Moss.

Instead, she urges HR to reposition the office as the "third space" geared toward activities that proactively support productive working relationships. Rather than sit on Zoom calls at siloed workstations, host designated team-building activities on days when teams have made it in or set up "sprint work" sessions where they collaborate on a specific shared task.

Since 2020, Australian software firm Atlassian has called this approach "Team Anywhere," with staff logging on from some 10,000 different locations. At the same time, it encourages its workforce to make use of 12 global satellite offices to connect with its senior leadership and to collaborate cross-functionally. The company says it intentionally brings entire teams together in person three to four times per year and ensures each gathering has a clear purpose. Its research has found this has a far greater impact on culture and connection than regular office attendance – with a boost that lasts up to five months.

ANOTHER CROSS-GENERATIONAL PRIORITY found in the workplace is purpose, making it another cornerstone of any thriving culture. One-fifth of workers have said they've considered quitting a job they didn't find meaningful enough, according to a recent poll by recruitment firm Adecco – and three-quarters of large employers agree that purpose is strongly connected to staff retention. Old employer-employee dynamics, in which reciprocal loyalty created a sense of shared purpose, have been eroded, believes Gianpiero Petriglieri, associate professor of organizational behavior at INSEAD. In their place, employers need to provide fulfillment in new ways.

For Petriglieri, this should be via the creation of a culture of lifelong learning. "There's an understanding that the less loyalty you offer, the more you must promise learning because people need to feel they are still looked after," he says. Different learning models provide different benefits. Perhaps the most common is instrumental learning, which

"IF WE WANT TO BUILD THE GREATEST CULTURES, WE NEED TO LOOK AT THE *PSYCHOLOGICAL BARRIERS*. THAT INCLUDES TIME FOR PEOPLE TO LEARN ABOUT AI."

— JENNIFER MOSS,
Workplace culture expert and author of *Why Are We Here?*
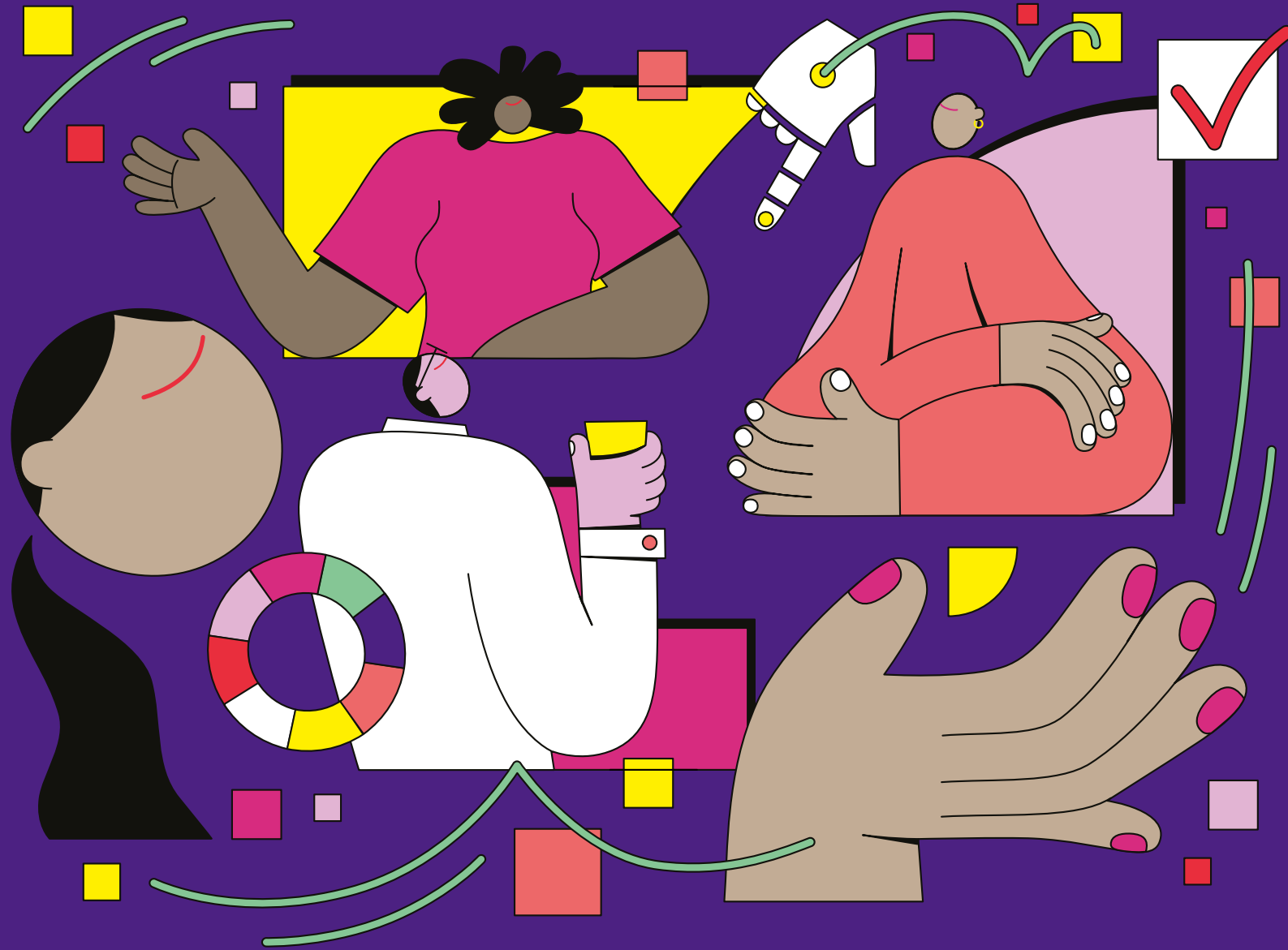
refers to a defined competency model against which you assess teams and identify gaps. "You provide them opportunities for deliberate practice, which allow them to close the gap between their current state and the desirable standard you set."

Over-index on instrumental learning though and you risk a culture that becomes "too stuck, too ossified around the norm," he warns. Which is why a second mode, humanistic learning, encourages teams to diverge their skills from the norm. "There is constant invitation to discover or develop alternative ways of seeing the world. It's learning that doesn't foster incorporation. Instead, the primary goal is individuation."

If the concept of well-being has typically been an HR exercise, then in the post-pandemic landscape, it has also become a critical part of how employees evaluate culture. This isn't about "novel and imaginative benefits," says the latest annual report by the O.C. Tanner Institute, which develops

TECH ON THE TEAM

How AI can help with hiring and workflow

THE AGENT

A "general AI agent" such as Manus "can orchestrate complex, multistep research processes while you focus on higher-level decisions."

THE RECRUITER

The MyCulture.ai tool helps assess candidates based on their alignment to a set of predetermined cultural values.

THE MICRO-MENTOR

ScultureAI provides advice or suggests small behavioral tweaks during a team's digital micro-interactions.

customized employee recognition solutions. What's missing is "the communication of care," a holistic approach to well-being that encompasses mental, physical and emotional health care – an approach it dubs "generative care." Its research has found that when employees are satisfied with the tangible and intangible benefits provided by an employer, they have a greater sense of thriving at work (+759%), a higher sense of purpose (+422%) and deliver higher-quality output (+285%).

This rings true for Stutzman. "A manager's job is to understand who you are in your full complexity and create conditions in which you can thrive," he says. "It's not about having a sleep pod in the office or a great coffee machine. True well-being is when I can say: 'Are you OK? What's happening with you at home? What do you need at work to be able to thrive today?'"

This shift in the workplace well-being dialogue has triggered new questions around the duty of employers in areas such as women's health, as well. Companies like Adobe, Bank of America and Bristol Myers Squibb now offer menopause-specific support, including access to medical advice, paid leave and hormone replacement therapy coverage.

A GROWING SUITE OF APP-BASED TOOLS reflects these changing attitudes around the commercial and ethical benefits of workplace well-being. In early 2025, for example, UK-based employee portal Unum launched a new app-based service that connects both employees and their families with access to medical support at the touch of a button, including up to eight consultations a year with mental health experts. Organizations that embed mental health-specific platforms like Wysa meanwhile can provide employees with 24/7 access to therapeutic AI chatbots. The tech platform, which directs users to crisis hotlines where appropriate, says its solution can significantly alleviate the symptoms of depression and anxiety by up to 40% using AI-based services alone.

Many mental health apps provide care via a larger hub that bundles various tools and resources, often including an AI chatbot to steer employees to explore the benefits available to them, as well as employer dashboards on the backend. It's part of a swathe of innovations leveraging technology to deliver culture add services to employees and employers at scale in a newly digitized landscape – be it AI recruiters analyzing for "culture fit," technological platforms designed to facilitate ⟶

in-work learning, such as Google's peer-to-peer learning (g2g), the AT&T Future Ready Initiative and the Adobe Kickbox program, or therapeutic platforms like Wysa.

