Stanford Business

Concrete

on

xis

nt

ıck

СУ

trust

elf"

Pay

Gap

SS

onev

eneurs

The GSB Goes to DC

0

In Washington and beyond, faculty are helping policymakers untangle knotty problems.

Stanford Business What We've Learned Lately





Experts. Insights. Know-How. Delivered straight to your phone.

Subscribe to our biweekly newsletter for the latest takeaways from Stanford GSB researchers.

A LETTER FROM DEAN JONATHAN LEVIN

A New Era of Transformative GSB Education

ver the summer, Amy and I had the joy of attending the Taylor Swift concert at Levi's Stadium with our daughter. The show was spectacular, a life experience. We walked out feeling a connection to Taylor, her music, and 68,000 fellow concertgoers even though as our daughter observed, some of us did not know all the words.

The Eras Tour is not an obvious model for education. For one thing, the flashing lights would be a huge distraction in the classroom. And most faculty wouldn't be keen on the costume changes. But the career-spanning tour provides a useful analogy: How can we stay true to what we do best and also reach more people?

The magic of a GSB education lives in the connections among students and faculty. Our MBA class is small compared to our peer schools. Our MSx and PhD programs are similarly intimate. Our student-to-faculty ratio is low. Through an alchemy of design and culture, our programs foster the type of discussion and mentoring that leads to transformational education.

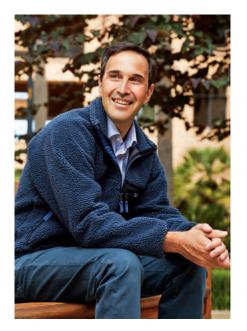
At the same time, there are powerful arguments for expanding the GSB's educational offerings.

Most important is the GSB's mission of using our knowledge and ideas to educate principled, innovative leaders who will change the world.

Second, business education is changing. A growing and more diverse global population aspires to a professional career. Yet outside the top 20 schools, enrollments in U.S. MBA programs fell by about 40% over the last 20 years. People have many options to advance their careers and they can pursue education in more flexible ways.

I am confident that our MBA program, which has 14 or more applicants per seat, can attract exceptional talent far into the future. But it is not a time to be complacent. For us, these changes may offer more opportunity than challenge: They provide a chance to expand the reach and impact of the school, augmenting our core programs.

Of course, the GSB is already well down this path. During the summer, we run dozens of programs that provide rising and established business leaders with the opportunity to renew and expand their skills. When



Jonathan Levin is the Philip H. Knight Professor and Dean of Stanford Graduate School of Business.

I walk around campus and talk with participants, I'm struck by how their thinking and aspirations can change in such a short program. For example, Eric Yuan talks about how a summer in the Stanford Executive Program (SEP) inspired him to start Zoom.

The pandemic spurred us to innovate in online education. We doubled the size of the cohorts in Stanford LEAD, finding that we were able to maintain the one-year program's comradery and connection. We redesigned the Stanford Seed program that annually enrolls around 200 entrepreneurs across Africa and India. We're using a blend of online and in-person teaching regularly, from SEP to our scaling program for Latino entrepreneurs.

This year, we are trying something new. We are offering a set of advanced elective classes for Stanford undergraduates. The goal is not to develop a business major; it is to enhance what students across majors are learning by teaching them how to put ideas into practice. We know from our own students who take classes across campus how powerful it is to combine domain knowledge with management, leadership, and entrepreneurship. It will surprise few GSB alumni that our new fall classes filled up fast.

Virtually every business school has responded to the changes in business education. Many now offer specialized degrees and hire separate instructors for executive teaching programs. We're following a distinct path. We continue to teach general management and leadership. We only offer programs that our faculty are excited to design and teach. We expect our new programs to feed back into our core MBA and MSx programs as faculty experiment, learn, and develop new ideas.

It is often assumed that great educational institutions cannot expand educational opportunities and retain their core strengths. From what I have seen at the GSB, I don't believe that is true.

Transformational learning and connection can happen in different time units and formats. Perhaps even in three spectacular hours, although maybe that's just in our wildest dreams. GSB

Illustration by Kate Evans

0

"What negotiation is to me is joint problem-solving: let's find a solution to a problem that we're facing."

 Margaret Neale, professor emerita of organizational behavior, on better ways to negotiate.
Page 25

Stanford | Women on Boards



Start your board journey

Access resources to help you prepare for your board journey.

Find a board seat

Apply for board openings with support from our dedicated board match team.

Become a modern steward

Engage with thought leaders to understand issues and best practices in corporate governance.

Network with amazing leaders

Meet and mentor other Stanford leaders with similar interests and experiences.

Learn more at https://stanfordwomenonboards.stanford.edu

Sponsored by STANFORD Store BUSINESS

A LETTER FROM THE DEAN¹

EDITOR'S NOTE 7

ON CAMPUS⁹

BRIEFINGS 10

This class will retrain your brain. Chasing the "dream of entrepreneurship." Incubating a sense of self-worth. A kinder way to say "You're fired!" Making a big dill out of serious fun. Clearing the pathways to college. The pitch for curiosity. Better treatment for women. *Soul Train*'s next stop: Broadway.

INSIGHTS²⁰

RULES OF ENGAGEMENT

Influencers Get By With a Little Help From Their #Friends

CONSTRUCTION ZONE

What If There Is No "You" in Yourself?

WALKTHIS WAY A Small Step Toward Better Negotiations

HANG ON When Is It Too Late to Give Up Control of Your Money?

CHANGE MAKERS

Savvy Shoppers Undermined India's Great Cash Swap

VOICES 56

John McGinnis, мs '17 Natalie Meurer, мва '23 Lambert Li, рнд '24 Jim Hake, мва '83

WHAT MATTERS TO ME NOW AND WHY 118

Everett Harper, MBA '99

CLASS NOTES 65



FEATURES

Capitol Gains³²

In DC and beyond, GSB faculty are helping policymakers untangle knotty problems. *Kevin Cool*

Points of Impact ³⁸

Chief sustainability officers and chief impact officers are becoming corporate fixtures. What exactly do they do? *Alexander Gelfand*

Growing Season⁴⁴

Students in the Stanford Ecopreneurship program spent the summer building climate-focused ventures. *Jenny Luna*

A.I. – Adopted Intelligently ⁵⁰

Advice on how to move fast in the AI era without breaking stuff. *Dave Gilson*



ON THE COVER Illustration by Keith Negley



Volunteer for a year. Make a lifetime impact.

Help exceptional emerging market enterprises in Africa and South Asia scale.

If you're an experienced business professional with a passion for impacting others, Stanford Seed is for you. We're looking for individuals with senior-level leadership experience to live and work in Africa and South Asia. Volunteer Seed coaches support business owners in taking their leadership skills and businesses to the next level.

Not ready for a full-time commitment? Volunteer remotely as a Seed Consultant on a project-by-project basis.

Apply now! stanfordseed.co/SBMcoach



EDITOR'S NOTE

Back to the Future

TALK TO US Have some constructive criticism? Praise? Story ideas? We welcome your input. Please email the editors at stanfordbusiness @stanford.edu. s much as I miss the '80s, I'm not sure I'd want to relive them. Sure, the music and my hair were way better back then. But otherwise, things were pretty gnarly.

Rewind to 1983: The economy was rebounding from a serious downturn. Americans were worried about inflation, jobs, and crime. New technologies were upending communication, entertainment, and labor. (A Nobel Prize–winning economist predicted that "Human workers will go the way of the horse.") Tensions between Washington and Moscow were at their highest point in years. And scientists were warning about "an unprecedented rate of atmospheric warming."

That was the familiarly messy world that Henry A. Fernandez stepped into when he received his MBA 40 years ago. As he reassured this year's grads during his commencement address in June, "Every GSB class thinks they are graduating at a uniquely difficult moment in history. In a way, they are all correct." It's never been easy to envision the future, especially when the present is unsettled. Yet Fernandez, the chairman and CEO of MSCI, emphasized that this is no excuse for short-term thinking: "Perspective is the perfect remedy for both irrational exuberance and undue despair."

This issue features many people with that long-term perspective and what Everett Harper, MBA '99, describes as "comfort with ambiguity and complexity" (page 118). We meet young "ecopreneurs" who are working on products designed to clean dirty water, expand renewable energy, and prepare farmers for climate change (page 44). And we profile the new wave of executives keeping their companies focused on sustainability and impact (page 38). As one of them, Peggy Brannigan, MBA '87, says, "You have to have some buoyancy, some optimism — and you have to be in it for the long haul."

We also return to artificial intelligence (page 50) — a topic we last covered a year ago, way back when ChatGPT was barely a household word. Now that AI apps are suddenly everywhere, we asked GSB professors for practical advice on how to adopt them without being too hasty or hesitant. They note that one of the best applications for these tools is making predictions, but caution that they're no substitute for old-school decision-making and vision. There's still no such thing as a crystal ball. Or a time machine.

- Dave Gilson

Now is the time to **invest** in yourself and your career.

Experience Stanford GSB Executive Education, where you will challenge ideas, take risks, encourage collaboration, and ultimately emerge as an extraordinary, principled leader. **Find fresh inspiration** with in-person, live online, self-paced online and online programs.



Explore all our programs at grow.stanford.edu



Executive Education

ON CAMPUS

A Room with a View



Located on the fourth floor of the Bass Center, the Seawell Family Boardroom (above) is an ideal setting for a conference, class, or celebration — so long as you're not distracted by the panoramic view. In her opening illustration (right), artist Kate Evans captures an airy space that inspires elevated conversation.



Stanford Business

ANASTASIIA SAPON

ABOUT THE COVER

Professors navigate the halls of power in Keith Negley's illustration for our cover story about GSB faculty who share their expertise with policymakers and government officials. See more of his work on page 32.

EDITORIAL

EDITOR Dave Gilson CREATIVE DIRECTOR Tricia Seibold SENIOR EDITOR Kevin Cool DIRECTOR OF CONTENT & DESIGN Sorel Denholtz OPERATIONS Elizabeth Wyleczuk-Stern CLASS NOTES EDITOR Gabrielle Karampelas ASSOCIATE EDITOR Jenny Luna EDITORIAL ASSISTANT Audrey Kim COPY EDITORS Noelia Arteaga, Heidi Beck, Kate Kimelman, Jonathan Mindes, Malinda Petersen, Pat Truman

ART

ART DIRECTION & DESIGN Point Five CLASS NOTES LAYOUT JIII Kadlec DIGITAL DESIGN Cory Hall

PRODUCTION

PREPRESS & PRINTING Allied Printing DIGITAL MAGAZINE OPERATIONS Ali Enthoven, Paloma Rosenbaum

We also acknowledge and thank our contributors, including colleagues at Stanford GSB, writers, photographers, illustrators, and class secretaries.

Stanford Business magazine (ISSN 1094-5423) is published twice annually by Stanford Graduate School of Business.

Copyright by the Board of Trustees of Leland Stanford Junior University. All rights reserved. Volume 91, Number 2. Printed in the United States.

Contact us:

For address changes and other information, email stanfordbusiness@stanford.edu, or write to *Stanford Business* magazine, 655 Knight Way, Stanford, CA 94305-7298.

Follow us:

🎔 @StanfordGSB

@StanfordGSB

🖸 @StanfordGSB

蹖 youtube.com/StanfordGSB



Read online: stanford.io/magazine Back to Class¹⁰ Panelists¹¹ Recognition¹² Hard Lesson¹² Career Advice¹³ Office Artifact¹⁴ Catalyst¹⁵ Class Takeaways¹⁶ Peer to Peer¹⁷ Maker¹⁸

Briefings



BACK TO CLASS

How to Take Your Brain Off Autopilot

To make good decisions, sometimes you need to override your intuition.

The first sign that you should take this class: You think you don't need this class.

"Everybody believes they already know this stuff," says Francis "Frank" Flynn. "When they show up for the first class session, many people are thinking, 'I already aced this course.'" After all, incoming GSB students likely know a thing or two about making decisions, motivating people, and communicating effectively. So why are they required to take a class that teaches them how to do those things?

For nearly two decades, Flynn, a professor of organizational behavior at the GSB, has introduced incoming MBA and MSx students to key **COURSE NAME** OB 278: Organizational Behavior

INSTRUCTOR Francis J. Flynn

"Nobody woke up today hoping they'd be wrong," Francis Flynn tells students. concepts of applied social psychology. Even as other parts of the curriculum change, the OB core course remains relevant, he says. "It's a unique course, in that the content is germane to every career. At some point, everybody's going to have to deal with the topics we cover."

Many people aren't aware of the intuitions and assumptions that guide them as they manage, support, and collaborate with others. "Instead, they rely on autopilot, which is easier and sometimes can even be effective," Flynn says. But, "when the stakes are high, blindly relying on our intuition might not be enough."

The process of unlearning flawed assumptions begins in the first minutes of *Organizational Behavior*. Flynn kicked

LISTEN

How should social media companies balance freedom of expression with the need to prevent the spread of disinformation and violent rhetoric? Should governments regulate how platforms treat politicians' posts? These are some of the questions explored in a new GSB podcase (podcast + case study) about Facebook and political speech. Listen at **stanford.io/podcase-facebook**.

off his MSx summer course by throwing his 72 students into a high-pressure decision-making scenario. He prefers not to reveal more details (sorry, future students), yet notes how consistently this fun, challenging exercise plays out in setting up the rest of the course. "It engages people immediately and excites them about what else they're going to be learning in class," Flynn says.

The exercise led students to recognize several cognitive traps that limit their ability to make sound decisions — default bias, anchoring bias, loss aversion, and risk seeking. "But there's one true headliner for this show, and that is confirmation bias," Flynn told the class. Confirmation bias is our tendency to see what we want to see, which leads us to seek information that confirms our beliefs. It's so strong that, in some cases, when people are shown evidence contradicting their firmly held positions, they may become even more convinced that they are correct.

"Everybody wants to be right. Nobody wants to be wrong. Nobody woke up today hoping they'd be wrong," Flynn explained. "We have to be wary of how quickly this confirmation bias can set in because it can set in immediately without our knowing."

Education and experience aren't sufficient defenses against this and other fundamental biases that misguide us. Yet you can adopt helpful procedures that enable you to make better decisions. The final slide in Flynn's first lecture summarizes the approach: "Good decisions require good processes."

Flynn says his most successful students not only approach this course with a touch of humility but leave with a desire to discover more about how they and others think. "You're just starting on that journey," he says. "It's going to be a long learning process — one that will last for the rest of your career."

PANELISTS

Alumni Perspectives on Entrepreneurship and Opportunity

Voices from the Building Momentum conference held at the GSB in April 2023



"Ten years ago, I would get invited to every panel in Silicon Valley. I'm like, 'God, I am good!' And it's like, no, I'm the only woman they could think of.... What we have to do is just make sure that everyone knows you're an incredible entrepreneur or an incredible investor, and then you happen to be whatever you are."

- Fern Mandelbaum, MBA '88, managing director of Emerson Collective and GSB lecturer



"I think that our personal experiences are true power.... Growing up, neither of my parents had a credit score.... What I realized having gone through that experience is that the American dream is built on credit and that access to credit is not equal.... So I wanted to build something that made that difference." — Sam Ulloa, MBA '05, president and CEO of Listo!



"There's something about entrepreneurship that felt inherently selfish.... I certainly had to take a step back and think about the fact that as much as I care about supporting other people, that doesn't mean I have to do it the safest way possible.... You also owe it to yourself to try and chase that dream of entrepreneurship if it's truly what you think is best for you." - Kimiloluwa Fafowora, MBA'22, founder and CEO of Gander



- "During the interview process, if people see diversity, if people see themselves in the team, it gets easier to attract diverse populations.... If you start early in the process, then it accelerates for you and it just builds on its own.... Diversity attracts diversity."
- Ritu Narayan, MS '14, founder and CEO of Zūm

SEEN AND HEARD

MARTA SIGNORI

"Grunt work is the foundation of all successful businesses. It is what teaches us the discipline of execution. Without it, even the most brilliant strategy is nothing more than words on a page."



- Henry A. Fernandez, MBA '83, chairman and CEO of MSCI, speaking at the 2023 commencement. (See page 7 for more of his remarks.)