ON WHETHER THEY ENHANCE OR HINDER the cultural shifts required from HR teams, there is division. In recruitment, for example, there is some evidence that AI tools have their place. L'Oréal's deployment of an AI chatbot to liaise with applicants, for example, has reportedly resulted in 92% of candidates expressing satisfaction with the process. But there is also now a buzz around AI tools that go one step further and analyze CVs, social media profiles and interview scripts to predict how seamlessly a candidate will fit into company culture, thereby running the risk of creating more conformity. "AI is designed by a very small subset of humans, and has been encoded with a lot of the same biases of these humans," cautions Malhotra.

Yet for Sam Ransbotham, professor of analytics at Boston College's Carroll School of Management, "there's so much untapped potential" in technological tools. "Most of the time when people think about machine learning, they think about teaching the machine to do something," he says. "There are a lot of improvements that can go the other way, where we learn from and with the machines. The ability to learn at scale is unprecedented." Petriglieri is reserving judgment, however. "For me, the question is, do these technologies work with you, or do they work on you? And if a technology is working on you, it's a control technology, it's not a learning technology."

Moss urges organizations to take this "hygiene first" view when it comes to embracing the likes of AI to help plug any cultural gaps. "If one in two workers are feeling anxious about AI, the idea of AI fixing their anxiety feels tone-deaf," she is quick to point out. "If we really want to build the greatest cultures, we need to look at the psychological barriers holding people back." That includes "making sure that there's time and space allocated for people to learn about AI."

Digital anthropologist Giles Crouch agrees that the addition of technology requires careful forethought by HR teams. "When you introduce a new technology, it's going to have an impact on the culture," he explains. "Bringing a new artifact into the organization is going to change power structures and change desired outcomes. If you don't understand that at the start, if HR hasn't developed
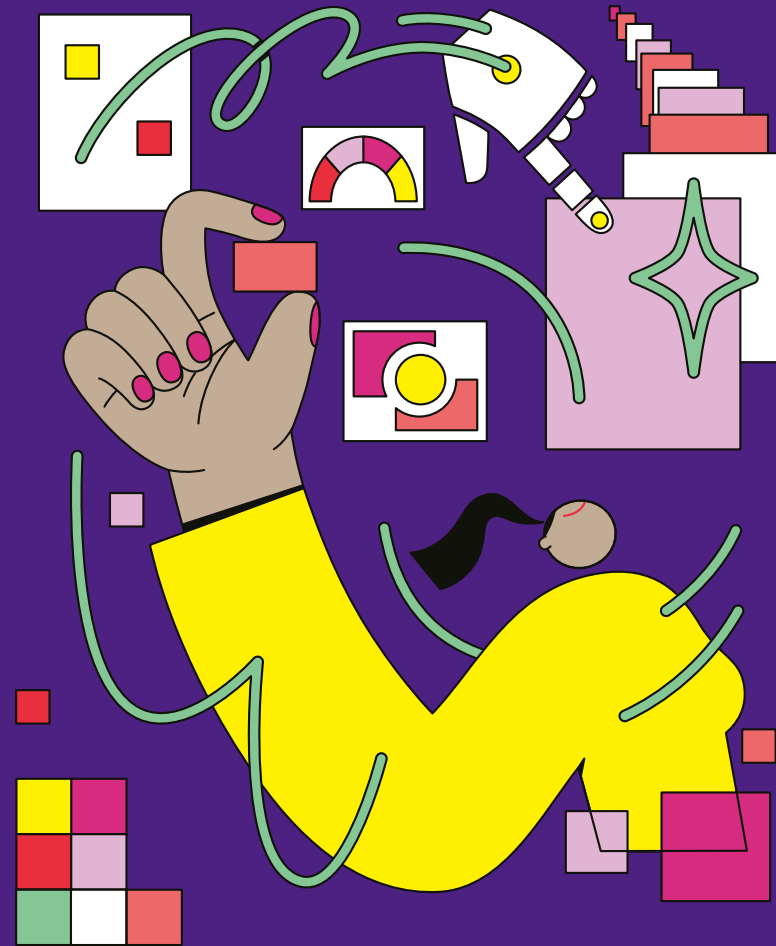
*A HELPING HAND
While AI tools can certainly enhance the work of your HR team, it is important to keep an eye on the technology. Is it operating with biases that analyze candidates into boxes, creating even more conformity, or is it working to facilitate a more balanced culture?*

a system to deal with that, that's when you're going to run into problems down the road." In other words, though a pushback to old cultural practices will undoubtedly meet resistance – as Amazon discovered in 2024 – hurtling teams forward to a technological future they're not ready for could end up having the very same effect. For HR teams going forward, it is about finding the balance. ∎

Takeaways

☑ **SEND THE RIGHT MESSAGE:** Prospective employees want to know what your organization is about before day one. The hiring process is your first communication.

☑ **APPROACH WELL-BEING WITH INTENTION:** While better coffee is a perk, a culture based on fostering real purpose and communication is one that will thrive.

☑ **TECH IS JUST A TOOL:** AI can be integrated into processes from hiring to daily workflow, but keep humanity in focus. Your people are your best asset.

"IF YOU DO NOT MANAGE CULTURE, IT MANAGES YOU, AND YOU MAY NOT EVEN BE AWARE OF THE EXTENT TO WHICH THIS IS HAPPENING."

— EDGAR SCHEIN,
Business theorist and organizational psychologist

Wide angle

Making a plan

Shellye Archambeau set her sights on becoming a CEO when she was 16. As the first senior Black female executive to represent IBM abroad and later lead a Silicon Valley company, she believes it pays to be unapologetically ambitious, set a clear path in life and keep pursuing diversity goals.

BY **Steffan Heuer**   PHOTOS BY **Ysa Pérez**

WISHES THAT COME TRUE very often unfold in ways quite different from what we imagined. That's what long-time IBM executive Shellye Archambeau experienced when she received the call to become CEO of a Silicon Valley-based tech company right after the dotcom bubble burst. She quickly discovered that a lifetime of facing adversity since attending an all-white school had prepared her well. "It was the early 2000s, and Silicon Valley is on fire. I get there and there's innovation, creativity – I just assumed it was also going to be pretty diverse. Actually, there weren't many women or minorities leading things. I thought to myself: Here we go again in terms of pushing through anyway." What made the difference time and again, Archambeau tells *Think:Act* in an interview, is to plan your career and life moves early and then evaluate constantly – and course-correct as needed.

*ALWAYS FOCUSED Taking a moment away from her busy schedule involving multiple board roles and speaking engagements, Shellye Archambeau met **Think:Act** for an exclusive photo shoot to accompany this interview.*

You compare going through life and achieving your goals to the job of a pilot – setting off with a clear destination and flight plan. When is the right time to define those goals and the way to get there?
It's never too early to plan and it's never too late. If you don't have goals or an objective in mind, then I don't know how you can optimize the decisions that you make every day. Having a goal in mind helps you focus your energies to actually improve your odds to achieve it.

Not many kids in high school come up with a clear career goal, let alone to become a CEO, like you did. What prompted you to reach so high, and so early?
I realized early in life that the odds just weren't in my favor to get the things that I might want. So, I became very intentional in terms of figuring out how to make it happen. Combine that with a fateful conversation with a high school guidance counselor who asked if I wanted to go to college ⟶

and what I wanted to do after college. I had no idea. I just wanted to make enough money to keep my thermostat at 72 degrees, eat out in restaurants and travel, because those are all things I couldn't do as a kid. She asked me: "What do you like to do?" I said: "That's easy. I like all my clubs in school." I was in everything – and I liked to run them. She told me clubs are like business: You pull people together; you get things done. When I found out the people that ran businesses were called CEOs, I told my parents, at 16, I want to be a CEO. But honestly, I had no idea what that really meant.

You didn't just want success in business, but also marriage, children and a good lifestyle. Aren't there opportunity costs incurred by planning everything versus exploring interests and passions?
When I said those were things that I wanted, that was back in the late 1970s, early 1980s. And when I looked around, CEOs were men with stay-at-home spouses. I realized I needed to find a person that was going to be my life partner and who would be willing to support my career. So, I made a little list of things that I looked for as I was dating. I found a man who I was absolutely in love with, and he was absolutely willing to support our family and me. If I hadn't been intentional about that, I think it would have been even harder for me.

Regardless of the industry one chooses, you offer one very specific piece of advice: "I don't care what you want to do in life, the best first job is a sales job." Can you explain?
To this day, I use more of the skills that I learned in sales than any other job I have held. First of all, a sales job is basically coming up with solutions. You learn how to create win-win situations. You learn how to read the room and understand where the power really lies. You learn that "no" doesn't mean "no." It means something's not right – the price, the time, the level of authority. By getting "no's," you get the opportunity to find out how you can fix it. You also learn how to create teams where people want to work for you and help you.