RECOGNITION



Jonathan Atwell, assistant professor of organizational behavior, received the 2023 PhD Faculty Distinguished Service Award.

Mary Barra, MBA '90, the CEO of GM, was inducted into the Automotive Hall of Fame, the auto industry's highest honor.

Scott J. Brady, MBA '00, lecturer in management, received the Jack McDonald Military Service Appreciation Award for his support of military veterans at Stanford and the GSB.

Carlos Brito, MBA '89, received the Stanford GSB Excellence in Leadership Award in recognition of his significant contributions to the corporate world and the community.

David Dodson, MBA '87, lecturer in management, received the 2023 MSx Teaching Excellence Award.

Darrell Duffie, the Adams Distinguished Professor of Management and Professor of Finance, was awarded the 2023 Onassis Prize in Finance.

Andrzej Skrzypacz, the Theodore J. Kreps Professor of Economics, received the 2023 MBA Distinguished Teaching Award.

HARD LESSON

Learning to Embrace Personal Growth

After trying to help the world's most vulnerable babies, Jane Chen, MBA '08, needed to heal her own wounds.

F ifteen million premature and underweight babies are born annually; one of their biggest problems is staying warm. My team tackled this issue in the *Design for Extreme Affordability* course at Stanford's d.school in 2008. The challenge: Build a baby incubator for 1% of the cost of a traditional one. We developed the Embrace incubator, a portable sleeping bag embedded with a phase-change material that maintains a temperature of 98°F without requiring constant electricity.

Upon graduating, we created a nonprofit. The founding team spent four years living in India (home to 40% of the world's premature babies), where we launched the product. Fast-forward 15 years: Our technology has saved over 475,000 babies in 22 countries.

The journey has been immensely challenging. After launching the product, we spun out a for-profit arm to raise private capital to help us scale. We pivoted the business model a few times, including creating a consumer product we hoped would help us reach financial sustainability. We had an acquisition offer for the for-profit business in 2018. Unfortunately, after all the paperwork had been signed, the deal fell through at the last minute. We'd run out of funding and thought we were going to have to shut down the company.

I was in the worst place of my life. I was completely burned out after 10 years of doing this work and decided to take time off to focus on my mental health and well-being.

In the process, I began to confront my past trauma. I grew up in a home with domestic violence. In my relentless efforts to build Embrace, I had never understood what was driving me so hard. I realized that feeling so powerless in my childhood made me want to help the most powerless people in the world. But it turns out healing others does not heal your own wounds. The abuse I experienced made me feel like I wasn't enough — no matter how many degrees I got, accolades I won, or babies I saved. Unfortunately, we live in a society in which our selfworth is often predicated on external factors: our successes, our failures, how others perceive us.

I tried dozens of healing modalities — from working with worldrenowned trauma experts to doing psychedelic journeys. Through the



BY THE NUMBERS



in 6

members of the MBA Class of 2023 earned an additional degree from Stanford or another school.

694

non-business degrees from Stanford were awarded to MBA students between 2010 and 2023.

1/3

of those were in environment and resources (now offered through the Stanford Doerr School of Sustainability).



JANE CHEN, MBA '08

is the co-founder of Embrace Global. She is writing a memoir that will be published in 2025. process, I began to learn self-compassion for the first time. I learned that true resilience comes from finding an inner sense of self-worth. I realized I am enough, regardless of my achievements or failures.

A group of investors who believe in our mission saved Embrace. After the pandemic began, we decided to return to a purely nonprofit model. We are now raising donations to give our product to every vulnerable baby in the world. Over the last year, we helped save over 15,000 babies in Ukraine and are donating incubators to other areas affected by humanitarian crises. We're on track to save 1 million babies by 2025.

Our biggest challenges end up being our biggest allies for personal growth. I started this journey to embrace babies; I ended up on a path of self-discovery and healing so I could also learn to embrace myself.



CAREER ADVICE

How to Say "You're Fired" and Still Be a Good Boss

The Manager's Handbook, writes David Dodson, MBA'87, "is the book I wished someone had handed me when I first became a manager." Dodson, a lecturer in management at the GSB, describes it as a "how-to manual for people

serious about getting things done." One of those things is building great teams. That means hiring the right people — and dismissing those who don't work out.

That's often easier said than done: Bosses who don't want to hurt their employees' feelings make things worse by postponing the decision or delivering the news in a way that puts their emotions first. "If you're committed to excellent leadership," Dodson writes, "you'll have to accept this unpleasant aspect of the job of manager."

So how do you let someone go with respect and fairness? Dodson offers some tips:

• Meet one-on-one. Having another manager or HR person in the room signals distrust and does little to reduce legal exposure.

- **Respect their privacy.** Being asked to leave is often embarrassing, and likely someone's worst professional experience. Meet in a space other employees won't be able to observe. Consider leaving the room if the employee needs to collect themselves before continuing the meeting.
- Keep it quick. "Directness is kindness," Dodson says. The meeting should last no more than 10 minutes. Avoid ambiguous language that might leave the employee thinking their role is changing, not ending.
- Look ahead. Focus on the terms of separation, not the whys behind it. Performance feedback may make the person being dismissed feel discouraged or defensive. If they want to know more, schedule a separate meeting after the initial shock wears off.
- Be ready for questions. If you don't have answers about logistics like unused vacation time and insurance, the other person will leave feeling unsettled and anxious. "Preparation is compassion," Dodson writes.
- Bring a transition agreement. Lay out the terms of the separation and give the employee time to review them.
- It's not about your feelings. Avoid awkward lines such as "This is so hard for me" or "I hope we can be friends." And don't try to pass off responsibility to your boss, your board, or anyone else. As Dodson explains, "You made the decision; you need to own it." — Dave Gilson

1/3 were education degrees.

1/4

were law or medical degrees.

136

degrees from other schools were given to MBA students between 2014 and 2023. 1967

Year the GSB and Stanford Law School launched their joint degree program.

2014

Year the GSB and Stanford Computer Science Department launched their joint degree program.



OFFICE ARTIFACT

Michele Gelfand's pickle costume

Michele J. Gelfand is the John H. Scully Professor in Cross-Cultural Management and Professor of Organizational Behavior at Stanford GSB.

Research takes a long time. It's not for the fainthearted. My philosophy as a professor is that you have to figure out ways to celebrate small things along the way. That's particularly important for students and collaborators, people who are working with you on these projects that may take many, many years.

When I was at the University of Maryland, we submitted a paper to *Science*. It was a long shot. *Science* is the kind of journal where typically you publish something about how you found a new planet. I told my postdoctoral student, "Look, if this gets accepted, then I'm going to dress up as a giant pickle and we're going to go around Washington, DC, in a limousine and celebrate." By chance, I had a giant pickle costume because my daughter really liked pickles and my husband had created a crazy "pickle Olympics" for her birthday party. I was the surprise guest and I walked through the door with this ridiculous pickle costume on.

I'm a cross-cultural psychologist. I'm interested in social norms — unwritten rules for behavior that sometimes get formalized into laws and other codes. We're a normative species, but some groups have stricter norms: They're more "tight." Tight groups have a lot of order; they have more coordination and synchrony and self-discipline. "Loose" groups struggle with these things, but they corner the market on openness. They're more tolerant, more creative, more adaptable.

Part of our culture group's recent work is looking at ambidexterity: How do you help systems that are very tight have some looseness inserted into them? We call this "flexible tightness."

The pickle costume's connection to all this is that I was trying to insert some looseness into a pretty tight agenda. It requires a tight ship when you're trying to implement large-scale research projects, when you're trying to get funding, when you're exploring interdisciplinary collaborations. We do very ambitious projects, some of which fail. Providing a space for people to feel celebrated and relax a little bit is really important because I think it helps deal with the difficult demands of research.

When the paper got accepted by *Science*, I went into my postdoc's office and I said, "I have really bad news. It looks like I've got to wear this ridiculous pickle costume and we've got to go around DC." And that's what we did.

I promised my students here at Stanford that we'll continue the tradition. In June, we heard from the Templeton Foundation that we'll be getting \$1.7 million to study the evolution of trust across cultures. Ying Lin, my postdoc and partner on this proposal, dressed up as a pineapple. Pre-doc Basti Weitz dressed up as an avocado and grad student Alex Landry dressed as a lion. And of course, I broke out my pickle costume. — *Told to Dave Gilson*





CATALYST

Steve Bumbaugh, MBA '96

THE PROBLEM Persistent inequities in THE PLAN

access to higher education.

Provide a pathway to college

for disadvantaged youth.

S teve Bumbaugh was one of the lucky ones, as he'll be the first to tell you. The son of working-class parents, he grew up in the 1970s and '80s, at a time when America was trying in earnest to desegregate education. At his schools in Alexandria, Virginia, he sat next to the children of World Bank economists and Washington Post editors, and it opened a world for him.

Bumbaugh seized the opportunity and went on to attend Yale and later Stanford, where he earned his MBA in 1996. "Had I stayed in the all-Black schools in lowincome neighborhoods," he says, "there is no chance I'd have made it to an Ivy League university, or that I'd have done well enough there to be where I am today. Zero."

Where he is, in fact, is back home in Washington, DC, as an executive at the College Board, the nonprofit that administers standardized tests like the SAT and develops Advanced Placement classes to prepare students for college. As senior vice president of college, career, and

digital access technologies, his mission is to improve access to higher education for disadvantaged youth.

Bumbaugh knows what these kids are up against. After graduating from Yale and convinced that what worked for him could work for others - he went back to teach in Anacostia, a DC neighborhood devastated by the crack epidemic and urban decay. There he co-ran an innovative school within a school.

The effort to integrate schools has been quietly abandoned, Bumbaugh says. "Public schools are less diverse now than they were at the time of Brown v. Board of *Education* in 1954. Fifty percent of Black students today attend segregated schools classified as 'drop-out factories.' It's tragic, and we've moved away from even talking about it."

The solution to failing schools is actually pretty simple, he says: "The poor kids just need what the rich kids have. If you want to eliminate poverty and racism in the United States, think about the resources your children have and make sure everybody's children have them."

After graduating from the GSB, Bumbaugh went off to work for and lead a number of organizations working to address that resource gap, dealing not just with education but also issues like health, housing, food security, and what he calls the carceral state.

But he still believed that higher education offered a way out of poverty - if we could just get kids to that stage and give them the skills to succeed there. So in 2015, when the College Board asked him to lead that effort, he jumped at it. "This organization touches 90% of American high school students," he says. "There aren't many opportunities to work at that kind of scale."

At the College Board, Bumbaugh's focus is on young people who, through no fault of their own, are off the pathways that lead to college. Part of it, he says, is an information gap. Low-income families often have no idea how to prepare for college or navigate the application

process - topics of constant conversation in affluent communities.

So his team developed what he describes as "a college planning tool disguised as a scholarship." It breaks the process down into six steps that start in 11th grade. Taking the first step, which is just to list six target colleges, earns students the chance to win a modest scholarship. "That's the enticement, but it's really meant to demystify the process and get the ball rolling."

Working with Khan Academy, they also created a free online SAT prep course that has gotten rave reviews from users. Bumbaugh says he disagrees with those who'd abolish standardized tests like the SAT. "It's an objective measure of critical skills," he says. "And you know, tell me one time in American history when a more subjective process benefited people of color."

Bumbaugh is also a big proponent of AP classes. He works with schools to open them to more students and remove needless barriers, and he urges kids to take advantage of them. "It's going to be a shock to the system, but you'll study with the best teachers in your school, and it'll prepare you like nothing else for the rigor of college work."

For students of color, there are intangible barriers too. "If you walk in and there's no one who looks like you, you might say, 'Whoa, do I belong here?'" That's partly why he pushed for the creation of a new AP African American Studies curriculum. The course became a political lightning rod in January when Gov. Ron DeSantis banned it in Florida schools; to others, the furor merely underscored the need for such a class.

"Advanced coursework is a democratizing lever that we should pull at the earliest grades possible," Bumbaugh says. "We could do that in this country. A century ago we made a national commitment to universal education, and literacy rates exploded. We could do the same thing on this if we wanted to." - Lee Simmons

CHLOE CUSHMAN

SEEN AND HEARD

"Our love for the planet must prevail over our thirst for power."

- Jacqueline Novogratz, MBA '91, founder and CEO of the nonprofit impact investment fund Acumen, speaking at View From The Top. Read or listen to the entire conversation at **stanford.io/novogratz-vftt.**

CLASS TAKEAWAYS

Always Be Closing – with Curiosity

Selling can't be separated from business, but that doesn't mean it comes naturally. In their course *The Fundamentals of Effective Selling*, marketing professor James Lattin and lecturer Barry Rhein teach students the skills they'll need to develop deals and close them — and create new opportunities outside of sales. Here are five key takeaways from their teaching:

1. Curiosity drives effective sales: "We need to learn what is important to a customer," Lattin says. Learn about the customer's current situation and how your product might offer an ideal solution to a problem they face. That means asking effective questions and rethinking assumptions. "Learning to be authentically curious is critical for effective selling."

2. Sales skills must be practiced: "You don't get good at sales by reading a book," Rhein says. Learning the skills of effective selling takes practice. Lattin and Rhein use group exercises and role-plays so students can see what works (and doesn't). "Our goal is to help the students develop the confidence they need to apply all selling skills."

3. Understand your customer: A lot of sales, Rhein says, come down to answering two questions: Is there a real deal here? Can we get a deal done? That requires gaining insights into customers' priorities and decision-making processes. Think of them as hurdles in a track race, Lattin says: "It's the job of sales to use curiosity to identify each hurdle and discover what it will take to clear each obstacle successfully and move on to the next stage."

4. Closing takes curiosity: Sealing the deal may feel daunting — what if the customer says no? Rhein describes a role-play exercise in which students get comfortable responding to customers' objections. "We encourage the students to think of an objection really as a gift," he says. "It's an opportunity to understand the customer's thinking and discover what might stand in the way of getting a deal done."

5. Sales skills help for life: "Most of our students say that they don't intend to go into a traditional sales role, and yet they take our class because they're convinced that the process and the skill set will be useful in all types of selling contexts," Lattin says. Rhein adds, "Learning and

practicing curiosity-based selling can help anyone further their vision and accomplish their goals."

Go to *stanford.io/curious-closing* to watch a video of this Class Takeaways.





BY THE NUMBERS

Circles

2013

Year that Women's Circles were founded to provide connection, inspiration, and professional and personal support to GSB alumnae.

1,200

alums currently belong to Women's Circles, meeting monthly in person or virtually.

171

small groups gather in 22 regions around the world, including London, Mexico City, São Paulo, Shanghai, and Singapore.

PEER TO PEER

Investing in Better Treatment for Women



n May, nearly 100 GSB students attended "Investing in Women's Health," a panel discussion with VC investors hosted by the GSB Femtech Club, an interdisciplinary organization promoting innovation in women's healthcare. Club co-founders Sasha Pines and Emily Powers, MBA '24, recap some key takeaways about this long-overlooked, now-booming opportunity to help women of all ages:

Filling in the Gaps: "Femtech" was coined less than a decade ago, but its global market size could be as big as \$1 trillion. "The white space in women's health is sort of... everywhere," said Jessica Karr, a general partner at Coyote Ventures. "There's so much to be done in this male-dominated industry."

Getting off the Sidelines: "Women have been underserved and neglected from the beginning of modern medicine," said Alice Zheng, principal at RH Capital and coauthor of a McKinsey report that finds femtech is "on the cusp of disruption." Even though women use more healthcare than men and oversee 80% of their families' healthcare purchases, many male investors have hesitated to invest in women's health. Deena Shakir, a general partner at Lux Capital and a lecturer in management at the GSB, says she's come to see "others' biases as an opportunity."

New Science for Old Problems: More research is still needed to better understand women's bodies. Clinical testing on women was not required by law in the U.S. until the 1990s and only 2% of drugs in development are for women's health conditions (not including cancers). Take menopause: Treatment options have remained stagnant for decades due to a lack of research. "Including sex and gender as a variable in drug development is fundamental to developing better drugs for women," Zheng said.