Right after finishing your undergraduate degree at the Wharton School of Business, you joined IBM. Is a large corporation still the best way to lay the foundation for an executive role, and perhaps even skip an expensive MBA program, like you did?
It depends on what kind of leader you want to be. If you want to become a leader of companies at

⊙

Shellye Archambeau
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has turned her life story, as a female African American senior executive and later CEO and board member at a Fortune 500 company, into a call to action for other women.

The daughter of an IBM employee, she earned an undergraduate degree at the Wharton School and started her career at IBM. She left for California in 1999 to run e-commerce at Blockbuster, trying to steer the movie rental chain into the digital age, before taking over the reins at Silicon Valley startup Zaplet in 2002. Successfully resurrecting the company under its new name, MetricStream, took 14 years. Today, Archambeau focuses on various board roles and speaking engagements.

scale, then large companies offer great learning opportunities on how you manage and develop people. I spent half my career in large corporations and half my career in startups. And that combination, I think, is terrific. Can you do it either way? The answer is yes. But it is harder to move from running and building entrepreneurial companies to actually going to run and lead a company of huge, global scale.

During your 15 years at IBM, you eventually became the first Black female executive to be assigned abroad. What was the main learning you took away, especially from this posting in Japan?
I had developed a lot of skills as a minority in the US that really jump-started me when I went abroad. As a Black woman, especially in technology, I know that when I show up in a job, people will look at me and think: Does she really deserve this role? Is she really capable? I'm going to be second-guessed. Therefore, I've always learned how to take on a new role and work through all those issues. When you live in a different country, it's almost the same thing. Who are you? Why do you think you belong here? If you didn't have that experience before, it's a shock that all that you've done doesn't naturally come with you as a pedigree.

Your initial life goal was to become CEO of IBM. Why did you eventually decide to leave the company where your father had already worked and move to Silicon Valley?
It was the hardest decision I've made to date in my career. I kept getting signals that indicated I'm not sure I'd really have a chance to compete for the CEO role. It felt like I was born and raised in IBM – all my friends were IBMers and I was married to an ex-IBMer. Leaving was like leaving a family, but my drive to be a CEO outweighed it. I needed to go someplace else to be able to make this happen. I had led big organizations with tens of thousands of people and billions of dollars and knew how to work that. Why go to another big company instead of taking all the learnings to help build something?

You finally arrived in Silicon Valley, right after the dotcom bust, became CEO of a small company that was in dire straits and you spent the next 14 years turning it around. MetricStream is still alive. What gave you the confidence you could pull it off?
I'm a very determined and competitive person. I believed that if we pulled together the right team

and we found the right problems to solve, we could make this work. My favorite part about being a leader is showing people that they can do more than they think they can do.

The title of your book, in which you recount all of these experiences, says it all: *Unapologetically Ambitious*. Do you mean that women and minorities are given the feeling that they need to apologize for being ambitious?
I can't tell you the number of times I – and others – have been told: "Oh, you're ambitious!" And it's not meant as a compliment... Think about that. You would never raise your children, tell them to work hard, get good grades, show leadership, be involved but, oh, don't be ambitious? Women are raised to apologize to make the rest of the world feel better. We apologize to smooth feathers and show empathy. Apologies make things go smoother, but we have to stop doing it, because when we apologize all the

Unapologetically Ambitious. Take Risks, Break Barriers, and Create Success on Your Own Terms. by Shellye Archambeau, 288 pages. Grand Central Publishing, 2020.

time, people think we actually are sorry and we actually are responsible. I say "unapologetically ambitious," because it's okay to be ambitious. Ambition is not a four-letter word. Ambition doesn't mean "take no prisoners, step on people, do whatever it takes." That's just being rude.

Being successful often depends on mentors. What are your thoughts on how to find the right people to be your mentor?
Mentors are critically important. Studies show that people who have mentors go farther faster in their career. Now, finding mentors is a challenge. I learned two things early on. Mentorship does not have to be formal and you can have multiple mentors. So, I spent the rest of my career adopting mentors. If I asked somebody to be a mentor, their eyes would get a little wide. Many people don't want to commit to this.

Then how do you sway them?
Well, I just started treating people like mentors, asking them for a little advice that only takes a minute. Hey, I've seen you present, and you do a really good job. I have a presentation coming up, can you give me just two quick pieces of advice? They wouldn't even have to think about it. I'd take the advice and then come back a few weeks later. Thank you so much, it helped me give the best presentation so far. You probably don't remember even giving me the advice, because it was no ⟶

> "Ambition is not a four-letter word. Ambition doesn't mean 'take no prisoners, step on people, do whatever it takes.' That's just being rude."
> – Shellye Archambeau

investment on your part. And now you get this "thank you note" and your heart feels warm. The next time I reach out, we start building a relationship. Before you know it, you're mentoring me – and you never even signed up for it.

Executives need to know what they are good at and – as the common wisdom goes – iron out their weaknesses as well. You beg to differ and favor strengthening one's strengths. Why?
You become known for your strengths, and it's those strengths that cause people to invite you to join their team or get you promoted. Don't spend time trying to strengthen a weakness, because it's going to take so much time and effort for marginal improvements. If I have a strength, I'd spend an extra two hours working on it. Watch your weaknesses so they aren't detractors, sure, but don't spend time trying to turn them into strengths.

Ambition comes with the burden of being pushed into roles where we don't feel comfortable yet. We can all suffer from impostor syndrome under those circumstances. In your experience, what's the best way to deal with it?
Impostor syndrome is a mindset issue when you basically feel like you don't deserve something and fear that people will figure out you are a fraud. It can haunt people who are very skilled and very talented, especially women. I don't know if you can ever overcome it, but I think you can learn how to work through it and manage it by realizing that most people suffer from it. It's not you – it's kind of in the air. And always remember: Others wouldn't ask you to do something if they didn't believe you could do it. If you can't believe in yourself, believe them to pull you up.

Much more so than men, women often face the dilemma of feeling they have to choose between having a career and a life. The standard answer is to seek a work-life balance. What's your take on this after a lifetime in management roles?
I really don't like the term "work-life balance," because a balance is a fixed structure with two weights on either side that never move. But life isn't static. I think we should think of it as "work-life integration" instead. What are your personal and professional priorities? You put those two things together, and then you reprioritize ruthlessly so that you get done what's important across your life. That approach allows you to ebb and flow with your

AN EYE ON IMPACT Whether finding a balance between her personal and professional goals or moving forward in the face of adversity, Archambeau has remained steady in her mission to create the conditions for herself and others to thrive.

"To me, diversity starts top-down. A lot of it comes down to leadership, execution and the focus of that intent. It's not about words."

— Shellye Archambeau

life. There'll be times when it's all-in at work, but there are also periods when other things are much more critical.

The Wall Street Journal **crunched the numbers for S&P 500 companies diversifying their management since 2020. The verdict was: "Corporate diversity pledges and DEI haven't generated much diversity." In 2023, one in 20 senior managers was Black – less than half the share of Black workers in the broader US workforce. Have those efforts and programs moved the needle at all?**
It's really hard to talk about broad averages in terms of how companies have approached it. A lot of companies have absolutely improved their overall diversity. There are also companies that have put programs in place that haven't been effective. What I do know for sure is that boardrooms are much more diverse than they were 10 years ago, both from a gender as well as a racial standpoint. To me,

Most senior managers are still white men

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50%

The share of senior and executive manager positions held by white men at S&P 500 companies in 2023, down 5% since 2020 amid wider DEI policies.

26%

The share of senior and executive manager positions at S&P 500 companies held by nonwhite men and women combined in 2023, up 4% over 2020.

+1%

The increase in senior and executive manager positions at S&P 500 companies held by white women in 2023 over 2020, for a total of 24%.

SOURCE: THE WALL STREET JOURNAL

diversity starts top-down. A lot of it comes down to leadership, execution and the focus of that intent. It's not about words.

The pendulum seems to be swinging back violently. Many companies have removed DEI language from their mission, vision as well as corporate culture documents. Does this worry you?
I am very disappointed that DEI has become a political hot potato and, given that fact, companies don't want to draw unnecessary attention and targeting. They seem to think if these are lightning rod terms, then let us change the words we use so we don't get any unwanted attention. Some companies are absolutely pulling back, but I will tell you definitely not all. They might be changing words, but in terms of how they operate their companies, they're doing it in the same way. Study after study after study has shown that the more diversity in a team or an organization, the better the overall performance, because different people bring different perspectives. Companies aren't going to automatically get rid of all that, but they are absolutely being forced to figure out how to operate within the current political climate.

You had laid out phase two of your life plan, beyond the career, in which you wanted to travel and spend more time with your family. Unfortunately, you lost your husband. If you could rewrite it all, in hindsight, would you have moved up the family part?
I wanted to be a CEO, and I hit that by 40, then I became a board member at 43 and got on a Fortune 500 board by the time I was 50. My honest answer is, no, I wouldn't change it. If I had changed anything, it would ultimately change where I ended up. Although I've had hardship and tragedy, I've had wonderful things as well, and overall, I'm happy with my life. I remember a conversation with my late husband. We fought his cancer for 10 years, and probably five years in, he got to a really bad point and I told him I thought I needed to step out to be able to support him. He couldn't walk, he's lying in bed, just skin and bones. And he looks at me, and says: "We agreed to live life. If you step out, then what the hell am I fighting for?" ∎

Available online
Discover the bonus video interview with Shellye Archambeau:
thinkact.rolandberger.com/en/archambeau

Preparing for the quantum leap

After much anticipation, this brave new world of computing appears to be finally ready for real-world applications. As hardware and software improve, companies across many industries are exploring quantum's business potential to gather practical insights and be prepared once the technology matures.

BY *Gary Andrew Poole*

*A PALM-SIZED POWERHOUSE
In February 2025, Microsoft announced the Majorana 1, the first quantum chip powered by a new topological core architecture, which it says offers a clear path to fit a million qubits on a single chip that can fit in the palm of one's hand.*

WHEN IT COMES TO TECH, predicting the future and whether or not an innovation will amount to anything is risky. Some technologies succeed, others fade and sometimes one leapfrogs another entirely. Quantum computing is one of those "too-soon-to-tell" technologies whose moment has come. Recent breakthroughs aren't projections for decades ahead anymore – they are happening now.

As 2025 got underway, Google and Microsoft had both unveiled new quantum chips and the California-based startup PsiQuantum claimed it would deliver a commercially useful quantum computer by 2029. The announcements illustrate that quantum computing is characterized by constant breakthroughs, albeit with an emphasis on "break." The technology remains fragile, often unreliable and easy to dismiss as the next big thing that never quite arrives. The fundamental question is whether quantum computing – touted as exponentially more powerful than the fastest supercomputers – is on the verge of real-world commercialization.

FOR STARTERS, QUANTUM COMPUTING is fundamentally different from classical computing. Instead of relying on binary bits (ones and zeros), quantum computers use qubits, which can exist in multiple states simultaneously due to a phenomenon called superposition. This allows quantum computers to perform complex calculations at speeds unimaginable with today's most powerful supercomputers.

Yet despite widespread media coverage, many leaders remain skeptical of allocating resources toward quantum. And to be fair, breakthroughs have been "just around the corner" for awhile, making it difficult to separate hype from reality. But this time, things are different. Hardware is improving, software infrastructure is stabilizing and scientists are increasingly optimistic. Quantum simulation is already transforming fields like physics, chemistry and biology. For example, quantum models of nitrogen fixation could potentially be used to improve fertilizer production, impacting world hunger. "If you can improve fertilization yield by just 1%, it could have a dramatic impact,"says Daniel Lidar, professor of electrical engineering and chemistry at the University of Southern California (USC) and a leading expert in quantum computing.

While quantum computers remain delicate, businesses are embedding quantum teams to prepare for real-world simulation applications before

advancing to more complex problems like logistics and financial modeling. Scientists, including Lidar, are in the meantime continuing to refine error correction, which is considered a critical step in making quantum computing stable for future large-scale applications.

AI is playing a complementary role, accelerating some of quantum's inherent challenges. "Companies cannot wait until it's too late because then the internal institutional knowledge will be 10 years behind," says Bert de Jong, director of the Quantum Systems Accelerator, one of five US Department of Energy National Quantum Initiative Centers. He warns that quantum is more complex than high-performance computing and AI and that failing to prepare now could leave industries at a serious competitive disadvantage. Many companies are heeding that warning, exploring quantum's potential to augment classical computing.

LESS RISK-TOLERANT OR HYPE-RESISTANT executives might ask: Why invest in quantum now, when AI is still dominating corporate strategies? The answer lies partly in quantum computing's ability to address the massive computational demands and energy consumption that currently limit AI's growth. Quantum computing isn't just about speed – it enables entirely new ways of solving problems that even the most powerful supercomputers struggle with, from simulating molecular interactions for drug discovery to optimizing global supply chains beyond what the classical algorithms can achieve. Quantum computing doesn't replace AI but enhances it, particularly in domains like molecular simulation for drug discovery, where quantum methods could accelerate breakthroughs that reshape industries.

Recent advancements underscore the immense and growing potential of quantum computing – especially in quantum annealing, a specialized form of quantum computing that focuses on solving optimization problems by means of finding the lowest-energy state of a system. In a widely touted paper published in the journal *Science*, D-Wave, a company specializing in quantum annealing, has claimed so-called "quantum supremacy" in an optimization problem. The paper argues that its approach – which targets specific combinatorial optimization challenges rather than general-purpose computing – could outperform classical methods in certain tasks.
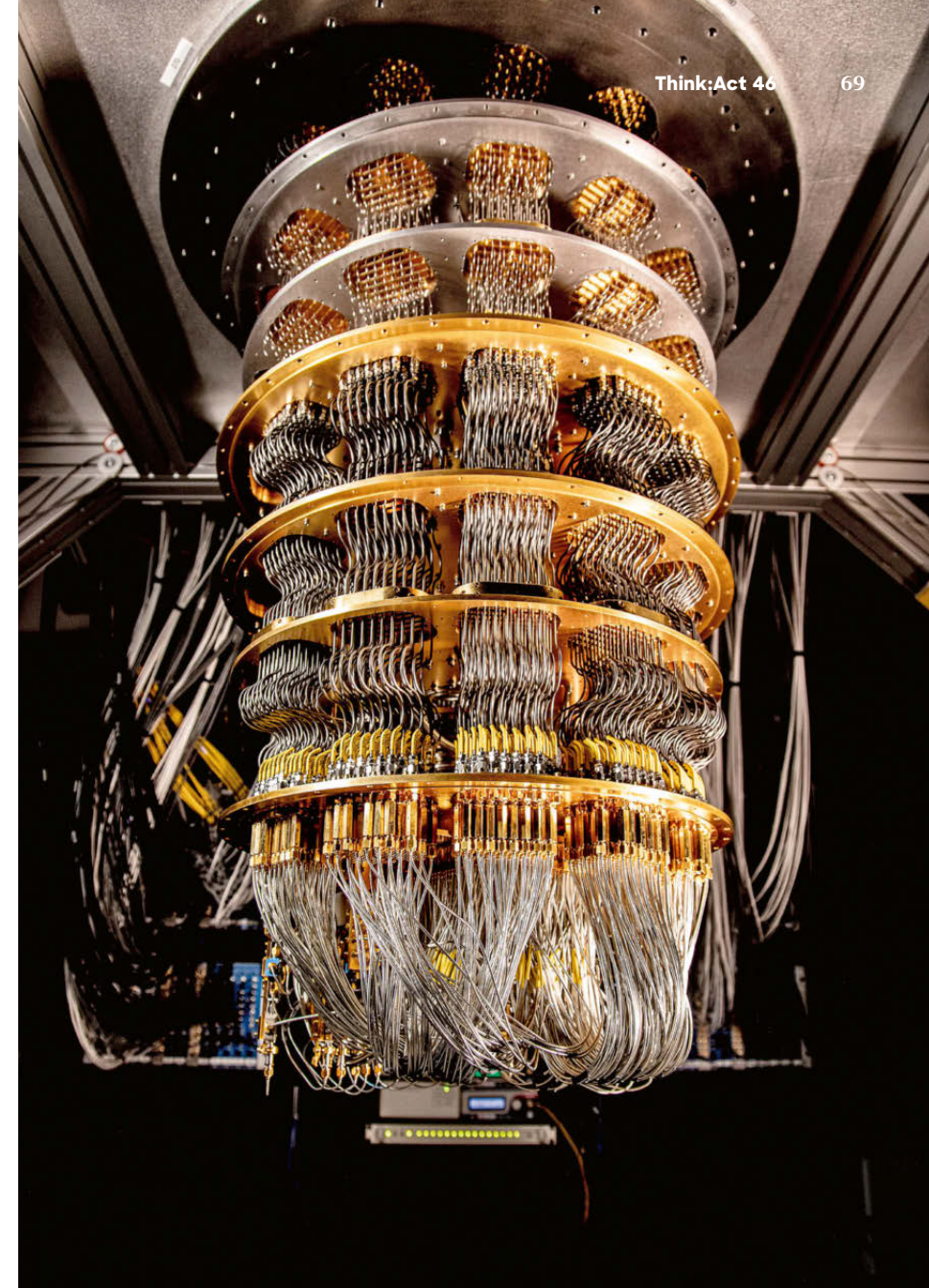
All this potential on the horizon means that significant money is flowing into the quantum
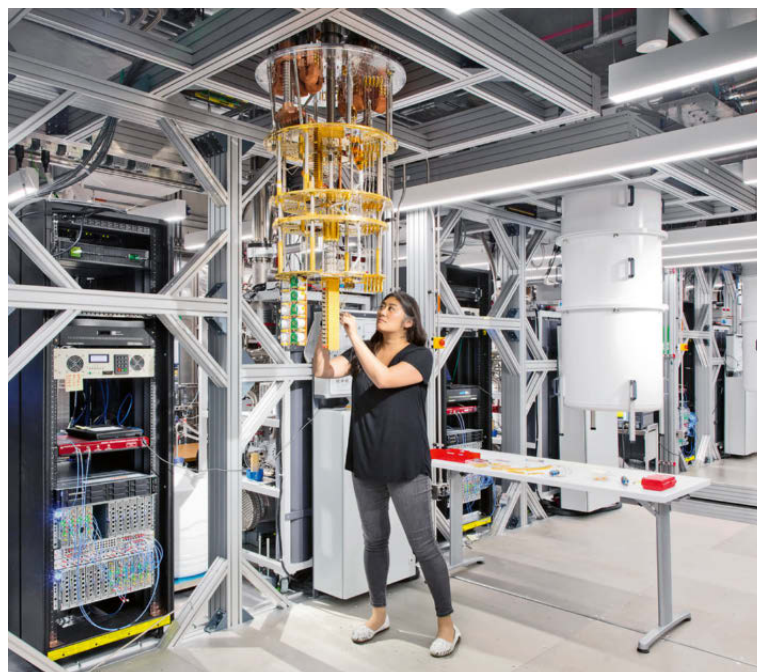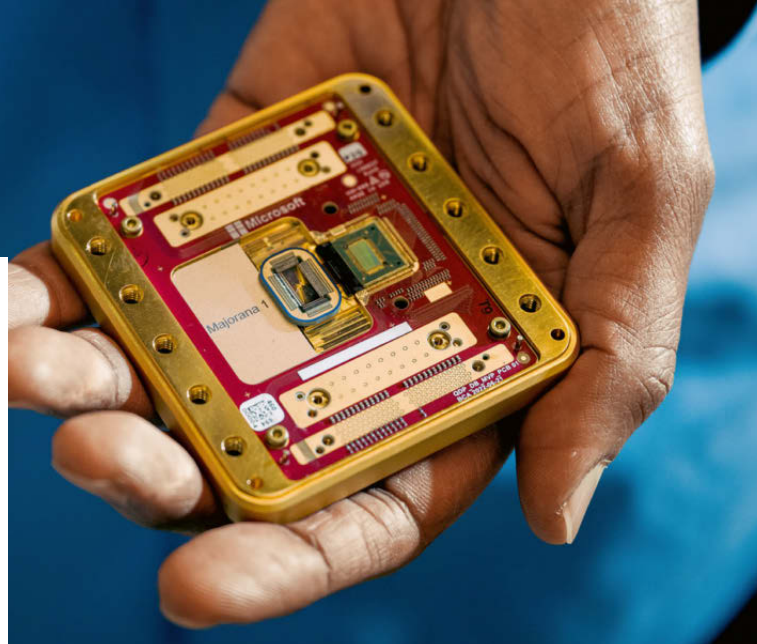
"Companies cannot wait until it's too late because then the internal institutional knowledge will be 10 years behind."