HEALTHY DIALOGUE Students and speakers at a panel discussion sponsored by the GSB Femtech Club

Fertile Ground: Women are having children later, more LGBTQ couples are starting families, and IVF remains prohibitively expensive. The panelists were enthusiastic about efforts to improve outcomes and lower costs for parents-to-be, such as recruiting more specialists in reproductive endocrinology and infertility. "There is a huge shortage of OB-GYNs and REIs, so we're excited about solutions that can supplement the workforce," said Julie Wroblewski, a managing partner of Magnify Ventures.

Improving Equal Access to Care: More than 40% of pregnant women in the U.S. are covered by Medicaid, yet they've been underserved by the healthcare industry. Delivering better care to them would not only tap into an untouched market but could help address America's maternal mortality crisis, panelists said.

Treating the Whole: The panelists expressed excitement about multisolution platforms that make it easier for women to get treatment in one place. "As women, we don't think about our problems as organs but rather as our broader health and wellness," Shakir said. "So I think integrative care is the future of medicine and should be the future of platform solutions."

SEEN AND HEARD

"The world without art would be an incredibly boring place."

Adobe chairman and CEO Shantanu Narayen talking about the future of AI and creativity at View From The Top.
Read or listen to the entire conversation at stanford.io/narayen-vftt.

MAKER The Soul Train Musical

Richard Gay, MBA'95

THIS SHOW RESONATES WITH EVERYONE. I have been associated with the Soul Train brand for over a decade and no one has ever asked, "What's the Soul Train musical going to be about?" Instead, we frequently hear, "Oh my gosh, that hasn't been done already?"

Soul Train is a tremendously important brand and story for Black America, for music, for TV, and across the globe. Don Cornelius, as an entrepreneur, started building this empire in 1970 when he wasn't supposed to be able to and ended up doing great things with it. Because it was a nationally syndicated show, everybody has a touchpoint with Soul Train and people always feel good about it.

I have a very traditional kind of business background - GSB, partner at Booz Allen, and COO role at some major television brands. People often ask me how I ended up as a producer. I find that the core principles are the same: Working with great people across the board - whether business partners, money people, creatives, or distributors – that matters the most.

We have this unbelievable creative team - Dominique Morisseau, Camille A. Brown, Kamilah Forbes – a Black woman as writer, choreographer, and director. People have said that this is a first on an original Broadway musical. When we first heard it, we didn't believe it. We just wanted to put together the best team for this project, and we are lucky to have these three at the helm, which makes this accidental history - and that's the best kind of history.

I am fortunate to work in an industry where people see things I can't see and hear things I can't hear. I have been out raising funds for months and yesterday I got to sit in rehearsal all day and watch our amazing cast. That's what a producer's job is, and that's what I love about it. No day is the same.

People are going to come and dance and jump out of their seats at this show. There are also points where there won't be a dry eye in the house because of the relationships and the range of emotions around Don's complicated life. We're telling the Soul Train story, including some really serious stuff. But you're going to have a lot of fun while you're there, too.

Told to Dave Gilson



Richard Gay, MBA '95, is a lead producer of Hippest Trip – The Soul Train Musical.

A NIGHT TO REMEMBER

We could have had this out pre-COVID if we just wanted to do a jukebox musical. It would've been easy to just pick some big songs from each decade. There are a bunch of great songs from huge artists in the show – Earth, Wind & Fire, Isaac Hayes, Bobby Brown. That said, there's also this song that you just wouldn't expect that's going to bring the house down. It isn't the biggest song by the biggest artist, but it is the perfect song for the story and the moment.

EXPRESS YOURSELF

Dede Ayite, our lead designer, is having a ball interpreting the outfits that were worn on Soul Train over the years. There'll be some fantastic hairstyles. from Afros to some of those mistakes we all made in the '80s. Let's just say that the wig budget is real!



KEEP ON MOVIN'

We're developing the show here at ACT in San Francisco and then we're headed to Broadway. A big part of our journey has been bringing a diverse pool of investors to the table. It is important to us that our investor pool represents the people who created the show, the audience who watched it during its 30-plus years on air, and the fans of the brand today. This is as important to me and my partners as telling a story that delivers on the legacy.

ALL ABOARD

Q.

Ahmir "Questlove" Thompson is one of the project's executive producers. He is literally the biggest *Soul Train* fan that I know. The first time I met with him after BET acquired the brand, I nervously made this 15-minute pitch asking him to be a music curator. He patiently let me finish, then turned to his manager and said, "Can I say yes now?" That's the power of this brand.

SOUL SURVIVORS

Obviously, Don's life is a critical part of the story. But Don didn't create *Soul Train* by himself. Pam Brown, who booked every show, was part of the story. The dancers and musicians were part of the story and Don's family was part of the story. Our musical delves into all of that. It's the joy; it's the pain. It's the ups and downs. Rules of Engagement²⁰ Construction Zone²³ Walk This Way²⁵ Hang On²⁷ Change Makers²⁹

Insights

RULES OF ENGAGEMENT

Influencers Get By With a Little Help From Their #Friends

Instagram personalities get a boost in engagement when they post about their close relationships.

BY JULIA KANE

very morning when Yu Ding arrives at Stanford Graduate School of Business, he snaps a photo of an elm tree between the faculty buildings. His Instagram is a motif of the same tree surrounded by the same sidewalk, day after day.

"I don't have many likes," the assistant professor of marketing admits.

A few years back, Ding noticed something interesting. His colleague Jaeyeon (Jae) Chung, an assistant professor at Jones Graduate School of Business at Rice University, had been ribbing him about his Instagram feed, which then consisted almost exclusively of photos of a lion statue outside Columbia Business School. Ding's posts didn't have many likes then, either — except for when he occasionally posted a photo with friends. Those received a lot more likes.

The two marketing researchers couldn't help but wonder: Did the same



These are the key questions that Ding, Chung, and coauthor Ajay Kalra, also at Jones Graduate School of Business, set out to answer in a recent paper. They found that when Instagram influencers include their close friends, family, and romantic partners in posts, it boosts their engagement.

"People want to feel a connection," Ding says. "If you post your close social ties, people feel they can connect with you."

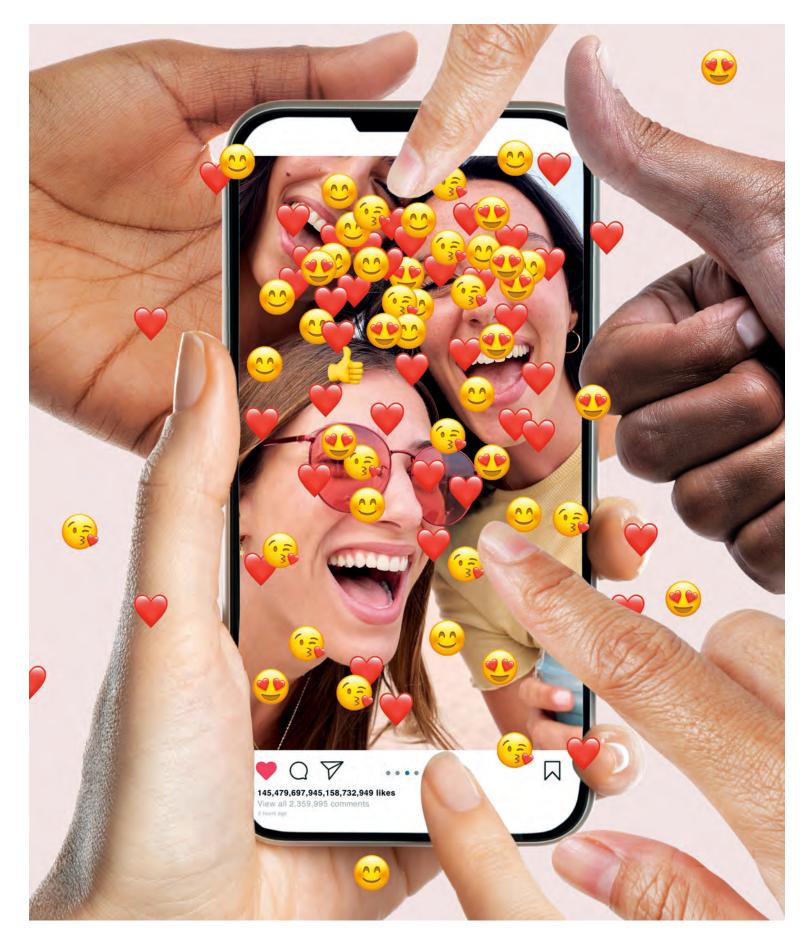
Closing the Social Distance

Influencer marketing has exploded. In 2016, there were more than 1.2 million sponsored posts on the social media platform. By 2020, that number had nearly quintupled. Last year, companies spent more than \$16 billion on influencer



VANCY ROTHSTEIN

YU DING is an assistant professor of marketing at Stanford GSB.



marketing strategies — no surprise, considering 60% of marketers believe this approach has a higher return on investment than traditional advertising.

Despite the frenzy, the field remains relatively unexplored, and researchers are just starting to understand the secrets behind influencers' engagement. That's changing quickly, though. "You have to work fast because this is a hot topic that companies are urgently seeking answers for," Ding says.

To figure out whether including friends and family in posts really improves engagement, Ding and his coauthors analyzed data from Instagram influencers whose accounts were in the top 1,000 most followed. They sorted more than 55,000 posts based on whether the text mentioned a close friend, family member, or romantic partner, and by how many people appeared in each photo. Several social media–savvy research assistants checked a sample of the data to ensure these classification methods were sound.

This research found that posts that mentioned close social ties in their text received nearly 9% more engagement, as measured by likes per follower. That might not seem like a lot, but if you're Portuguese soccer star Cristiano Ronaldo, that's nearly 2 million more people interacting with your post. They also found that posts that pictured two to three people were the most popular.

To prove causality, the researchers conducted a series of experiments where they altered posts by influencers like actor and entrepreneur Jessica Alba and YouTuber David Cánovas Martínez to see which images and text engaged study participants more. These experiments proved that posts that reference influencers' close friends, family members, and romantic partners do the best job of capturing likes.

Ding, Chung, and Kalra explored a few possible reasons why we're drawn in by glimpses of influencers' time with besties and loved ones. Sharing moments from real relationships can help influencers come across as more authentic, and we crave authenticity. These moments can also make influencers seem warmer and more relatable — think "Stars they're just like us!" Lastly, as hypothesized by the researchers, humans are naturally nosy, and getting a window into influencers' personal lives can be a tantalizing prospect.

Keepin' It Reels

Ding says it would be a mistake if the lesson brands and influencers take away from this research is to always post photos with two to three people, captioned with mentions of family, friends, and partners. "We don't want to give people a shortcut to game the system," he says. "When you are trying to cast an image of your brand, of your product, what do your consumers value? You have to really understand that they value social connection and authenticity, especially in the context of influencer marketing."

There is, of course, an inherent tension between feeling like someone is trying to share their life with you authentically and feeling like they are trying to sell you something. Ding's research also found that when influencers include close social ties in their sponsored posts, it mitigates the negative response that followers often have to posts featuring product placement or branded content.

He plans to continue exploring these effects, including their possible downsides. For example, when social media personalities post misinformation alongside posts that show close friends, family, and romantic partners, is the audience more likely to engage with it? "What if they should not have engagement in a certain context?" Ding asks. Also, what happens if influencers and brands stretch this approach too far? Will it erode their authenticity, making fans feel manipulated? These are questions he's asking as part of a broader research agenda focused on how people evaluate information and how entities build and lose trust.

Ding believes that social media has the power to bring people together. Even when brands are leveraging platforms and influencers for business purposes, "let's still focus on the social connection part of anything that you're going to do," he says. "We don't want business to become the enemy of organic enjoyment of life. In fact, marketing can contribute uniquely to this by understanding and reflecting what consumers truly value."

Ding still posts a photo of that one tree when he gets to work. But now, he'll sometimes add a second photo, like a shot of him catching up with a friend over breakfast. Those posts typically get more likes, which helps Ding feel more connected with his circle of followers. "I'm happy with that, being an authentic, relatable, warm, and sometimes engaging 'influencer' myself," he says. GSB

"People want to feel a connection. If you post your close social ties, people feel they can connect with you."

CONSTRUCTION ZONE

What if There Is No "You" in Yourself?

A challenging look at our sense of identity – and how little say we have over it.

BY KATIA SAVCHUK

ho are you? Most of us assume that we're the same person when we go to bed and when we wake up, whether we're with friends or family, and whether we're in San Francisco or hopping a flight to Fiji. And we believe that we hold the power to define ourselves.

Not so, says Brian Lowery, a professor of organizational behavior at the GSB. In his recent book, *Selfless: The Social Creation of "You*," Lowery argues that the self is not a fixed, innate essence residing within us, but something fluid and socially constructed. The self exists only in relation to others, he posits, with implications for understanding social identity and our capacity for freedom.

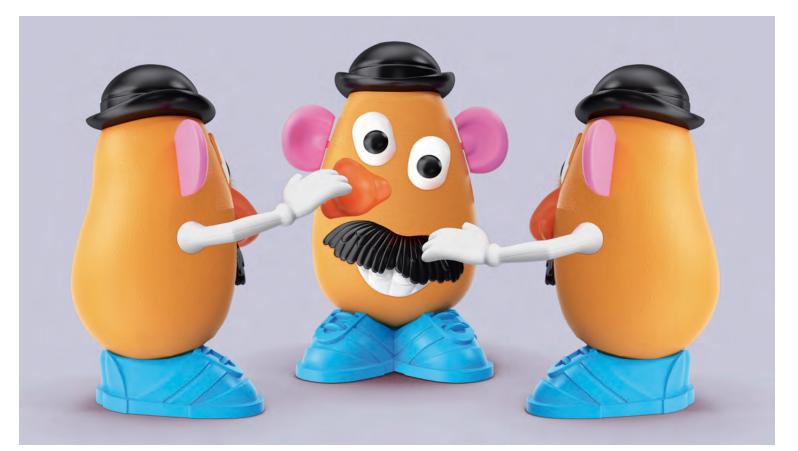
Lowery, a social psychologist, grounds his philosophical case in fascinating anecdotes from his life, the news, pop culture, and academia, including his own research. His theory offers an unconventional lens on current debates over race and gender identity.

Stanford Business spoke with Lowery about why he believes that "you can't be yourself by yourself."

You write that it's not possible to be your "true self," as many self-help books urge. Why is that, and why can it feel so convincing that we do have an essential self?

From my perspective, the self is a social construction that is affected by the people you're interacting with and unfolding in relationships. In that sense, the self is constantly evolving. If you accept that fluidity, I don't know what it means to be "true," because by "true" I assume most people mean real and unchanging.

We accept that you can't step in the





BRIAN LOWERY is the Walter Kenneth Kilpatrick Professor of Organizational Behavior at Stanford GSB. same river twice. Every time you step in the river, it's your true self, but it's always different. We are trying to make sense of the world around us, and a self locates us in the world and tells us how we're connected to other people. It centers us.

You argue that we don't have as much agency as we'd like to believe. What do you mean, and how much freedom do we have?

Depending on what you define as freedom, maybe none at all. Would you want your ability to choose a romantic partner to be completely free? It seems that way, but I'm not sure that's true. You have preferences for what they should look like, how they present their gender, what activities they should like, and all those things come from somewhere. You don't see that as an impingement on your freedom, but these are constraints.

You are certainly influencing the world around you, but what is the source of that influence? It's not you as some ineffable essence inside you, but you as a bearer of all of the influences of people who touched you. Maybe the issue isn't agency, but the agent. When you say, "I'm free," who is the "I" you're talking about?

You moved around a lot as a kid, attending six different schools in Chicago alone before college. How did that affect your interest in and concept of the self?

It allowed me to see the effect of my environment on me and the people around me. If you stay in one place, you can mistake the stability of the environment for some kind of internal stability. At different schools, I saw people who seemed to be the same characters — the smart kid, the class clown — but, depending on the school, their trajectories were so different. I could see how the environment was shaping their life outcomes. In the book, you discuss experiences with racism: getting arrested by the Chicago police at age 17 after refusing to be frisked for no reason, being accused of making up the fact that you're a Stanford professor, having students assume that your white advisee is the professor rather than you. What do you make of these incidents in light of your view of the self?