— Bert de Jong, Director of the Quantum Systems Accelerator

KEEPING IT COOL Scientists like IBM's Dr. Maika Takita (bottom left) are working to develop the technology needed to power quantum computing while competitors unveil new advances, such as Microsoft's Majorana 1 chip (top left) and Google's Willow chip (right), shown here with its cooling system.

market. The global quantum technology market is projected to reach $10.4 billion in 2025, growing at an annual rate of 70%. Governments worldwide have committed more than $30 billion to quantum research, with China leading at $15 billion, followed by the EU at $7.2 billion and the US between $1.9 and $3.8 billion. Most experts say the United States is leading in quantum breakthroughs, however. Private investment in quantum startups has also surged, with venture capital-backed quantum start-ups raising $1.9 billion in 62 rounds in 2024, a 138% jump from the $789 million raised the previous year.

Market signals suggest quantum investment will yield returns sooner than many expect. For companies, the message is clear: Waiting too long to explore quantum's applications could mean quickly falling behind competitors already embedding quantum into their long-term →

commercial applications of quantum computing within the next five years, but I wouldn't bet money that there's nothing within 30 years," he says.

No quantum computer today outperforms classical supercomputers in real-world tasks. While large-scale quantum computing remains on the horizon, breakthroughs in quantum cryptography, communications and sensing are already making an impact. These advancements don't require fully realized systems, but still harness the unique properties of quantum mechanics to reshape industries.

Quantum cryptography and communications are already happening. Future quantum computers could break today's encryption methods, making post-quantum cryptography (PQC) a near-term necessity. Governments and financial institutions are already shifting toward quantum-resistant encryption to safeguard sensitive data. Quantum key distribution (QKD) uses quantum mechanics to make eavesdropping impossible: Any interception attempt alters the data itself, alerting both parties to a breach.

Quantum sensing, however, is the most mature quantum technology today. It enables ultraprecise measurements used in MRI machines, atomic clocks, GPS-free navigation and even early-stage disease detection. Quantum sensors recently detected early-stage Parkinson's disease years before traditional MRI scans could. The quantum sensing market is expected to reach $4.2 billion by 2033, with the highest adoption in defense, health care and automotive industries.
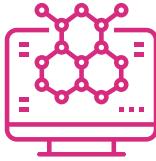
In the sandbox of innovation

Automotive
Quantum algorithms are being explored to improve how autonomous vehicles predict and navigate complex traffic patterns. Major automakers like BMW, Volkswagen and Ford are testing quantum computing for supply chain optimization, material science and the design of more efficient EV batteries.

Manufacturing & energy
Quantum sensors have the potential to improve predictive maintenance in factories, optimize energy grids and enhance renewable energy reliability. Researchers are also testing quantum models for more efficient power distribution and energy storage.

Pharmaceuticals
Quantum simulations could speed up drug discovery by modeling molecular interactions at a level of precision that classical computers struggle to achieve. Roche and Pfizer are actively researching quantum-driven approaches to treatments for diseases such as Alzheimer's and cancer.

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strategies. "It's all about readiness," says Lidar. "Even if companies aren't actively advancing the field, they need to know where they can plug in when quantum computing becomes viable." USC, like other institutions, works with private industry to help businesses integrate quantum technology into their R&D efforts.

PREPARING IS CRITICAL, BUT THERE IS A GAP between quantum hype narratives and clearing real technological hurdles. Nick Hunter-Jones, a theoretical physicist at the University of Texas at Austin who specializes in quantum information theory, says that quantum computing is making strides. But he cautions that truly commercial applications – where quantum systems outperform classical computers in solving real-world business problems – will take several years, potentially decades. "I would bet a lot of money that there aren't going to be any

NO PRESSURE Quantinuum, a British-American company, houses its quantum processor and other instrumentation in what it calls a "physics package," an ultrahigh vacuum chamber cooled with liquid helium. The cooling is to provide a better vacuum, not cool the qubits.

"Even if companies aren't actively advancing the field, they need to know where they can plug in when quantum computing becomes viable."

— Daniel Lidar, Professor at USC

PHOTO: QUANTINUUM

WHILE QUANTUM TECHNOLOGY'S ROLLOUT will proceed unevenly across industries, players large and small are working to improve the required hardware. The most advanced quantum computers today have a little over 1,000 physical qubits, but unlocking practical advantages will likely require at least a million error-corrected qubits. IBM unveiled its 1,121-qubit Condor processor in late 2023, and Google introduced the 105-qubit Willow chip in 2024. Amazon entered the race with its Ocelot chip, designed to integrate error correction directly into hardware. Meanwhile, D-Wave continues to push forward with annealing-based quantum systems and Microsoft has developed what it calls a topological qubit approach to improve stability. British-American company Quantinuum, finally, has made strides in a technique using charged atoms for stability.

Despite these advances, experts caution that true quantum advantage remains distant. Practical

quantum investment today means education and pilot projects, not full adoption. Bert de Jong warns that while quantum hardware is advancing, software and algorithm development must keep pace. "Scaling up qubit numbers is one thing, but making them useful for solving real-world problems requires significant improvements in error correction and algorithm efficiency," he notes.

Hunter-Jones is equally cautious. "Executives should be excited, but skeptical. If something sounds too good to be true, it probably is," he says. Yet companies waiting for quantum to be fully mature may find themselves years behind competitors already investing in research, talent and partnerships. "Companies that delay risk falling a decade behind," says Daniel Lidar. "The question isn't whether quantum will reshape industries – it's whether your company will be ready when it does." ■

THOUGHT
LEADERS
SERIES

A *TÊTE-À-TÊTE* WITH

Robin Dunbar

Evolutionary psychologist Robin Dunbar undertook a series of studies on animal societies that shaped how we understand the number of relationships humans can foster. The answer lies in what is known as Dunbar's Number: 150.

BY *Neelima Mahajan*
ILLUSTRATIONS BY *Nigel Buchanan*

What led you to discover what we know today as Dunbar's Number?
I was trying to understand why primates spend so much time grooming each other. The general view was that it was for hygiene. I concluded it was for social bonding. The Machiavellian intelligence hypothesis explained why primates have such big brains: They live in complicated societies and they need big computers to deal with all the relationships. To my surprise, we have a relationship between group size and brain size in primates.

I wondered what that predicted for humans, then looked for evidence in hunter-gatherer societies where humans have spent most of our evolutionary history as a species. The natural Stone Age social organizations turned out to be 150. Since then, we've been collating data from many different studies, looking for the natural group sizes. In some cases, it's looking at the world bottom-up: your natural social network size, people you know and respect and give obligation to. But also looking top-down: how people are distributed in the environment, i.e. organization size. These two always meet in the middle as 150.

You spent six years studying monkeys.
A lot more. In the early 1970s, I studied primates in various parts of Africa, mainly the gelada monkey in Ethiopia, small antelope in Ethiopia and Kenya and feral goats in Scotland for a very long time. Animals provide the groundwork. What humans do is more complicated.

From monkeys to humans, what are some of the similarities you observed in social behavior and constructs?
The things that don't change are the mechanisms we use for social bonding. How to keep groups together, for example. That's a problem all smart animals have. If you just have loose and informal arrangements, like a herd, it very easily scatters while feeding and the benefit of being in a group is lost.

If it's important for your survival and success in life as an animal to have the group stay together, you need ⟶

Available online
Watch the video interview with Robin Dunbar:
thinkact.rolandberger.com/
en/dunbar

A man of numbers
Robin Dunbar is an evolutionary psychologist and anthropologist specialized in primate behavior, particularly the mechanisms that underpin social bonding. Professor emeritus at the University of Oxford, his most recent books include *Friends: Understanding the Power of our Most Important Relationships* and *The Social Brain*. This interview was conducted at the Global Peter Drucker Forum.

mechanisms to counteract these forces. Primates in particular have evolved a number of mechanisms for creating bonded relationships, such as friendships. But by keeping the group together, you increase the stresses: Group members will disagree about different directions to go in the morning when they come down from the trees to go feeding.

What strategies are needed to achieve a balance between group cohesion and such disagreements?
Skills of diplomacy – two of which are very important. One is the capacity to understand the other individual. If somebody kicks sand in your eyes, you understand if it was an accident or not. How you respond depends on the right interpretation. If somebody did it by accident and you beat them up, they are not going to be your friend. Those forces will break up the group. Two is the capacity to inhibit behavior: You resist the temptation to steal somebody's food because it will break the relationship. These skills are unique to primates.

As the group gets bigger, you get more conflicts with people wanting to do different things. Even if your social world is very limited, it is basically up to 150 people. But, in reality, those 150 people are embedded in much bigger numbers in your village, your town or the organization you work for. These relationships are also dynamic: How well we get on is a consequence of our history up to the present moment, and something happening now might cause us to part company in the future. It's this capacity to manage this extraordinarily complex world that has made possible what we do as humans and shapes the nature of modern business organizations.

Did the applications of Dunbar's Number in various fields surprise you?
Yes, it did in some of the places where it appears. But after a little reflection, I'm not surprised because everything we do in life is about human relationships. We live in a village so that we can cooperate

and benefit from each other. Modern armies and many organizations have the structure of Dunbar's Number, even campsites.

Two bot detection algorithms have also been developed – quite separately – and they use my numbers as the basis of identifying human agents on the internet because their connections would look like a Dunbar network. Because bots are not humans, they would have networks that look completely different.

The psychology of successful group dynamics
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See it as a village
An organization will function at its best when it is treated as a village – every person involved plays a role that all others depend on in one way or another.

②

Understand limits
An effective group size comes with a determined limit. Groups of five, 15, 50, 150 or 500 work well, but anything in between is much less efficient.

③

Invest the time
Get to know the people in your group. Relationships matter – and are expensive in terms of the time needed to create and then to maintain them.

To what extent is Dunbar's Number a determinant of organizational success?
Most of the time it's not, but it does appear in various places. Wilbert Gore, founder of W.L. Gore & Associates, implemented this. He worked for DuPont, the chemical giant, and felt that big organizations were dysfunctional because silos grew and information didn't flow.

He found a mathematical formula for the flow of information, and that suggested that units of 150 would work

much better. So he insisted that a unit at W.L. Gore & Associates should only be 150, maximum 200 people. As the company grew and they needed more production space, instead of making the factory bigger, they built a new factory, sometimes even next door. That means everybody knows everybody else, so you don't need a management hierarchy – it's kind of implicit because you have to have a manager, an accountant, salespeople, people that pull the levers on the factory floor etc., but all these people have the same label: "Gore-Tex Associate." They know where they stand and the organization is more effective because everybody has a sense of obligation.

When you scale up your unit size to thousands of people, everyone becomes anonymous. In the fractal structure, however, which allows factories to operate as independent units, they make their own decisions. They're given a strategy by the board but how they implement it is entirely at their discretion. Gore-Tex is often held up as one of the most successful medium-sized companies because of its flat lattice management structure rather than the pyramidal hierarchical structure. It's based on personal relationships.

Can you order supersized organizations in a way that you don't lose that sense of community and reduce friction?
There isn't a golden arrow solution. Our village sizes increased first to town sizes, then to city sizes, then to city states and nation states. Very early on, in hunter-gatherer sizes, the number of people that lived together in the same camp was only about 50. So your community of 150 is split between three campsites, and people can move to another camp if they get fed up with those they're living with. If you put everybody together into a single village, the stresses arise and you see things coming into play that establish obligations: marital arrangements, charismatic leaders, people you respect or men's clubs, because the problem is always boys fighting with each other.

"Everything we do in life is about human relationships. We live in a village so that we can cooperate."

– Robin Dunbar

What is the organizational equivalent of these mechanisms?
There are lots of other things that kick in at scale. When you get to village sizes of about 400, doctrinal religions come. In hunter-gatherer societies, religions tend to be a shamanic kind: Shamans go into trance and everybody takes part. Trance states seem to arise because the endorphin system is activated by these activities. There are two ways of getting into trance states: the sledgehammer way, or how the hunter-gatherers do it; and the sophisticated way, which comes out of Buddhism and yoga, where it's done by breath control. If you go into the edges of trance, the lifting of this sense

of belonging and bonding then creates this commitment to the community or a member of the community.

Everything we do in the village in our everyday lives, in building relationships with each other, is endorphin-kicking and creates this sense of community that allows us to transcend the limits of personal relationships: laughing together, singing, dancing, rituals of religion, eating together, telling emotional substories.

We live in a very fluid world: We are born in one place, grow up somewhere else, and go to school, college and work in other places. What implications does this have for the circles we form and those that we can maintain?
It doesn't seem to have any implications for the sizes of the circles or their emotional content because the circles are based on frequencies of contact and how many people we can manage at a given level of contact for emotional closeness. Our friendships are very dependent on frequency of contact. You have to keep investing, keep seeing them or friendships will decay naturally. Family relationships do the same, but much slower. So what you end up with over the course of your lifetime is little groups of people that you've retained. It's not the whole group you were friends with, just the important ones. These little subgroups of friends reflect your life stories as you move. You still have 150 people, but now the 150 is not homogeneous. ■

Facebook vs. face-to-face
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Social media might give the illusion that it is now easier to maintain relationships with more people. Keeping acquaintances in view, however, doesn't make for deeper connections. Even if 1,000 people see what you had for lunch, only 150 will be your functioning network.

Good crop, bad crop

Bananas are a global staple that provides sustenance and income to hundreds of millions of people. But they are under threat from new fungal pests and the effects of climate change, presaging turbulent times for the world's favorite snack.

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BY *Fred Schulenburg*

REFLECTING A NEW REALITY
The image of the banana, molded by the popularity of the Cavendish variety, may be about to change due to the rising threat of climate change and pest populations.