In those moments, it was not so much that any of those individuals dictated who I was. But in the interactions, we created who I was — that's a subtle but important distinction. It's not as if someone thought I wasn't a professor and that made me not a professor. But the interaction shifted who I was in that moment. Now, I'm seen as a Black man professor, and I'm engaging in that way as well. I might not have thought of myself as a Black man in that moment or context previously.

You give the interesting example of Rachel Dolezal, who had identified as Black and resigned as president of a chapter of the NAACP when it emerged that her parents were white. You say that Dolezal was white, then Black, then neither. What do you mean, and what does this tell us about how we should view racial identity?

I'm taking seriously the idea that racial identity is a social construction. If she believes she's Black, and everyone engages with her as if she's Black, that makes her Black. In the book, I ask the questions: If she was one-eighth Black, is she Black? If she thought she was Black and was raised by Black parents but then discovered she didn't have African ancestry, is she Black? Most people view race as essentialized, as if it is etched on your soul. If you take the notion of the soul away, most principles people use to define someone as Black don't stand up to scrutiny. That doesn't make these identities any less important or real.

If we accept your theory of the self, what are the implications for how we should live and interact with others? I'm explicit in the book that I'm not prescriptive. My goal is for readers to ask themselves questions that change their experience. For me, every time I think about the ideas in the book, it makes me engage with people differently. I think, "How am I influencing them? How are we, in this moment, constructing each other? And what's my responsibility in this interaction?" It changes my interactions in a way that is sometimes small and sometimes profound. We don't often engage with each other's humanity in this way. If you see that just a little bit, it will change how you move through life, what people give you and you give back.

What should organizations take away from your theory?

When you have direct reports, if something's going wrong with how people are showing up, the first question you should ask is, "How am I co-creating that?" as opposed to, "What's wrong with them?" There's some way that you're participating in what's being produced. There's not enough responsibility taken for that among some leaders.

Organizations are like nation-states. You are constructing an environment that shapes who the people within them can and will be. You're shaping what people can conceive. Are you producing an environment that allows people to be who you need them to be? GSB

"The self is a social construction that is affected by the people you're interacting with and unfolding in relationships. In that sense, the self is constantly evolving." WALK THIS WAY

A Small Step Toward Better Negotiations

Getting out of the boardroom for a stroll changes how women feel about one-on-one negotiating.

BY DAVE GILSON

any people think of negotiation as a fight, but it's really about collaboration, Margaret Neale explains as we begin our walk. "What negotiation is to me is joint problem solving: let's find a solution to a problem that we're facing."

(The immediate problem Neale and I face is how to get across the Stanford campus without getting soaked by an unseasonable shower. Where's one of those famous covered walkways when you need it?)

Neale, a professor emerita of organizational behavior at the GSB, is an expert on negotiation and, to paraphrase the title of her book on the subject, how to get more of what you want. She's found that the traditional approach to





MARGARET NEALE is the Adams Distinguished Professor of Management, Emerita, at Stanford GSB. negotiation — two adversarial parties staring each other down over a table doesn't work all that well. "If you're fighting, you're not creating value. You're trying to dominate," she says. "Reframing it from battle to collaborative problem solving opens up the opportunities for negotiation in such an amazing way."

I've joined Neale on this stroll to hear about her latest article, which explores an easy way to break out of the boardroom-battle model. Recently published in *PLOS ONE*, it details an experiment in which around 160 volunteers were split into same-gender pairs and given a 30-minute exercise where they had to hammer out the details of a fictional job offer. Half of the recruiter-candidate pairs talked while sitting across from each other in a room; the other half haggled while taking a walk outside.

Neale and her six Stanford-affiliated coauthors were curious if the well-known cognitive and psychological benefits of walking would lead to less competitive, more cooperative negotiations. Their findings were promising: the walkers came away liking their negotiation partners more than the sitters did.

And there were distinct benefits for women who walked: they achieved more equitable results, as measured by points assigned to their final outcomes. They also reported fewer negative feelings about the negotiation exercise than women who stayed inside.

"We mitigated some of the negative feelings around a negotiation, which actually is a pretty big deal because women face a very uneven playing field in the negotiation area," Neale says. As noted in the paper, women tend to avoid negotiations and report feeling anxious and uncomfortable while negotiating. And, as Neale has found, when women negotiate from a position of strength, they may be penalized for coming off as too assertive.

Seeking Equal Footing

The new findings build on Neale's earlier research on how small shifts in context can affect women's experience in negotiations. In one study, women who did the recruiter-candidate exercise sitting side by side in the same kind of chairs had better economic outcomes than those who sat across a desk in chairs of different heights. Neale and her coauthors on the walking study hypothesized that getting out of a room might similarly benefit women. "We knew historically from research that, on average, women do worse than men in negotiation," she says. "The question was, can we maybe recreate the environment to mitigate the experience that the women have?"

While Neale's team had expected walking to positively affect all participants regardless of gender, they were surprised at the results for men. Men who walked had less equitable results in their negotiations and reported more negative emotions than men who sat. It's not clear why this happened, though Neale wonders if they interpreted this unusual exercise as a competition or a race.

That's just one of many questions that might be explored in future research that builds on this "proof of concept" study. Does walking boost women's positivity or performance when negotiating with men? (Due to its small size, this study did not study mixed-gender pairs.) Does walking inside have similar effects as walking outside? What about a virtual negotiation where the parties are on treadmills?

Whatever its practical effects might be, a good walk is a perfect metaphor for the kind of collaborative problem solving Neale advocates. It requires both parties to sync their pace and focus as they head toward a common destination. As she explained on the *Grit and Growth* podcast last year, a successful negotiator has to convince their counterpart "to voluntarily walk this path of agreement with me."

Twenty minutes and one rainstorm later, Neale and I near the GSB, where she's about to teach an executive education class. I ask her what happens if you reach an impasse while negotiating on a walk. Have you limited your option to call the whole thing off?

"No — I could just do this," Neale says, stopping in her tracks. "It gives new meaning to walking away." GSB

"If you're fighting, you're not creating value. You're trying to dominate."



HANG ON

When Is It Too Late to Give Up Control of Your Money?

Investors know the risks of making mistakes as they get older, but also want to oversee their finances for as long as possible.

BY DYLAN WALSH

merica is getting older. By 2050, one-fifth of the U.S. population is projected to be over the age of 65. And the way we're aging is changing, too. Older people today are more responsible for managing their finances than they were in the past.

Yet there's no escaping an uncomfortable fact of old age: Nearly 20% of Americans 65 or older have cognitive impairment, and nearly 10% have dementia.

The intersection of these demographic, financial, and health trends raises difficult questions about how older people should balance their desire to manage their own money with the possibility of cognitive decline. Do they have someone who can step in to help them if necessary? And will they recognize that they need help before making a costly mistake or getting ripped off?

New research by Christopher Tonetti, an associate professor of economics at the GSB and a senior fellow at the Stanford Institute for Economic Policy Research, finds that older investors are acutely aware of this challenge. "People are very concerned about their future self not handing over financial control when they should," he says.

Preparing for the Handoff

Tonetti and three other academics worked with Vanguard to survey roughly 2,500 clients 55 and older on how they've prepared to manage their finances into



the future. (The participants were wealthier and more educated than a representative sample of older Americans, and likely savvier with their money.)

Overall, the respondents had a pretty realistic sense of their likelihood of experiencing cognitive decline. On average, they put their chances of having cognitive decline for at least five years at 29%; the actual figure is 34%. Most said they already had a family member or friend waiting in the wings who could take control of managing their money. "A lot of people came back saying they had someone available who they trusted would do a good job," Tonetti says. "That was a bit of a surprise."

Anticipating the timing of this potential handoff, however, is not easy. Understandably, many people do not want to bring in an outside financial agent too soon, sacrificing their ability to make decisions for themselves. Nearly 84% of survey respondents said they would not want to give up financial control at the onset of cognitive decline, preferring to wait for a moment before they would completely lose the ability to manage their own money. Yet many respondents also realized they might delay transferring control of their finances because they would not recognize their own cognitive decline.

"Most people were concerned that they would hold on to control longer than they should and, by doing this, increase the chance that they would make a big mistake with their finances," Tonetti says. If they were suffering cognitive decline and it got too far along, "they might make poor investment decisions or be more subject to scams and fraud."

The researchers probed how much people would be willing to pay to optimize the timing of this handover. Importantly, Tonetti says, the survey didn't ask this hypothetical question directly, as people would have difficulty answering it. Rather, the survey design made it possible to analytically deduce the figure. The researchers found that one-quarter of the respondents were willing to pay more than \$50,000 to ensure a transfer at the right time. Roughly 15% were willing to pay more than \$100,000.

Considering the risks, why don't older people transfer the management of their finances sooner? That they don't illuminates a key insight from this research: People want to maintain control of their own finances for as long as possible. What drives this desire, Tonetti says, is not clear. It could be a belief that they'll do a better job than their surrogates. They may enjoy the process, or perhaps they don't want to be a burden to others. Whatever their motivation, "there is this desire to control their finances when capable," Tonetti says. "That wasn't obvious before we wrote this paper."

Timing Is Everything

Another key insight is that people have limited awareness of their mental health. The onset of cognitive decline is often slow, and its symptoms can be difficult to recognize. However, people with significantly impaired cognition may be unwilling to hand over the reins of their finances.

"Given people have this limited awareness of their mental health, a desire to stay in control of their finances, and, importantly, a desire to pass control when decline sets in, we ought to have ways to help them understand where they are in terms of decline," Tonetti says.

He suggests three ways to make it easier for older people to prepare for a financial handoff. First, doctors could offer regular screenings that indicate a person's competence in managing their finances. Second, people could have early conversations with their trusted financial agents (often their children) to plan what a transfer of control would look like and what might trigger it. "This would be guidance — not so much on what to do, but on when to take over," Tonetti says.

Finally, financial institutions could design tests or procedures, either automated or conducted by employees, that screen customers for early signs of cognitive decline. If symptoms are detected, then a plan would be in place to contact the client's fiduciary.

"Whatever the method, this is a service that people could clearly use," Tonetti says. "Our research points not just toward the elderly finding people who can help them manage their finances late in life, but also toward the importance of getting this help at the right time — an ever more urgent need as the population of retirees grows." GSB

"Most people were concerned that they would hold on to control longer than they should and, by doing this, increase the chance that they would make a big mistake with their finances."



CHANGE MAKERS

Savvy Shoppers Undermined India's Great Cash Swap

How consumers kept more than \$1 billion out of the country's tax system.

BY JULIA KANE

t 8:15 p.m. on November 8, 2016, India's Prime Minister Narendra Modi delivered a surprise address live on national television. He announced that, at midnight, all 500- and 1,000rupee notes would cease to be legal tender. More than 80% of the country's cash would effectively be sucked out of circulation overnight.

This move was meant to bring undeclared wealth — known as "black money" — into the tax system, to eliminate wealth accumulated through bribes, and to root out counterfeit bills. It also



YEWON KIM is an assistant professor of marketing at Stanford GSB. pitched India's cash-centered economy into chaos.

In the hours before the demonetization policy went into effect, Indian households weighed their options. The government hoped they would head to the banks to deposit their soon-to-be obsolete bills or exchange them for newly issued currency. (The 500- and 1000-rupee notes were worth about \$7.50 and \$15, respectively.) Instead, many people frantically spent them. Some even dumped their money in the Ganges River to avoid a tax investigation. Others thought ahead and purchased goods with cash, later returning those items for crisp new bills.

How did consumers' choices affect the outcome of India's currency upgrade? That's the question that Yewon Kim, an assistant professor of marketing at the GSB, set out to answer in a recent paper.

Kim and her coauthors looked at transactions between individual consumers and retailers, which typically aren't examined closely when evaluating monetary policy. But it turns out they can play an important role in whether or not a policy succeeds.

Analyzing data from a large retail chain, the researchers found that savvy consumers shielded more than \$1 billion from income taxes as demonetization was implemented. This was a boon for the retail chain, but it subverted the government's goal of bringing unaccounted-for cash into the tax system.

Return to Spender

The researchers looked at more than 7 million transactions during the year before and after demonetization. Coauthor Pradeep K. Chintagunta of the University of Chicago Booth School of Business obtained the data from a bigticket, durable goods retailer with stores across India. (The researchers agreed not to name the retailer. But think consumer electronics, large appliances, high-end saris, jewelry, etc.)

The first thing Kim did was plot a graph showing the number of transactions by date. "The fluctuation in the sheer amount of transactions around the time of demonetization — that itself was just so striking," she said. She had already read newspaper stories about Indians cramming into stores to spend bags full of cash. Now, she had hard evidence that the number of retail transactions had skyrocketed.

Digging further into the data, Kim and her fellow researchers teased apart the different types of strategic behaviors Indian consumers engaged in right before and after demonetization went into effect.

They found that as demonetization was implemented, many Indians made "strategic returns," buying items with soon-to-be discontinued bills with the intent to return them in exchange for new bills. This allowed them to exchange their money without visiting a bank, where they would have been required to show proof that they had paid income tax on wealth over a certain amount. Some of the retailer's stores saw returns increase by nearly 300% in the days following demonetization.

The team also found that people bought things they wouldn't normally have bought. Some stores had a 40% sales bump on the day demonetization was announced. Other consumers made planned purchases earlier or switched their payment method to cash, all in order to use up their 500- and 1,000-rupee notes.

Did Demonetization Pay Off?

Once the researchers had quantified the impact of demonetization on this retail chain, they tried to measure how much these spikes in strategic consumer behaviors had affected the government's goals. "That seemed critical, because even now, there is a whole debate about whether or not that demonetization policy was an effective policy to pursue," Kim says.

They scaled up their estimates to the entire retail market. Using conservative methods, they concluded that Indians had managed to shield an estimated \$1.5 billion from the tax system by using retail transactions to their advantage. In the end, the retail chain came out ahead, too. The benefits of the surge in sales outweighed the costs of processing the returns and exchanging old currency for new.

"Measuring unintended consequences of any given policy is very hard because you have to cast a wide, wide net in the wild and see what's going on," Kim says. But it's critical for decision-makers to understand spillover effects so they can craft better policies in the future. Kim's research has implications for developing countries striving to increase economic transparency, transition to a cashless economy, and crack down on black money and tax evasion.

"Policymakers are not God, and they don't have perfect foresight of what will happen when they give a shock to the market," Kim says. "That's why it is important for us, as academic researchers, to provide some set of insights about what kind of unintended consequences can happen through strategic consumers." GSB

"Policymakers are not God, and they don't have perfect foresight of what will happen when they give a shock to the market."



What's your IMPACT?

STANFORD ALUMNI CONSULTING TEAM

Since 1987, GSB alumni have worked in teams to provide pro bono service to nonprofit organizations through the Stanford Alumni Consulting Team (ACT). Whether by brainstorming ideas to address a specific organizational challenge or by using your business skills to provide management consulting on a high priority strategic issue, through ACT you'll have impact on a deserving nonprofit, explore something new, flex your business skills, and work with a great group of GSB alumni. Volunteer opportunities are posted online annually in February and August.

To learn more, visit **stanford.io/alumni-act** or email **info@stanfordact.org**





Capitol Gains

In DC and beyond, GSB faculty are helping policymakers untangle knotty problems.

BY KEVIN COOL ILLUSTRATION BY KEITH NEGLEY

0

5

C

When California Congressman Ro Khanna first proposed that he and GSB Dean Jonathan Levin organize a meeting in Washington, DC, between leading business schools and elected officials, Levin was enthusiastic. But he had one condition: the Silicon Valley Democrat had to find a Republican co-sponsor. "I wanted to be sure we were talking to people from both sides of the aisle," Levin says.

At a time when partisanship has colored virtually every conversation inside the Beltway, Levin wanted this gathering to cultivate, if not common ground, then at least mutual understanding.

Khanna recruited Sen. Todd Young of Indiana to cohost a daylong series of meetings in July. The impetus, Levin says, was a recognition that the velocity of change has put new demands on business leaders and created a new imperative for the people who train them. "The issues we're talking about — how government engages or intervenes in the economy, and how the government is going to work with the private sector to stop climate change or manage the future of new technologies — every business school is thinking about those questions."