PHOTO: PALOMA RINCON STUDIO/GETTY IMAGES

THE WORLD LOVES BANANAS. In 2024, global production of the sweet yellow fruit stood at around 140 million tons, double the amount at the turn of the 21st century. For hundreds of millions of people in Asia, Africa and Latin America – the main areas of production – bananas are a staple foodstuff. Meanwhile in the West, the banana has also gone from the status of rare exotic to daily staple. Worldwide per capita consumption is now 12 kilograms a year – whether munched straight from the hand, sliced over breakfast cereal, baked into bread or any of the many other ways bananas can be eaten.

The banana is also a big economic contributor. Globally, some 20 million tons are exported every year, according to the UN's Food and Agriculture Organization (FAO), which says that the banana is the "most exported fresh fruit in terms of both volume and value." Grown in the developing world, 90% of exports go to industrialized countries in a

global business that in 2024 had sales of over $140 billion, according to data compiled by Mordor Intelligence, a Delhi-based market research firm.

But all this might now be under threat. The world's banana industry faces a combination of deadly challenges in the form of pests and climate change. The more pessimistic forecasts envisage a future in which the bananas that we have come to love – the Cavendish, the world's most popular strain – all but disappear and consumers are forced to adapt to new, perhaps more expensive varieties while producers confront a real threat to their livelihoods.

THE SPREAD OVER THE LAST 30 YEARS or so of a highly destructive soil-based fungus, banana fusarium wilt tropical race 4 (TR4), which causes Panama disease, is posing an existential threat to the Cavendish. TR4 is resistant to fungicides. Once it gets into the soil, it is virtually impossible to eliminate, leaving growers with little option but ⟶

to burn their crops and move on. This comes on top of another pest, black sigatoka, also known as "black leaf streak," which since its emergence in the 1960s has blighted crops and pushed up costs as farmers are forced to deploy more fungicides. While not as deadly as TR4, black sigatoka has had a tangible impact on the industry.

Since its initial discovery in the 1990s, TR4 has steadily progressed. "The disease is spreading slowly worldwide," says Pascal Liu, senior economist in the FAO's markets and trade division. "It's a slow killer." The implications are alarming. Bananas – in their various forms, including plantains – are of critical importance. An estimated 400 million people around the world depend on bananas as a staple foodstuff or a source of work and income.

These threats come at a time of change for the global banana business. "The industry is at a crossroads," says Praveen Kumar, senior research analyst at Mordor. "Margins are shrinking." In a recent report on the state of the industry in 2024, the FAO noted that the "devastating spread" of TR4 continued to "cause production losses as well as financial strain from the substantial costs associated with disease prevention."

THERE ARE NO QUICK FIXES. Growers have adopted tighter phytosanitary protocols in an attempt to stem the spread of TR4 – which is easily transported by soil, water, animals or the clothes of farmers – or cut back on acreage to create "circuit breaks." For example, the Philippines has an estimated 89,000 acres available for production, but only 51,000 are currently being used as a result of countermeasures deployed to contain TR4, according to Kumar. The flipside of that cautionary approach is reduced yields and diminished export earnings.

A central part of the TR4 threat lies in the very nature of the banana most of us consume. Liu says that there are around 1,000 species of bananas and plantains worldwide, but the Cavendish makes up pretty much all of the global market. To make matters worse, the Cavendish is a cloned monoculture, which means it is unable to reproduce, evolve and build up resistance to a pest such as TR4.

Ironically, relying on just one variety was once an advantage. The Cavendish is fairly easy to grow, harvest, pack and transport, looks and tastes great – and is relatively cheap. It was itself born out of an engineered response to an earlier pest, the so-called TR1 that was first detected in the 1870s. By the 1950s, that earlier variety of Panama disease

THE BIG REVEAL Any new banana variety developed to replace the Cavendish will be met with a number of challenges, from shelf life and suitability for export to taste and winning over public perception.

had wiped out a previous generation of banana, the once ubiquitous Gros Michel, or Big Mike. Memories of that global infestation which led to empty store shelves were preserved in the popular tune *Yes! We Have No Bananas*.

THERE ARE NOW HOPES that, once again, science will ride to the rescue. Researchers are working on developing disease-resistant banana varieties, and there is talk of deploying new CRISPR gene-editing technology. This has already been used to tackle other diseases facing bananas. Researchers at the International Institute of Tropical Agriculture (IITA) in Kenya, for example, have reported the successful development of gene editing to combat a bacterial disease called BXW. Meanwhile Chiquita, one of the "big four" global players alongside Dole, Del Monte and Fyffes, reported in 2024 that it had developed a banana resistant to TR4 and black sigatoka with a group of external researchers.

PHOTO: JORDACHE/GETTY IMAGES

"Diseases and pests adapt over time. There can always be a new disease that threatens a crop, so it is important to create diversity."

– Pascal Liu, Senior economist in the FAO's markets and trade division

Kumar notes that there are also some "silver linings," pointing to new markets such as Colombia and Vietnam which cultivate different types of bananas and have fewer commercial industries. The bulk of those countries' production is for domestic consumption which reduces their risk exposure compared with regions focused on growing the Cavendish for export.

Ali Fahmi, who runs his family's organic banana farm outside Cairo, is another example of a producer focused on the local market. He remembers his father telling him about Panama disease. "When I read about TR4 I panicked," he says. "But that was because of reading about it, not the reality." His Cavendish crops have so far not been affected and he partly puts this down to his biodynamic farming methods that mitigate pest spread and the fact that he is based in the subtropics while the disease is tropical – but then adds that he has heard reports of its arrival in Jordan, sparking fears that it might be spreading north.

FOR POLICYMAKERS AND INDUSTRY ALIKE, the fate of the banana has highlighted a bigger global tale about how food is grown and traded around the planet in a highly efficient way – yet one that brings with it vulnerabilities and risks. A global marketplace may suggest huge and amazing variety, but Liu says that actually our diets "are becoming increasingly homogenous." There are some 6,000 different plant species used as food, and yet just nine crops make up two-thirds of global food production.

Top threats by crop

Corn
Climate stress has led to suboptimal growth as well as a surging number of leafhopper infestations, causing substantial losses.

Coffee
The coffee berry borer pest, which can destroy up to 35% of coffee berries, and coffee leaf rust, a fungal disease, are exacerbated by climate change.

Wheat
Excessive heat and water shortages thwart growth while pests like the wheat stem sawfly cause significant crop damage.

This has been a cause of concern for experts for some time. "Until there is more diversity in crops, vulnerability remains," says Emily Monosson, an American toxicologist and author of *Blight*, a book about the devastating impact of infectious fungi. She argues that trade and travel have made us more vulnerable: "Things can spread more easily. Until farming changes, this is going to happen again and again," Monosson says. She cites the example of wheat, another monocrop lacking diversity. It is a sentiment echoed by Liu, for whom biodiversity is, alongside climate change, the challenge to global food security. "The problem we see with bananas could happen with other crops," he warns. "We need to be aware that diseases and pests adapt over time. There can always be a new disease that threatens a crop, so it is important to create diversity."

PESTS ARE NOT THE ONLY THREAT. A warming climate and water scarcity are also affecting crops and established economic patterns. For example, high-end coffee bean cultivation in Kenya is now being heavily impacted by climate change. The negative effects of shifting weather patterns can be seen in lower yields and rising prices, from olives from the Mediterranean to oranges in Brazil. A report commissioned by the UK government entitled "Climate, Fossil Fuels and UK Food Prices: 2023" estimated that a third of all food price inflation is due to climate change.

Even a new banana variety will bring challenges, starting with the basic question of how suitable they are for export. Kumar notes that the shelf life of the Cavendish is eight to 10 days and that it can be packed relatively easily and quickly. Whether the same is true of any new varieties is not yet known. That could be a critical question in a business dealing with perishable fruit that relies on quick turnarounds and lives on tight margins. Liu from the FAO also worries that a new variety may turn out to be more expensive. Given that consumers have come to regard bananas as a cheap fruit, higher prices might hit at the heart of a business that relies on economies of scale.

One of the decisive factors will be the consumer. Bananas come in different shapes, sizes and even colors. But for many of us, the yellow Cavendish is *the* banana and that means that embracing a different type may be a challenge. "People will hesitate to look at new products," says Kumar. Our love of the banana as a "cheap-and-cheerful" yellow fruit is about to be put to the test. ∎

ZOOMING IN ON

Europe's growth problem

The key to safeguarding the continent's prosperity might lie in radical reinvention.