Deans from 10 business schools joined dozens of members of Congress to talk about manufacturing, immigration, the labor market, AI, climate change, and their impact on the future of the U.S. economy and business education. The discussion on manufacturing, for example, centered on how to reverse a decades-long decline in employment in the sector, Levin notes. "What does it mean to think about pulling the supply chain back onshore, and how might that affect how we teach students about operations, about globalization?"

To his delight, the meetings were interesting, as expected, but also remarkably, well, collegial. "The entire discussion was exceptionally thoughtful and serious — and really nonpolitical," Levin says.

Whether there will be more meetings like this is an open question, according to Levin — a future one might involve bringing members of Congress to campus for a day of talks. Regardless, the substantive nature and tone of civility in the sessions signaled that there is an appetite for quality debate about the country's economic challenges. "The day left me feeling very positive about our elected leaders," Levin says.

The day in DC also exemplified the GSB faculty's engagement with U.S. and international policymakers in a range of roles, including advising, official appointments, and strategic outreach — continuing a history of involvement



COURTESY OF U.S. SENATE PHOTOGRAPHER; MICHELLE BHATIA

that stretches back to the earliest days of the school. "Part of what the business school can do, along with alumni and graduate students, is help business be a contributor to solving big problems of the world," Levin says.

A Legacy of Engagement

After the 2008 financial crisis rocked the global economy, Anat Admati vowed she would do whatever she could to improve the system. A finance and economics professor at the GSB, Admati intensified her efforts to share her expertise with the people who control borrowing, lending, and investing. Then in 2016 she had a long conversation with former GSB Dean Arjay Miller.

Miller was over 100 years old but still possessed the sharp insight that students from his era remembered. Chatting with Admati, Miller noted that when he was vice board chair at Ford Motor Company in the 1960s, he realized that "the mayor of Detroit had bigger problems than Ford did," she recalls. "He wanted to ensure people in government are as equipped to deal with challenges as those in the private sector."

Shortly after Miller's death a year later, Admati found new inspiration in a speech referenced in his obituary. Delivered in 1968 at a conference of economists, Miller's remarks (see sidebar, page 37) implored researchers and professors "to assume a larger role in helping to resolve the critical social problems our nation faces."

"It blew me away," Admati says. "He said academics have expertise and are less conflicted than people in government or industry. They are the ones to solve our problems."

Admati has tried to educate influencers both inside and outside of government. At the World Economic Forum in Davos, she warned about the "house of cards"–like vulnerability of a global financial system built on opaque chains of debt; she described the impact of ineffective regulation at the European Parliament; she gave a keynote



address at a conference on financial stability sponsored by the Federal Reserve Bank of Cleveland. The list goes on.

Admati concedes that her efforts are often thwarted by special interests. "It can be frustrating. A dedicated policymaker told me he would speak with senators, and it's like his words were written on ice. As if it didn't happen."

"What keeps me going are cases where I clearly make a positive difference," Admati says. Fresh on her mind was a twohour seminar she gave recently to the leadership and staff of a Canadian banking regulatory agency. "The way they thanked me was heartwarming. Two weeks later, I had another conversation with the agency's CEO. He told me the staff were still talking about the session and how much it motivated them."

Material Changes

The hard work of making change often begins with someone doing the deep analysis necessary to propose a new way of doing things. Stefan Reichelstein is one of those people. A professor emeritus of accounting at the GSB, Reichelstein has devoted his research over the past decade to finding answers to vexing sustainability issues, such as how to decarbonize heavy industries like cement manufacturing.

The production of cement accounts for 8% of annual global carbon emissions — a startling statistic on its face, but more so because abatement is dauntingly difficult. Several leading cement makers have committed to net-zero emissions goals by 2050 but need help figuring out how best to achieve that while also remaining profitable. Reichelstein, along with three other researchers, began a dialogue with a European cement manufacturer to evaluate which levers could be deployed in time to meet these emissions targets — an assessment that also had to consider the EU emissions trading system and the prospect of subsidies that individual European governments use to incentivize the adoption of decarbonization technologies.

"We started the dialogue with the cement companies, but the audience really should be the people in Brussels or Berlin who ultimately have to write a check" to cement companies that hit their emissions targets, Reichelstein says.

Reichelstein also was a coauthor of a recent paper that described a framework for carbon reporting aimed at bringing credibility and transparency to corporate environmental claims. "It's very analogous to what we see in financial accounting, namely companies preparing an end-of-year balance sheet and flow statement that tells the public what the company has been doing. In this case, in terms of improvements in carbon emissions."

The paper immediately found some traction. "There was a lot of interest from different companies, and we're now in the process of refining and stress-testing the proposal," Reichelstein says.

Left: Dean Jonathan Levin with Sen. Todd Young (left) and Rep. Ro Khanna (right) on Capitol Hill Right: Levin and b-school deans meet with Lael Brainard (third from right), director of the National Economic Council.

On the Policy Front Lines

GSB faculty have been involved in government policy circles for decades, service that sometimes requires multiyear commitments. In July 2022, economics professor Susan Athey, PhD '95, took a partial leave to work as chief economist in the antitrust division at the Department of Justice. In addition to reviewing proposed mergers, she helped lead an effort to write new merger guidelines, a working version of which was released last summer.

According to Athey, the guidelines, produced jointly with the Federal Trade Commission, are revised every 10 to 15 years. "The goals were to update the guidelines to reflect the kind of patterns of mergers that we're seeing and to bring in modern economic tools that apply to those types of mergers," she says. "One of the big themes in mergers over the last 15 years has been acquisitions by dominant firms, not of firms that directly compete with them, but of firms that have products that rivals use to compete or products that might help [rivals]. Those types of mergers did not receive much attention in the previous guidelines."

Such mergers may involve complementary products but also create barriers to entry, she notes. "Suppose there's a product that consumers use to compare prices across different e-commerce platforms. If it was a very popular tool and then the dominant e-commerce platform for a market segment bought it and started down-ranking competing e-commerce platforms, that would decrease competition between the platforms."

Athey says her team introduced new language to give clearer guidance about how the DOJ would assess such a situation. "A general-purpose platform acquiring a small niche platform might not appear to raise competitive concerns through a traditional lens," she says. "But it may be that one of the only paths for entry is to enter in a niche, so buying a niche player removes a potential direct competitor. And that might be a particular concern for platforms, where the economies of scale are very important."

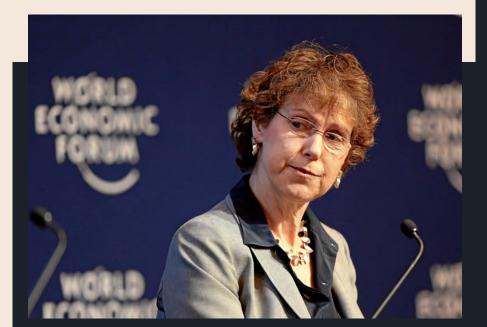
Elsewhere on the Hill, Levin and GSB finance professor Darrell Duffie collaborated recently on a report for the President's Council of Advisors on Science and Technology. Levin, who is a member of PCAST, co-led the working group on Extreme Weather Risk in a Changing Climate and recruited Duffie to help. "It was an amazing opportunity to collaborate with leading climate scientists and economists," Duffie says.

The report the panel presented to the Biden administration included three recommendations aimed at predicting the effects and assessing potential mitigations of wildfires, floods, droughts, and other weather-related hazards. "We found a compelling case to apply state-of-the-art extreme weather computation to improve risk management at the local level; for example, to increase the effectiveness and availability of insurance and to assist people with locating and designing their homes and businesses more safely," Duffie says.

Duffie has a long record of policy work. He has examined alternatives to the benchmark interest rate known as LIBOR, proposed safeguards for nascent digital currencies, and analyzed the U.S. treasuries market, among other projects. "As an academic, this is the sort of policy work that one feels a responsibility to undertake when asked," he says.

Athey agrees. "I have been given a huge privilege to be a professor at a top university with the opportunity to build expertise, and I do feel a sense of responsibility to use what I've learned for public service when the opportunity arises," she says.

> Professor Darrell Duffie has collaborated with Treasury officials and climate scientists.



Professor Anat Admati has presented her ideas to policymakers in the U.S. and Europe.



JOLANDA FLUBACHER; DAVID PAUL MORRIS/BLOOMBERG VIA GETTY IMAGES

Levin is grateful that GSB faculty — including others who have advised on law enforcement reform, technology, and homelessness — are willing to put their shoulders into helping policymakers address contemporary problems. He believes they also can play a role in helping to "restore people's faith in our capitalist system."

"Capitalism has been an incredible engine of growth and opportunity, essentially doubling standards of living every generation," Levin notes. "But we are having a debate right now about how the problems we face at the societal level — climate change or inequality or adverse effects of technology — get addressed. Should they be solved by corporations? Do they get solved by consumers and investors? Do they get solved by the government? These are fundamental questions about capitalism and its relationship to government that we are debating in a much more profound way than we've done in decades."

He is careful to point out, however, that the GSB's essential mission has not changed. "We are not an advocacy organization. Our job is to produce ideas and educate great leaders, full stop. But having said that, our faculty get involved because of their deep expertise; they are being asked to pitch in and solve big societal questions that have risen to the level of federal policymaking. And that's a wonderful thing. I applaud the faculty who spend their time doing that."

Somewhere, Arjay Miller is clapping as well. GSB



Public Service Announcement

Arjay Miller's message on the "awesome and urgent" task facing business professors still feels relevant more than five decades later.

On December 29, 1968, future GSB Dean Arjay Miller spoke to a meeting of the American Finance Association and the American Economic Association in Chicago. At the time, Miller was vice chairman of the board of Ford. Over the past several decades, the speech has been referenced as a source of inspiration at the GSB, and its call for academics to become more involved in the public sphere continues to resonate. Below is an excerpt from his remarks.

The dispossessed in our society have no problem in recognizing — and demanding such basic quantitative objectives as more income, more jobs, more health care, to name just a few. These goals are important in themselves, and they are a foundation for the achievement of such broader goals as dignity and self-respect, social harmony, and cultural advancement....

[L]et me urge that academic people, whatever their field of learning, assume a larger role in helping to resolve the critical social problems our nation faces. Universities should, of course, maintain their primary emphasis on teaching and research, but this does not mean that they cannot relate more effectively to the problems of the "outside world."

The university has two advantages in this respect: first, it has the interdisciplinary talent and intellect to deal with complex problems and, second, university people can be more objective than either business or government people, who are direct parties of interest in most problems....

There can be no doubt about the magnitude and gravity of the present challenge to our free society. The task we face is both awesome and urgent.

But there can be no doubt, on the other hand, of our power to meet our problems and achieve a better society. Having that power, we have also an obligation to recognize the challenge and the opportunities and to make a beginning. Let us not fail to use all of the vision, goodwill, and power at our command.

Points of Impact

Chief sustainability officers and chief impact officers are becoming corporate fixtures. What exactly do they do — and are they here to stay?

BY ALEXANDER GELFAND

ILLUSTRATIONS BY ISRAEL G. VARGAS

About 15 years ago, a new position appeared on the org charts of big companies like Coca-Cola, AT&T, and Dow: the chief sustainability officer. Since then, this role has gone from a novelty to a fixture in leadership teams, with its numbers exploding in the past few years. In 2018, eight publicly traded U.S. companies named their first CSOs; in 2022, more than 40 did, according

VALUE CREATION Clockwise from left: Peggy Brannigan, MBA '87; Justina Lai, MBA '09; and Randy Burns, SEP '23



to the Weinreb Group, a sustainability placement agency. PwC reports that global companies appointed almost as many CSOs in 2020 and 2021 as they did in the previous eight years combined.

Chief impact officers, which originated in the nonprofit world, have also begun popping up in the for-profit one (most famously in the person of Prince Harry, who was appointed CIO of a coaching and mental health startup in 2021). In practice, the difference between the two titles is slim, and their proliferation stems from the same underlying movement toward focusing on environmental, social, and governance (ESG) goals and diversity, equity, and inclusion (DEI) efforts.

Nonetheless, only a fraction of corporations have adopted these positions, and their relative newness raises questions about their future. If a company reports disappointing performance, will directors and shareholders blame the CSO or CIO, especially since sustainability and impact efforts are often believed to impose additional costs?

William Barnett, a professor of organizational behavior at the GSB and director of the Stanford Initiative on Business and Environmental Sustainability, says that while the occupants of these positions may indeed take some heat, they're here to stay — for the simple reason that companies realize they need them to survive. "This isn't people behaving like saints. This is smart business," he says. "Billions of dollars are going to go into the creation of a sustainable economy. People who aren't thinking that way are 20th century, and it's the 21st century now. So their organizations will be left behind."

Initially, most CSOs sat in marketing and communications, suggesting that they were meant to convey a positive story about corporate responsibility rather than shape strategy or behavior. That impression was heightened by a dearth of resources and quantifiable outcomes that led some observers — including David Larcker, a professor emeritus of accounting at the GSB who directs the Corporate Governance Research Initiative — to wonder whether CSOs might be little more than figureheads who lacked the power to drive tangible outcomes. "I'm not criticizing the focus on this," Larcker says. "I'm just raising a question: Is this just a little bit of window dressing, or is this real?"

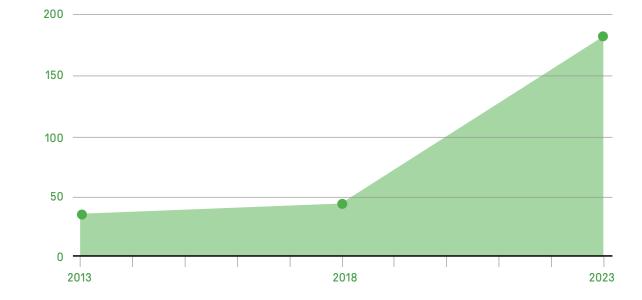
Recently, however, the role of chief sustainability and impact officers has undergone a transformation. A recent *Harvard Business Review* study found that CSOs have been acquiring greater authority, with more involved in shaping corporate strategy and addressing ESG issues that affect financial performance. A 2023 survey by the Weinreb Group found that three-quarters of U.S. CSOs now belong to their companies' executive leadership teams. They manage more direct reports than their predecessors, engage more with their boards, and increasingly see sustainability functions spread across their organizations — the kinds of things that Larcker says help distinguish positions that are "really key" from ones that are merely "nice to have."

The Influencers

For more insight into the evolution of these roles and their staying power, *Stanford Business* spoke with three executives at the forefront of sustainability and impact: Peggy Brannigan, MBA '87, the director of global environmental sustainability at LinkedIn; Randy Burns, SEP '23, the chief sustainability and corporate affairs officer at Ohio-based bottle manufacturer O-I Glass; and Justina Lai, MBA '09, the chief impact officer and shareholder at Wetherby Asset Management, a wealth

CSOs Rising

Publicly traded U.S. companies with chief sustainability officers



management firm headquartered in San Francisco.

All three have their own dedicated staff and draw on the expertise and resources of cross-functional teams whose members hail from every corner of their organizations. "I intentionally didn't try to build a huge central team because we want to have sustainability embedded across the rest of the company," says Brannigan, who coordinates with sustainability leads sprinkled across LinkedIn's procurement, data center, and workplace design, construction, and operations teams. She formerly reported to the CFO; her team recently moved into the legal department (following the lead of LinkedIn's parent company, Microsoft).

Burns is on O-I's global leadership team, which is responsible for strategic planning, and reports directly to his CEO. Lai reports to both the CEO and CFO.

The org-chart authority these sustainability and impact professionals wield may not be their most valuable asset, however. More than anything, they view themselves as influencers and connection-builders who must win the cooperation of various partners customers and suppliers, employees and board members — if they are to make their businesses more sustainable and generate value for all their stakeholders, from the investors who pump capital into their companies to the people who live in the communities where they operate.

That is very much an exercise in the collaborative, team-building skills that all three developed throughout their careers. Lai started out in investment banking and private equity before getting in on the ground floor of impact investing at the Rockefeller Foundation. Brannigan worked for Wells Fargo and Apple and ran her own strategic consulting firm before launching her sustainability career in Europe. And Burns is a former

"You cannot do sustainability without collaboration. You cannot dictate it; you cannot force it; you have to nurture it." litigation lawyer who served as outside counsel to O-I for many years before coming in-house.

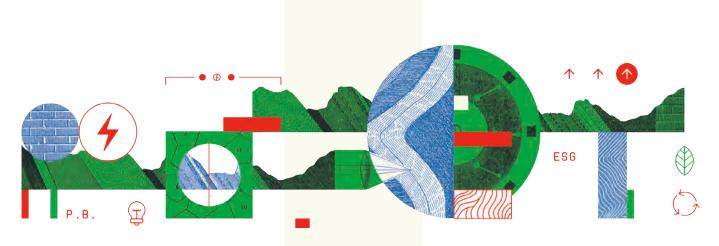
"You cannot do sustainability without collaboration," says Burns, who also leads global government affairs and corporate communications at O-I. "You cannot dictate it; you cannot force it; you have to nurture it. We can't achieve our sustainability goals without the collaboration of our suppliers and employees, and our customers can't achieve their sustainability goals without our collaboration."

Not One Size Fits All

Those goals can vary widely from company to company, as can the mandates of the executives charged with achieving them.

Brannigan, for example, is focused entirely on environmental sustainability. The networking site has pledged to go carbon-negative, water-positive, and zero-waste by 2030. To meet those commitments, she is driving initiatives to use green energy and lowcarbon concrete in the company's construction projects, increase the use of recycled water and low-irrigation landscaping on its campuses, and reduce waste in all forms — from food scraps to construction debris and retired computer equipment. "We are now making our own oat and almond milk on-site," she says with obvious delight.

At the same time, Brannigan is working with LinkedIn's product team to help users take climate action. Her team has established a resource hub where small and medium-sized businesses can learn how to set and pursue sustainability goals, in part by taking courses like "Fundamentals of Sustainable Supply Chain Management" and "Greenhouse Gas Emissions Accounting." They have also created a green jobs



Does Linking Execs' Compensation to ESG Goals Pay Off?

"ESG pay" is growing rapidly. Does it improve sustainability and financial performance?

As ESG investing has boomed, so has a movement to tie executive compensation to environmental, social, and governance goals such as reducing carbon emissions, diversifying the workplace, and improving corporate culture.

Like all things ESG-related, this has sparked skepticism and controversy. Are these incentives and bonuses driving CEOs to meet ambitious goals or just another way to pad compensation packages?

Stefan Reichelstein, a professor emeritus of accounting at the GSB, looked at these questions in an early-stage exploration of the scale of "ESG pay" in the C-suite and its impact. Reichelstein and his colleagues (including Gaizka Ormazabal, PhD '11, of IESE Business School) examined a sample of nearly 4,400 public companies in 21 countries. They found that the number of firms designating ESG metrics as key performance indicators for executives has rapidly grown from just 3% in 2010 to 38% in 2021.

While some large American companies have embraced ESG pay, most U.S. companies have not. In 2020, just 16% of U.S. companies in the sample had adopted ESG pay, compared with more than half of companies in Germany, France, and several other European countries.

Reichelstein and his colleagues found that ESG pay does help firms reach ESG benchmarks such as reductions in carbon emissions. They also found that the adoption of ESG pay is accompanied by relative improvements as measured by thirdparty ESG ratings.

On the other hand, they found that ESG pay does not have a positive impact on companies' financial performance or share price. Yet there's no indication that it's the drag on profitability that detractors assume it is. "There's this adage that doing good means doing well," Reichelstein says. "We found no support for that paradigm. But you also can't turn it around and say that companies that incentivize their top management to embrace ESG criteria are doing worse."

The researchers found a possible factor driving the growth of ESG pay: Institutional investors are more likely to increase their holdings in companies that have adopted ESG incentives for executives. And companies that have been engaged by the "Big Three" of asset management – Vanguard, BlackRock, and State Street – are more likely to adopt ESG pay.

"Shareholders may not necessarily care themselves about ESG variables, but they still think that, given the way the world is going, it's going to contribute to the bottom line," Reichelstein says. That might turn out to be true in years or decades to come. But in the short term, ESG pay does not appear to improve financial performance.

At the same time, some benefits a company gets from linking executive pay to ESG outcomes may not be easily quantified. "If you're showing that you're conscious of the problems and you can say, 'We're working on it, and we're incentivizing our management to improve things,' that probably buys you a lot of goodwill with some stakeholder groups," Reichelstein explains. He notes that "Most consumers, investors, and the general public believe that some of these ESG variables reflect a common good for society that is not reflected on its own in profitability measures."

Reichelstein thinks that rising MBAs can expect that the companies they work for in the future – at least the big ones – will be more likely to link executive compensation to non-financial performance measures such as ESG. "Tying executive compensation to some of these variables makes sense and is doable," he says. – *Patrick J. Kiger* collection to make it easier for job seekers to find work with a sustainability focus.

At O-I, sustainability encompasses social impact and DEI. "Our view of sustainability is very holistic," Burns says. Yet as a global glass manufacturer with 69 plants in more than 20 countries, environmental issues inevitably loom large. The one that looms largest, Burns says, is energy. Although glass is almost infinitely reusable and recyclable, making the stuff and moving it from place to place involves burning lots of fossil fuels. Consequently, making O-I more sustainable — and more efficient, resilient, and profitable to boot — requires not only capturing and recycling more of the glass that is already out there but also shifting toward renewable energy and low-carbon manufacturing processes.

O-I has developed a new modular furnace system called MAGMA that will allow the company to build smaller facilities closer to customers and sources of renewable energy. The technology will also reduce water usage, minimize emissions, and allow the use of even more recycled content. At the same time, the firm is working on a program that aims to produce lighter bottles, thereby saving raw materials and reducing the carbon footprint generated through shipping and transport.

Burns and his team are also building closed-loop systems that allow customers to return glass scrap directly to O-I rather than consigning it to the broader recycling system. The circular glass economy strengthens the company's supply chain while offering customers a zero-waste solution.

Lai's role as chief impact officer at Wetherby grew directly out of the firm's commitment to impact investing: 20% of its assets are invested in impact strategies, and 75% of its clients include such strategies in their portfolios. When Lai joined Wetherby in 2015, the firm had approximately \$130 million invested in

"I intentionally didn't try to build a huge central team because we want to have sustainability embedded across the rest of the company." impact assets. Today, thanks to her efforts, that number has ballooned to nearly \$1.4 billion.

As chief impact officer, Lai oversees all aspects of that side of the business: integrating ESG and DEI considerations across the firm's investment policies and procedures, reporting impact-related outcomes to clients, evaluating climate-related risks and opportunities within portfolios, and working with investment managers to help them improve their ESG, DEI, and climate-related practices. "From an impact standpoint, everything runs through me," she says.

She is also responsible for aligning the firm's business strategy operations with its investment philosophy. "If we believe that impact investing can add value to our clients' portfolios, then we should believe that those same principles can add value when applied to our own business," Lai says.

In practice, that includes advancing in-house DEI efforts, reducing the environmental impacts of Wetherby's business operations, and leveraging the firm's investments to further the transition to a lowcarbon economy, all while striving to increase the number of impact investments that Wetherby makes. "My not-so-secret goal," Lai says, "is to get us to 100% impact."

Staying Power

Burns, Brannigan, and Lai say they have experienced no serious pushback within their organizations. "Nobody disagrees that we should move towards more sustainable outcomes, because they are good business: they reduce costs, create efficiencies, and throw off benefits," Burns says.

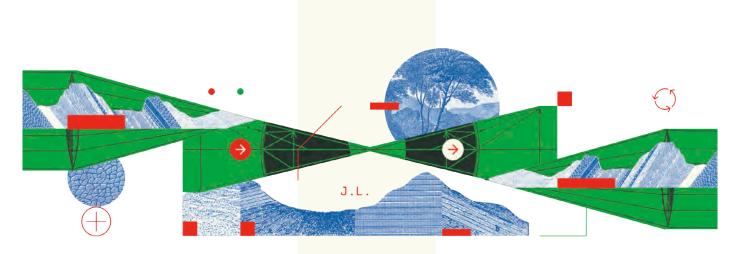
But that doesn't mean everyone shares their level of enthusiasm or isn't juggling competing priorities. "It's not as if people aren't supportive," Lai says. "They absolutely are. They recognize the need; they recognize the importance. It's just that it might not be at the top of their list." "This isn't people behaving like saints. This is smart business." Similarly, while having a CSO or CIO can help remind people of the importance of sustainability and impact, those reminders are not always welcome. "Because this role is all about making positive changes, I frequently have to tell people in the company that we have to do things differently if we're going to achieve our climate commitments," Brannigan says. And making that happen requires time, effort, and resources.

Part of the solution, Lai says, involves making sustainability and impact an explicit part of how people's jobs are defined and evaluated. "It's part of their performance review; it's part of their job description," she says. "Because it's one of the firm's priorities, and that needs to feed into people's roles and responsibilities."

Equally important, says Brannigan, is meeting people where they are and making sure that they feel heard. Rather than simply imposing sustainability targets from above, she begins by trying to understand and address her colleagues' concerns. "Then they know, 'Okay, this person is reasonable; this person understands that this is one of several priorities that need to be balanced,'" she says.

She is also careful to ask for their help in figuring out how to meet their shared goals, both to secure buy-in and because she genuinely needs their knowledge and skills. "We have to report quantitative progress," she says. "But I want to do it in a way that calls on their expertise, shares ownership of the plan, and gets them on board."

Brannigan is the first to admit that this work isn't always easy. It takes a certain kind of personality, one that isn't deterred by a little skepticism or the occasional roadblock. "You have to have some buoyancy, some optimism — and you have to be in it for the long haul," she says. GSB



Growing Season

Students in the new Stanford Ecopreneurship program spent the summer building climate-focused ventures.

BY JENNY LUNA

Last spring, the GSB joined the Stanford Doerr School of Sustainability to launch the Stanford Ecopreneurship program, which enables graduate students to build organizations that will bring sustainability solutions to scale.

Over the summer, participants in the inaugural Summer Ecopreneurial Immersion and Internship Programs and this year's Stanford Impact Founder Fellows received coaching and supplemental income as they researched, designed, and developed their ventures. These are some of the 35 aspiring ecopreneurs who formed a supportive community as they spread out across the globe.



"

We're trying not to let a very precious resource — which emits a lot of carbon dioxide in its production — go to waste. We recover the ammonia to be used as fertilizer, and at the same time, we're removing the pollutant from the wastewater streams."

Bharti Singhla, MBA/MS Environment and Resources '24

Delhi, India

ElectroSan has developed a technology for extracting ammonia from wastewater. The technology is the work of Sustainability Accelerator grant recipient and assistant professor of chemical engineering William Tarpeh and postdoctoral scholar Kindle Williams.

"In our work this summer, we've discovered something we weren't expecting: Some of the treatment plants' biggest challenges are around training. They have invested in equipment, but don't have a workforce that can operate it effectively. This insight will greatly influence our product design to provide a truly holistic solution for wastewater treatment."

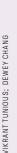
We've been asking ourselves some big questions: How do we quantify our impact? How do we measure how much it will actually move the

Meghan Wood, MBA/MS Sustainable **Energy Systems '23**

Toronto, Canada

Vatio seeks to make solar energy accessible and affordable with a solar-in-a-box solution. It was developed in the GSB's Startup Garage course, where Wood teamed up with Ignacio Santillana, MS '23, and Hector Perea, MS '23.

"I didn't come in with a technical background, but after a summer of research, interviews, and product iterations, I'm at a point now where I understand how a home's electrical wiring works. In a few short months, I've got the basic technical understanding down, even if I'm not the one building the physical product."





"

needle?"



Ignacio (Nacho) Sabaté, MBA '24

Philadelphia, Pennsylvania

Perseus' quick-curing composite material has the potential to make the manufacture of wind turbine blades faster and less energy intensive. The project is a collaboration with Stanford postdoctoral researcher Dan Lee and John Feist, PhD '23.

"One of my biggest learnings has been how to effectively take something super technical and still in development and think about how to communicate it to the broader business world. We're still in the qualification phase of the material, so there are a lot of open questions about what the future will look like. To me, ecopreneurship means being mission-driven - that's been the guiding light for our team."

"

We've developed a battery system that is half as heavy as the batteries in electric vehicles. The battery retains the same energy and enables aircraft to lift off the ground and fly commercially relevant routes, like San Francisco to Los Angeles. Battery-electric is the only way to go truly emissionfree in aviation, and we think it can also reduce the cost of flying by as much as 60%."



Thilo Braun, MBA '22/MS Energy, Environment, and Natural Resources '23

Palo Alto, California

And Battery Aero is developing battery systems to decarbonize heavy transportation, starting with aviation.

"I've been bringing aircraft manufacturers and operators into the process very early to close the design loop. Our original target was air taxis: small four- to five-seat aircraft that take off and land vertically like a helicopter for short-distance travel. It's a revolutionary use case for aviation. I think there's also a new era of regional air mobility enabled by electrifying conventional aircraft – serving rural areas around the U.S. and the world that have historically not had air travel in their proximity."

DREW KELLY

"

to have some bias toward action, but we're still figuring out the balance: information gathering versus iterating the product. And right now, there are still a lot of questions: How to make something people will want to buy that will also fit regulation, and make sure we secure the right go-tomarket partner?"

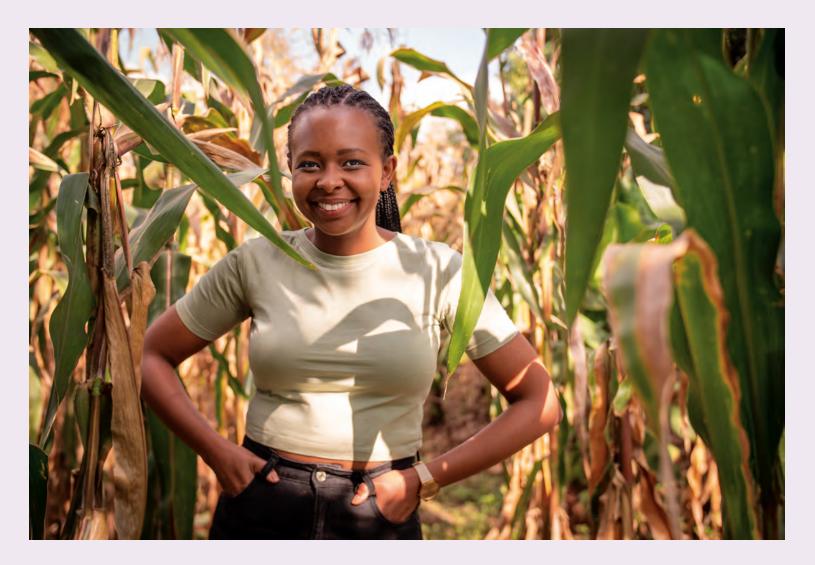
Our team knows we need

Shiro Keziah Wachira, MA International Policy '23

Nairobi, Kenya

Growing Acres is a nonprofit that builds curricula for farmers in sub-Saharan Africa so they can develop climate-adaptive farms.

"Most farmers think, 'I don't need agronomy training.' But when we visit these farms, we see the many ways they could be spending less. Growing Acres has a three-pillar curriculum that spans technical training, strategic business training, and values-based leadership."



"

My ideal future would be building a cohort of people who have the skills to build a successful career in ag. They see a path to not just lift their families out of poverty but to actually live a good life."

FEATURES

"

I'm pursuing the renewable energy space for two reasons — one is environmental, but another is geopolitical. I'm from Ukraine. I'd like to see a world not dependent on fossil fuels for energy needs. And I can make an impact by accelerating the build-out of renewables."



Oleksandr (Alex) Vovk, MBA '24

Santa Barbara, California

Universal Clean Energy brings solar power to communities with limited access to clean and cheap energy.

"I'm starting in California, where I see a big problem with solar: homeowners with good credit can finance rooftop solar installations and reduce their monthly electric bill. They end up consuming less from the grid, leaving lowand middle-income families footing a larger share of the bill for common grid infrastructure. Community solar is a tool to address that: solar farms are built offsite – on warehouse roofs, landfills, or underutilized land – and then low- and middle-income families can purchase that energy."