A **PERFECT STORM IS BREWING** over Europe. Rising trade barriers are hitting its export-driven economy hard. Security threats have escalated since the war in Ukraine, driving defense and security spending to new heights. Meanwhile, Europe's domestic industries face mounting pressure from competition, particularly from China and other emerging players. By now, it is clear to all: A radical course correction is needed. Against this backdrop, we explore what a bold reinvention could look like.

To grasp how far Europe has fallen behind the US in recent decades, three scenarios help illustrate the challenge. All assume that the American economy will continue growing at 2% annually until 2040. The key question: How fast must Europe expand to narrow, or even close, the gap? Currently, Europe's economy is growing at just over 1% – a figure that already includes Germany's massive investment program to upgrade infrastructure and military capabilities.

In the first scenario, where the gap with the US remains unchanged, Europe would need to grow at 2% annually. Restoring the EU economy to its relative strength in 2000 – when it stood at 83% of US GDP – would require a bullish 3.1% growth rate.

Available online
In **Zooming In,** we present recent analyses from the Roland Berger Institute, our think tank dedicated to economics, geopolitics and future trends.

You can find the detailed analysis behind this article here: **rolandberger. com/en/Insights/ Publications/ Europe-s-growth-problem**

Closing the gap entirely? That would demand an extraordinary 4.4% annual expansion, unrealistic in today's environment.

It is crucial to see these three scenarios as a thought experiment, an illustration of the scale of the challenge facing European policymakers and businesses. The message is clear: Europe's economy must return to stronger growth. Expansion is essential to prevent welfare cuts – cuts that could undermine Europe's social model and, ultimately, the stability of its liberal democracies.

Unfortunately, Europe's labor productivity growth – which also reflects shifts in capital productivity – has lagged behind, making it harder for European firms to compete. The root causes of this slowdown are not external shocks such as the US-China trade war since 2018, the Covid-19 pandemic or the energy price surge following Russia's invasion of Ukraine. These factors have certainly weighed on European economies, yet the real problem lies in long-standing structural weaknesses. In our report, we have identified six areas that burden Europe the most:

→ **A DEMOGRAPHIC HEADWIND** Europe's population is aging. If current trends persist, the working age population will shrink by nearly 8 million in five

years, with severe consequences for businesses and the economy. A shrinking workforce means fewer skilled professionals and mounting fiscal pressure.

→ **THE LOST TECH REVOLUTION** With few exceptions, Europe has failed to produce globally leading tech giants. Worse still, the continent risks falling even further behind in cross-cutting digital technologies, jeopardizing its competitive edge in key industries like automotive or mechanical engineering.

→ **COSTLY OVERREGULATION** While essential to ensure businesses operate within a stable legal framework, nowhere is the regulatory maze as dense as in Europe. According to a Eurochambres survey from late 2023, administrative costs resulting from excessive regulation are a significant burden for most companies – and in a quarter of cases, they are deemed extremely severe.

→ **HIGH ENERGY PRICES** Affordable energy is a key factor in the competitiveness of each and every business. The problem is that firms in Europe pay far more for electricity than their counterparts in the US or China. While Russia's invasion of Ukraine sent energy prices soaring, the gap to the US existed long before the war. Unsurprisingly, more than three-quarters of European companies cite energy costs as a major barrier to new investment.

→ **A DIFFICULT PATH TO DEFENSE AUTONOMY** It's clear that Europe must spend more on its own defense. With the US stepping back as the guarantor of European security, the buzzword of the moment is

> **Europe has plenty of strengths to build on. A healthy trade surplus with the US proves that many European firms remain globally competitive."**

"defense autonomy." But achieving it will be costly – far exceeding the previous target of 2% of GDP for military spending.

→ **A WIDENING INVESTMENT GAP** Without overdue investments to boost productivity, drive innovation and modernize infrastructure, any real economic breakthrough will remain out of reach. The bigger question is: Where will the money come from? Many EU countries are already heavily indebted and a unified European capital market – which could facilitate private investment – is lacking.
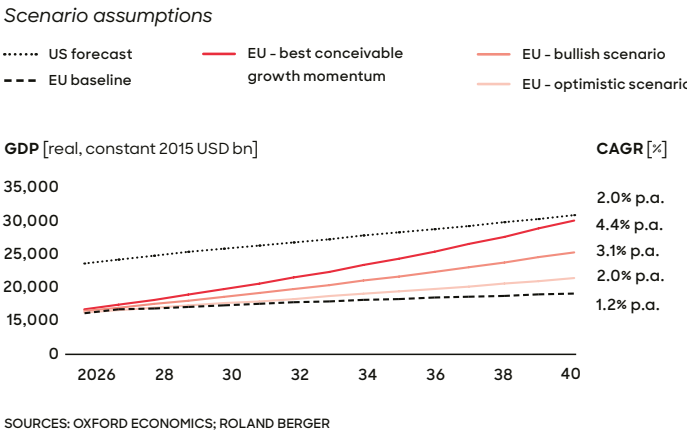
Playing the hidden aces

Despite the justified criticism and the scale of the challenges ahead, Europe has strengths to build on. Take Spain, which has staged an impressive turn-around, emerging last year as the fastest-growing industrial nation. Bold labor market reforms, a resurgent services sector and competitive local energy prices all played a role in its success. The rest of Europe has little reason to hide either. A healthy trade surplus with the US proves that many European firms remain globally competitive. And when it comes to exports of goods and services, Europe still outpaces both China and the US. To ensure this remains the case, long-overdue structural reforms must finally be tackled with determination.

The playbook is clear: address labor shortages swiftly, ideally through the uniform implementation of the Blue Card initiative across all member states. A unified EU capital market is just as essential as rolling back excessive reporting requirements – whether on supply chains or labor standards. Energy policy also demands urgent action. A more interconnected grid, coupled with advanced storage solutions, could provide businesses with what they need most: access to more affordable energy.

Yet while structural reforms are critical, they alone will not secure Europe's prosperity in the decades ahead. Businesses must step up as well. In an era of rising trade barriers, they need to future-proof production and develop smart localization strategies, particularly to strengthen their presence in fast-growing markets across the Global South. At the same time, companies must embark on parallel restructuring and transformation, underpinned by active cash management. This will unlock resources for investment in R&D, key technologies and future growth areas. Done right, these efforts could lay the foundation for a decade of renewed expansion – one in which Europe's businesses regain lost ground. ∎

Narrowing the gap with the US economy

The EU needs a sharply higher growth rate over the next 15 years to catch up.

Scenario assumptions

········ US forecast   ——— EU - best conceivable   ——— EU - bullish scenario
– – – EU baseline   growth momentum   ——— EU - optimistic scenario

GDP [real, constant 2015 USD bn]   **CAGR** [%]

35,000	
30,000	2.0% p.a.
25,000	4.4% p.a.
20,000	3.1% p.a.
	2.0% p.a.
15,000	1.2% p.a.
0	

2026   28   30   32   34   36   38   40

SOURCES: OXFORD ECONOMICS; ROLAND BERGER

Lisa Kaltenegger is the director of the Carl Sagan Institute at Cornell University and the author of *Alien Earths*.

Searching for signs of life

What if we're not alone in the universe? Astronomer Lisa Kaltenegger says the search could bring amazing discoveries and even some useful new technologies.

INTERVIEW BY **Steffan Heuer**
ILLUSTRATIONS BY **Julia Zimmermann**

↘ **Researchers have identified some 5,800 planets orbiting another star outside our solar system. Are you confident we will find life on one of them?**
I don't know yet if life exists on any planet other than ours, but these exoplanets let us figure out how many others must be there. Every fifth star has a planet that could be like ours. Our galaxy, the Milky Way, hosts about 200 billion stars. One out of five of these could host an alien Earth … that means billions of possibilities. Wouldn't the bigger surprise be if we found nothing?

↘ **How can scientists prepare humanity for this moment?**
The step-by-step discoveries are already leading people to

wait for this discovery of life. The worry depicted in older sci-fi books and movies might not be so widespread because our context has changed. If we find gas combinations in the air of another world that we can't explain with anything else but life, that would be a scientific sensation. We do need to talk about what would happen next – would we send a message or just quietly keep observing? Who will speak for Earth, and in what language? What if we detect interstellar spacecraft? Or life on Mars? Or an interstellar message?

↘ **Will discovering alien life have an economic impact?**
The economic impact comes from the surprising aspects of these discoveries. What if we found some new underlying processes for how climates change on Earth-like planets? That could have a huge economic impact as we work to maintain our own climate for human civilizations to thrive. And we haven't even considered contact and what new economic options that would open. Anything could result in new technology – from space travel to communication to knowledge exchange. ■

PHOTOS: NAOMI HAUSSMANN, COURTESY OF THE CONTRIBUTORS

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"CULTURE ISN'T JUST ONE ASPECT OF THE GAME, IT IS THE GAME."

—LOU GERSTNER,
Former IBM chairman and CEO