A.I. – Adopted Intelligently

Ready to enter the AI era but unsure where to start? GSB professors offer advice on how to move fast without breaking stuff.

BY DAVE GILSON

ILLUSTRATIONS BY JIN XIA

This spring, just as ChatGPT was surpassing 100 million users, Kuang Xu was teaching a new class that dug into one of the most pressing questions of this transformative moment: Now that we seem to be on the cusp of the artificial intelligence era, how do you best put these technologies to use? Or, more precisely, as Kuang sums up the



KUANG XU is an associate professor of operations, information, and technology at Stanford GSB.



questions at the core of *AI and Data Science: Strategy, Management, and Entrepreneurship:* "How do you build products that are deeply integrated or powered by AI and data science? And on the flip side, how do you manage teams who are doing AI and data science?"

Kuang, a professor of operations, information, and technology (OIT) at Stanford GSB whose research focuses on using AI and data-driven decision-making to power businesses and policy, has been grappling with these topics for a while. "I actually started thinking about this class way before ChatGPT really hit," he explains. The curriculum was informed by his research and consulting work, where he'd seen what happens when companies hastily build out AI or data science teams in response to pressure from their boards. "Five years later, everybody leaves or gets fired. Why? Because they never integrated. It's not a trivial thing to integrate these new technologies."

No one wants to miss out on the opportunities AI offers. But where to begin? AI has become a shorthand for everything from generative tools like ChatGPT and machine learning to computer vision and robotic process automation. How can business leaders figure out which AI tools they need and then move fast without breaking stuff — or the people they work with? Here, Kuang and other GSB professors offer their perspectives on the steps you can take to deploy AI nimbly, strategically, and responsibly.

Get Ready to Jump

"Until recently, companies from outside the tech sector would come into the Stanford GSB Exec Ed program and worry that they were behind on AI," says Susan Athey, PhD '95, a professor of economics at the GSB and an expert on machine learning as well as AI governance and ethics. "I often would reassure them that more complex forms of AI didn't bring enough value to justify the investment."

Yet that's changed in the last year or two: The quality of AI has exploded just as more companies are getting serious about collecting and analyzing data. "That combination," Athey says, "puts us in a position where things will move very fast."

The mass adoption of ChatGPT is a concrete signal that the AI rush has arrived, says Gabriel Weintraub, a



SUSAN ATHEY is the Economics of Technology Professor at Stanford GSB.

"The bottom line is that Al and data science are supposed to help you drive better decisions. Always." professor of OIT working in data science. He recently presented a framework for evaluating AI investment opportunities at a workshop on using AI for business transformation that he organized with his colleagues Mohsen Bayati and Stefanos Zenios. "We do believe this is the real deal," Weintraub says. To the AI-curious business leader, he advises both swiftness and caution. "I think you need to jump in — but in a thoughtful way. When there's all this hype, it's very easy to forget the basics. You're still creating value by addressing a customer pain point, and basically, what AI is doing is giving you new and potentially transformative ways of creating value."

While the pressure to jump is intense, AI may not be essential for all businesses at this moment. "I absolutely think it depends on the business," Kuang says. He suggests a thought experiment for anyone who's unsure: Imagine an oracle that can answer any question about your business's future. If it could predict demand for your product, would that change your pricing? "When you start asking those questions, it gets more concrete, and people realize, 'Oh, I probably cannot change my price because of regulatory guardrails or reputational concerns."

Now use the same process to evaluate a potential AI solution: If it works as planned, what would you do differently? If the answer is "not much," then maybe you should wait before springing for something like an AI-powered analytics app. "The bottom line," Kuang says, "is that AI and data science are supposed to help you drive better decisions. Always. If there's no way for you to change your operation or decision-making, then having more information doesn't help you."

Amir Goldberg, an associate professor of organizational behavior whose research incorporates data science and organization studies, emphasizes the unknowns and complexities that still surround AI. "For certain things where the optimization problem is well defined, like simple aspects of supply chain management, adopting AI is a no-brainer because it's proven and we know how to use it. But on other things, like managing relationships with your employees, the opportunities and the risks both appear colossal." Overall, he says, "It's not a binary decision: Do I do AI or do I not do AI? It's: How do I integrate AI into my operations?"

Are Large Language Models Thinking Like Humans?

Or just very good at convincing us they are?

The pace of AI development is accelerating beyond researchers' ability to keep up (never mind policymakers and ordinary users), says Michal Kosinski. We're talking just after OpenAI released GPT-4, a new version of its large language model, making an unpublished paper Kosinski had written about GPT-3 all but irrelevant. "The difference between GPT-3 and GPT-4 is like the difference between a horse cart and a 737 – and it happened in a year," he says.

Kosinski, a computational psychologist and associate professor of organizational behavior at the GSB, has been looking at large language models (LLMs), the neural networks that power text-generation tools like ChatGPT, and exploring one of the most urgent – and contentious – questions surrounding this technology: Can it develop abilities that go far beyond what it's trained to do?

When the first LLMs were made public a couple

of years ago, Kosinski wondered whether they would develop humanlike capabilities, such as understanding people's unseen thoughts and emotions. People usually develop this ability, known as theory of mind, at around age 4 or 5. It can be demonstrated with a simple test, in which a child is shown a candy box that contains something else, like pencils. They are then asked how another person would react to opening the box. Older kids understand that this person expects the box to contain candy and will feel disappointed when they find pencils inside.

Find the Right Tools

To integrate AI, you need a strategy. "If you don't even have a framework in place to deploy an AI solution, it's a lot more effort," says Mohsen Bayati, a professor of OIT who studies the mathematical and algorithmic foundations of AI in data-driven decision-making. You're not alone if you don't have an AI strategy yet. A little more than 50% of "AI high performers" report that they have a clearly defined AI strategy or vision, according to McKinsey. And nearly 80% of all other companies have yet to develop an AI strategy.

The next step is finding the right tools, which requires balancing curiosity with caution. More AI solutions are now readily available, "but that hasn't taken away the challenge of matching the right solution to the right question," says Jann Spiess, an assistant professor of OIT who studies data-driven decision-making and AI-human interaction. Whether you buy or build your AI tools, it's essential to make sure "they actually do something and don't just blindly solve some technical problem that may not be the right one to make progress."

Athey notes that the field has opened up for firms with less technical firepower — but plug-and-play applications have yet to be perfected for many customer-facing or mission-critical applications. "It's not a bad idea for firms to try to engage with the new tools, because the barriers to adoption are lower," she says. "But I still think that there's a big gap between something that *kind of* works and something that really works and is safe. We lack off-the-shelf tools that help businesses evaluate performance and manage risk. There are so many dimensions to consider and not enough established approaches to fixing problems once they are identified."

Counterintuitively, the sudden explosion of AI's capabilities can make it harder to find the right tools. Bayati calls this the "alignment gap." Usually, when people raise concerns about AI's alignment, they're thinking about the existential risks posed by superintelligent AI running amok. Bayati is referring to more immediate, practical questions: How do you know an AI tool can really do the tasks you give it? Moreover, what strategies can you use to adapt AI when it falls short of your expectations?

This was less of an issue with older AI models that



Kosinski created 20 variations of this test and gave them to several early versions of GPT. They performed poorly, and he put the project on hold. In January, he decided to give it another try with the latest GPT releases. "Suddenly, the model started getting all of those tasks right – just an insane performance level," he recalls. "Then I took even more difficult tasks and the model solved all of them as well."

GPT-4 reached nearly 90% accuracy — what you might expect from a 7-year-old. The newer LLMs achieved similar results on another classic



MOHSEN BAYATI is a professor of operations, information, and technology at Stanford GSB.



AMIR GOLDBERG is an associate professor of organizational behavior at Stanford GSB.

were trained on a narrow set of problems and data. New tools like large language models are going far beyond their training to do things their developers never anticipated. ChatGPT was initially designed to predict the next word in a sentence — who knew it would be able to pass MBA exams, debug code, or ace tests of cognitive development? (See sidebar below.) "That's where the alignment gap is — the differences between the training and the task," Bayati says.

Take AI for a Test Drive

"Assessing the alignment gap is not necessarily easy, but you can try to check it with a small experiment," Bayati continues. He and Weintraub suggest testing AI tools on "low-hanging fruit" like streamlining processes and workflows before committing to full-scale deployment. "Find a small problem or a small angle to introduce this tool and then find ways to test it," Bayati says. "Iterating quickly is key to answering 'Is our approach of using AI to solve this problem important? Is this going to move the needle or not?""

Kuang also recommends prototyping and exploration, starting with applications where tweaks can generate insights without serious disruption or harm. "The applications where you have seen experimentation being successfully deployed are often where they are not critical high-profile decisions," he says. The recommendation engines used by streaming movie and music sites are a good example. "If I recommend a song that's not your genre, nobody gets hurt."

Yet risks may quickly pop up when recalibrating more sensitive functions, like pricing. "Even for companies that are very data- and machine learning-driven, they're very conservative in using AI to drive pricing experimentation because of the huge liability and huge reputational risks," Kuang says.

Similarly, Goldberg notes that it's one thing to run experiments on supply chains or inventory. It's another to run experiments on the people you manage. Imagine a large company trying out an analytics tool that leads to some employees being fired. Even if it affects only a fraction of the workforce, he says, "the implications on those people's lives would be immense."

theory of mind measurement known as the Sally-Anne test.

Kosinski says these findings, described in a working paper, show that in the course of picking up its prodigious language skills, GPT appears to have spontaneously acquired something resembling theory of mind. Researchers at Microsoft who performed similar tests on GPT-4 concluded that it "has a very advanced level of theory of mind."

These claims have been met with some skepticism, but Kosinski dismisses those who

say large language models are simply "stochastic parrots" that can only mimic what they've seen in their training data. These models, he explains, are fundamentally different from tools with a limited purpose. "The right reference point is a human brain," he says. "A human brain is also composed of very simple, tiny little mechanisms – neurons." Artificial neurons in a neural network might also combine to produce something greater than the sum of their parts. "If a human brain can do it," Kosinski asks, "why shouldn't a silicon brain do it?" – **Dave Gilson**

In an Age of Ubiquitous AI, What Does It Mean to Be Human?

New technology is pushing people to rethink what makes us unique. Call it the AI Effect.

There's been plenty of giddy speculation about the economic implications of the rapid rise of sophisticated AI. (It will make us wildly productive! It will steal our jobs!) Yet it raises another big question that's received far less attention: How does this change our sense of what it means to be human? In the face of ever more intelligent machines, are we still... well, special?

"Humanity has always seen itself as unique in the universe," says Benoît Monin, a professor of organizational behavior at the GSB. "When the contrast was to animals, we pointed to our use of language, reason, and logic as defining traits. So what happens when the phone in your pocket is suddenly better than you at these things?"

Monin and Erik Santoro, a PhD candidate in social psychology at Stanford, had been watching people's often defensive reactions to new Al achievements. They wondered: If people's sense of uniqueness is threatened, will they try to distinguish themselves from their new rivals by changing their criteria for what it means to be human — in effect, by moving the goalposts?

To find out, they drew up a list of 20 human attributes, 10 of which we currently share with Al, like using language and doing computations. The other 10 were traits they felt are distinctive to humans, like having culture, a sense of humor, and relationships. Monin and Santoro then surveyed 200 people on how capable they thought humans and Al were on each trait. The respondents rated humans as more capable on all 20, but the gap was small on the shared traits and quite large on the distinctive ones — as expected.

Now for the main test: The researchers split around 800 people into two groups. Half read an article titled "The Artificial Intelligence Revolution," while a control group read a piece on the remarkable attributes of trees. Then, returning to the list of 20 human attributes, the test subjects were asked to rate "how essential" each one is to being human.

Sure enough, people who read about AI scored distinctively human attributes like personality, morality, and relationships as more essential than did those who read about trees. Confronted with Al's advances, people's sense of human nature narrowed to emphasize the traits that machines do not have. Monin and Santoro dubbed this the Al Effect.

There is an irony here: The cognitive skills and ingenuity that made AI possible are now the very ground on which machines are surpassing us. It's also worth noting that those cognitive skills still command high status and pay. Could that change if soft skills like warmth and empathy, the ability to nurture growth in others, are valued more highly? Will lawyers and quants be paid less, while teachers and caregivers receive more respect and money?

"That's certainly a possible implication of our work," Monin says. "There's a whole slew of competencies that not only won't be taken over by AI but that people are going to value more and more. In a world of ubiquitous and capable AI, interpersonal skills will likely be increasingly sought after by employers." – *Lee Simmons*



Goldberg acknowledges there's an uncomfortable paradox here. Limited, low-stakes experimentation probably won't produce big breakthroughs — and the risk-taking that could lead to those breakthroughs will bring down some companies. "The big winners of the AI era, if we can learn from the past, are going to be the ones who revolutionize their processes," he says. "The problem is, you can't revolutionize by careful A/B experimentation."

Human Decision-Makers Still Matter

AI-driven data analysis can be a powerful tool for finding correlations and making predictions that inform your decisions. "If you can construe problems correctly as prediction problems, then you can identify the right subtasks that you can use the machine to help you make decisions with," Goldberg says. "One big challenge with the adoption of AI is to think in an abstract way about what type of problems are AI-learnable and can then be outsourced to the machine."

AI can also be deployed to free up human brainpower for more ambitious tasks. "We see over and over that algorithms hold great promise at improving decisions," Spiess says. "I see AI as a tool to augment human decision-making by allowing us to scale our expertise so we can focus on the harder cases because automated systems can take care of the cases for which the answer's pretty clear."

However, outsourcing problem solving to AI doesn't mean the technology has all the answers. Goldberg says that AI isn't a substitute for essential leadership qualities. (See sidebar on opposite page.) "AI is not going to replace people's strategic thinking. It's not going to replace their creativity," he says. "It's not going to replace judgment, which is basically how to translate a prediction into a decision."

Kuang agrees that business leaders should not let their expertise and judgment take a backseat to AI or cede decision-making authority to the data. "You are still the decision-maker. You cannot outsource that," he says. "Once you outsource it, it could become a free-for-all cage fight among different teams with diverging priorities and incentives all arguing that they're 'using data.""

Keeping people in the loop still requires an awareness of the limitations of human judgment — even if decision-makers are consulting algorithms designed to minimize bias or unfairness. Spiess recommends a more holistic view that considers the distinct yet complementary abilities and flaws humans and machines bring to decision-making. "We shouldn't forget that when the algorithm enters, we should continue to audit the final



JANN SPIESS is an assistant professor of operations, information, and technology at Stanford GSB.



GABRIEL WEINTRAUB is the Amman Mineral Professor of Operations, Information, and Technology at Stanford GSB. decisions and not just focus on the algorithm in isolation," he says. "It's easier to open up the algorithm than it is to open up the human brain."

FEATURES

Ensuring that decisions informed by AI are fair and transparent requires firms to recognize biases and edge cases as well as the importance of ethical guardrails, Weintraub says. "In data science teams, the rule of thumb used to be that 80% of the effort is the data engineering, getting the input data clean. Now there's going to be way more effort on the output side — inspecting, testing the models, and monitoring the results," he says. This will be critical to reducing the alignment gap. He refers to a concept shared by his OIT colleague Stefanos Zenios: "You need to go from a minimum viable product to a 'minimum viable responsible product,' which I think is a good way of summarizing it."

A Tool, Not a Lord

Like all things AI-related, the technological cusp we're on is both tantalizing and a bit terrifying. "It's super exciting, and it's still not so easy," Athey says. "Companies are going to be facing hard choices."

Just as no one in 1980 could predict how personal computers would revolutionize business or the economy, no one can say exactly how AI will transform organizations in the decades to come. All we know is that it will — and those changes will be profound, Goldberg says. "These algorithms are going to change the ways by which we do things. It's not that they're going to substitute already existing mechanisms or some of our tasks. They're going to redefine how we do the work."

How we do the work will depend on our understanding of AI's role. Weintraub compares the technology to a hammer: A lot of people are swinging it wildly at every nail they see, hoping it will connect. He suggests another approach: "Fall in love with the problem and not the tech. You're still solving a problem for a user. Figure out what the important nails in your business are, whether and how the AI hammer is helpful on them, and embrace these opportunities."

Kuang sums up the message that he and his GSB colleagues have been sharing with students and business leaders: "Don't abandon the old-school principles of being a good manager. Make sure you understand AI deeply enough. Once you can break down the costs and benefits of the entire system into easily understandable modules, then it really turns AI into a tool. But if it remains opaque, it becomes like a lord. You want a tool, not a lord." GSB

Susan Athey was interviewed by Julia M. Klein.

"Fall in love with the problem and not the tech." John McGinnis⁵⁶ Natalie Meurer⁵⁸ Lambert Li⁶⁰ Jim Hake⁶²

Voices



John McGinnis, MS '17

IT'S HARD TO SAY HOW MANY millions of people have seen John McGinnis's work, but it's a safe bet the number would rival the population of a large country. As a managing creative director at Apple, McGinnis helps run the teams that design staples of our culture: Apple Music, Apple TV, Apple Podcasts, Apple News.

Three years into the job — he started a few days before the pandemic — McGinnis feels like he is beginning to find his groove. And a musical metaphor is appropriate. A guitarist since he was in elementary school, McGinnis played bass for the indie rock band The Jealous Sound in the early 2000s. His love of music still runs deep. "It's just a part of how my brain works," he says. "It informs a lot of the way I work, how I think about creating with people. Making music together."

An Atlanta native, he first arrived in California as an undergrad at UCLA, then stayed in LA, first for his music and later in a series of jobs connected to the entertainment business. His year in the MSx program pushed him in a new direction as an entrepreneur and executive.

LOCATION

Los Angeles

EDUCATION

MS, Stanford GSB, '17 BA, UCLA

PROFESSIONAL Experience

Managing creative director, Apple Executive director, client services, Troika Executive producer, ColourMovie

Music was important to you from an early age. When did you get your first instrument?

I started taking guitar lessons in fourth grade. One day my dad came home and said, "Go clean your room." I started cleaning up the room, and he's like, "No, your mom wanted you to start with the bed." I pull back the covers, and there's a Sears guitar. I played in bands in seventh grade all the way through high school, in college, and after college.

Was there some moment of inspiration that influenced you to pursue a particular direction?

"My approach was to try to be the person that I would want to have as a manager."

There sure was. My band broke up. I had worked a lot of weird little jobs to support some sort of musical endeavor, but nothing permanent. A friend who knew I needed something called me. He was an intern at a small music video production company. They were looking for someone to be a directors' rep. I said, "Yes, I want to be a directors' rep. What is a directors' rep?"

So how did it go?

I was terrified. I remember the phone rang my first day and I didn't want to answer it. My job was to sell our directors to record labels who were looking for someone to do music videos for them. I started to build relationships, and it helped that I had a deep understanding of the music business.

Then you spent seven years at a visual effects company, ColourMovie. What did you learn there that helped you later?

They were a small, growing company a husband-and-wife team — and I was executive producer. That's probably the place where I learned the most because there were so few of us and we all wore a lot of different hats. You sell the work, you find all the clients, you do the project management, make the coffee, buy the pizza, set up the server, all of that.

What I learned was how to leave a breadcrumb trail of decisions so when a client changes their mind, you can always point back to this place where we made a decision that we all believed in. That insight has carried through all the way to my present work. If you have a foundational sense of why you're doing something and can remove as much of the subjectivity as possible in creative work, which is very hard, then you can get there without being derailed by someone's random opinion.

And it was at your next stop, the entertainment branding agency Troika, where you moved into a management role. By that time, I had a son and my daughter was a baby; I wanted to move on and try something new. Instead of just managing projects, I managed a team of producers. These projects were way bigger than anything I had ever produced, so I was learning from the people I was managing. I had never really had a mentor or manager who had produced anything at this scale, so my approach was to try to be the person that I would want to have as a manager. Be supportive and be in their corner. Push them but understand what they're going through.

You were essentially self-taught up to that point. How did your year at Stanford GSB equip you for your later roles?

I wanted to learn entrepreneurship, to really understand strategic frameworks and how venture capital investment works. And I wanted to double down on my communication skills, to see if I could supercharge that for a business environment. I had always been in a position where I had to convince people to do something. A lot of success relies on persuasion.

Those soft skills must have been useful when you started at Apple just as companies were going remote because of the pandemic.

Yes, I started there five days before the pandemic. I spent a week in Cupertino and met my boss and the leadership on his team, then sat in a room in my house for two and a half years getting to know my coworkers and managing people and hiring people who I'd never met in person.

You don't fit the typical profile for an executive in a design studio. What do you think has enabled you to be so successful despite not having come from a traditional creative background?

The organizational structure at Apple is built around functions and functional expertise. So I kind of stand out as an odd duck. I work with some of the best designers in the world, and they're not going to ask me for tactical design feedback. Therefore, most of the time, my input is asking the right questions. "Is that the right thing for the customer? Is this strategically sound? Do we need to do all of this right now, or can we stage it over time?" Maybe the fact that I grew up in music and I have this sort of artistic background makes it easier for creatives to trust me.

You wrote a self-help manual a few years ago when you gave your 11-year-old son an iPhone. What would you say to parents who are trying to manage their kids' digital lives?

First, everybody needs to do what's right for them and their family, especially in regards to technology. We try to ground everything in our values as a family. Part of that is don't behave on the internet differently than you would behave in real life with other people. There is an obvious benefit to giving your kids a phone - it makes it easy to contact them and to communicate. But we know that these phones are also a pathway into manipulation. [Having those conversations] is a good way to help children understand boundaries, how to put something away, how to turn something off. It's very difficult for them to self-regulate at this age; their brains are not wired for it.

As you look back on this journey, what are you grateful for and proudest of?

I'm grateful for the support that I get from my wife and kids, number one. I put them through a lot of change. What I'm proud of are these kids that we are raising in this environment that we're trying to create to help them understand and navigate the world. And all this experience that I have, hoping somehow to translate that into some stories that I can tell them that might spark some curiosity inside of them, that might excite them to try something new, to think bigger than themselves.

-Kevin Cool

Greatest Hits

McGinnis's band The Jealous Sound released its debut album *Kill Them with Kindness* in 2003. *Spin* magazine named it one of its top albums of the year.

Natalie Meurer, MBA '23

IN THE WILD WEST FRONTIER of cryptocurrency, Natalie Meurer spotted an opportunity — not to make money in the speculative quicksand of that evolving realm, but rather to bring some sense of ethics and order to what struck her as potential chaos. Meurer hopes the company she formed in 2021, Probably Something, can "bridge the gaps between creators and collectors" and shape the ethical norms necessary to prevent disasters such as the meltdown of now-bankrupt FTX Trading.

"It's this space where there's very limited regulation — similar to advanced military technology — where there are very few ethical norms that hold any sort of water, and it's incredibly opaque and not understandable to others," Meurer says. "These things make it a breeding ground for misuse. I realized there was a need for a company to shape norms in the space."

She brings to that mission her experience as a software engineer with Palantir Technologies, where she built technical safeguards to protect data, individual rights, and civil liberties, particularly in government institutions such as the police and military.

HOMETOWN

Pasadena, California

EDUCATION

MBA, Stanford GSB, '23 BA, Georgetown University

PROFESSIONAL

EXPERIENCE Co-founder and CEO, Probably Something Privacy engineering lead, government platform, Palantir Technologies Civil liberties software engineer, Palantir Technologies



Why did you call the company Probably Something?

My focus was on realizing the promise of crypto, which is open infrastructure that anyone can access. So I called the company Probably Something because I wasn't sure if it was possible. It's probably going to be something, but I didn't want to embody the typical crypto overexuberance and overconfidence that so many people come at this with.

Does it have funding?

We sold NFTs and brought in \$1.5 million in 2022. Then from that we've been able to build out the team and launch a product called Lifeboat, which helps an individual [collector] understand what is going on in those [crypto] communities. We're building out the creator side of the platform right now with a product called Beacon.

You say you want the company to "bridge the gaps between creators and collectors." What does that mean, exactly?

One of the most compelling things crypto does is bring people from around the world together in shared ownership of these JPEGs. It was falling short on the ability to do that because it was inaccessible. There was no community management software. Creators didn't have tools to harness this incredible global community that was forming around their products. That's what we're building toward — a more humanistic and effective brand experience, and ultimately a more vertical experience.

How about an example?

Instead of just being a patron of one organization you can actually be a patron of an entire industry. For example, Adidas and Nike have both launched NFT projects. Adidas could say, "I want to reward

" I didn't want to embody the typical crypto overexuberance and overconfidence that so many people come at this with." all the Nike holders with Adidas merch by virtue of their interest in shoes." That's something you can't really do in the existing world.

Your professional focus before coming to the GSB was on building technical safeguards for data protection and individual rights in government. Why do you feel those safeguards are so important?

The government is the only organization that can legally kill you. When you're dealing at the law enforcement and military level, these are truly life-anddeath decisions. There's no question it matters to get them right. When you think about the use of new and untested tools in the military, such as AI, the downsides of getting that wrong are so significant that to not spend time on what could go wrong is to ignore immense impacts on the lives of others.

Over the past 250 years in the U.S., we've spun up all these institutions designed [to protect] life, liberty, and the pursuit of happiness. If those institutions aren't upholding the values we're fighting for, we're not really fighting for anything at all.

Are there philosophical parallels in the crypto world?

In the context of crypto, technology isn't just unequivocally good. FTX and so many of the crypto shortfalls have borne this out. They only matter if they're safe to use and people can get real value out of them and not be burned.

Which brings us to your previous focus on data logging. Why is that back-end function of technology so important?

It's important that we have constraints around technology. We need technology that can explain things better and foster inclusivity, but we also need technology that reins in the worst of technology. In the context in which I worked on data logging, law enforcement, and defense, the question of how technology is being used is as important as what the technology is.

If someone is abusing the technology, then it isn't serving its purpose and the institutions [that use it] are subverting their main mission, which in the case of law enforcement and defense is to protect people.

There's a lot of focus these days on proper handling of classified information. Since you had top secret clearance from the Department of Defense, what personal obligations and responsibilities do you think that access brings?

It gets back to a sense of responsibility. It's only recently that classification has been attainable for more diverse individuals. Getting access to those spaces is so hard for a reason — because you're serving something bigger than yourself. The stakes are so high.

That's really all I can say about it, but it ties into my sense of nationalism. Being part of something bigger than yourself is a commitment to fight for Western values. At the end of the day, it's just following rules.

Your honors thesis at Georgetown was about the importance of deleting data. Explain.

This idea of permanent record is fundamentally at odds with justice writ large in society. Say 20 years ago someone stole a loaf of bread as a 16-year-old. Now they're 36. Is it relevant to who they are today that they stole a loaf of bread when they were 16? The ability to delete and forget is essentially the ability to move on as humans.

At Palantir you helped prioritize underrepresented candidates in the hiring process. How specifically did you do that? We thought about diversity as diversity of perspective. Obviously, there are more standard diversity metrics that people go for, but the important thing for our team was to find voices that embodied different perspectives on privacy and ethics. We had someone on our team who was Singaporean, for example, and he had very different expectations about security and privacy coming from what I would describe as an authoritarian country.

We also made space for what we called "bet" candidates. These were candidates where their coding ability was undeveloped, but the bet was that they'd learn quickly and that they would embody something we didn't yet have on the team.

Any books, classes, professors, or experiences at GSB that have been particularly useful?

The *Leadership Perspectives* class taught by Joel Peterson and Charles O'Reilly brings different leaders at the top of their industry to class to talk about their journey and the tradeoffs they made along the way — the good, the bad, and the ugly of their careers. It's amazing to see these wonderful people at the top of their field, but also the ways that people respond to these leaders.

Generally, how would you describe your GSB experience?

The reason I came was that I wanted to surround myself with people who thought differently than me. I got that in spades. The GSB embodies international perspectives in a way that's far more than I expected, and it embodies a commitment to servant leadership in a way I didn't expect.

-Martin Smith

Altitude Shift

When Meurer thinks about must-see travel destinations, Bhutan beckons. "The hike up to Tiger's Nest is legendary, and it's long been on my bucket list!"

Lambert Li, PhD '24



WHEN LAMBERT ZIXIN LI was growing up in China, many of his primary school classmates were the children of miners, and he got to see firsthand the hardship that some families had experienced. "I mean, these are my friends that I grew up with, so I really have this compassion for changing the life conditions of all these people, especially working conditions," Li explains.

That experience shaped Li's worldview and was one of the factors that led him to the field of sociology. Today, as a doctoral candidate in organizational behavior at the GSB, he's interested in corporate social responsibility and governance — including companies' efforts to change their cultures.

"My research explores how corporations can authentically promote racial justice and health equity," Li says. "The first debate is whether they should prioritize shareholder value or stakeholder value. Another debate is whether they act out of their true value or belief, or their prosocial statements are 'defensive repertoire' or impression-management tactics." HOMETOWN Hefei, China

EDUCATION

MPhil, Innovation, Strategy and Organization, University of Cambridge BA, Sociology, UC Berkeley

FIELD OF Study

Organizational Behavior

Li and his advisor, Sarah A. Soule, a professor of organizational behavior, recently collaborated on a paper presented at the Academy of Management Annual Meeting that examined stakeholders' reactions to corporate activism. They found that companies lose public support if they're morally inauthentic that is if their business practices don't reflect their stated prosocial positions. In contrast, certified B Corps, whose ostensible aim is to benefit employees, local communities, and the environment as well as shareholders, don't see a similar drop-off in support, even if their practices don't always match their ideals.

Li also studies how socially responsible management practices and policies can improve employee health and well-being, an aspect of corporate social responsibility that he says tends to get less media attention than climate change and other issues. One of his projects involved designing a field experiment to explore how social environments at work can reduce physician burnout in China, which is linked to medical errors with life-and-death consequences.

"My work as a sociologist is always focused not only on the big theoretical questions but also on the practical problems that human beings are facing," he says.

You were born and grew up in China, but you also lived and studied in Germany before coming to the U.S. To what extent did those diverse cultural experiences and your own family background influence your path? I was born in a city in a mining area, and occupational health and safety issues are dear to my heart, which led to my current research on employee health and well-being. I got to know some of the miners and their children, and that really made a strong impression on me in terms

"I want to look at corporations' agency to be participants in social change and progress."

My parents also were a big influence. My dad is a prosecutor who does whitecollar crime investigations in China. My mom is an auditor, doing internal auditing for Sinopec, the oil company. Their careers also had a huge influence on my research interests, like corporate social responsibility, business ethics and related issues, and corporate governance.

I went to high school in Germany for nearly two years — I speak German but I decided that going to a German university wouldn't give me a chance to explore knowledge outside my own discipline because their education is more specialized. So I came to the U.S. to do my bachelor's degree at UC Berkeley. The sociology department there is known for social theory and public sociology, which is about engagement with the public. That really instilled in me a passion for stakeholder-engaged research, responsible management, and that sort of stuff.

What led you to come to Stanford GSB?

If you're a sociologist like me, you might focus on sociology PhD programs and neglect to look at the hidden treasure of business school. If you study organizational sociology or organization theory, you come to Stanford. My advisor, Sarah Soule, and some of the other professors at GSB are among the top sociologists in the world. There's also the opportunity to share information with people who come from a diverse range of nontraditional backgrounds for business school.

At Stanford, you can study business from a social science perspective. We care about the practical and managerial and policy implications, but we also want to gain a better knowledge of the world.

You're interested in companies' role in social change and solving problems. How is your approach to that subject different from other scholars? Traditional research focuses on how external actors, such as activists and government, pressure corporations to be socially responsible. My research actually is the reverse of that. I want to look at corporations' agency to be participants in social change and progress.

But people may be skeptical of what corporations do. My work is to delineate the keys to the role of being a social change agent. Should corporations prioritize stakeholder value over shareholder value, for example, or at least try to balance the two? But I think it's no longer even a question of whether companies should get involved in issues. If we look at the Black Lives Matter movement, for example, if you don't issue a statement, you face a lot of backlash from both customers and employees. Being silent is seen as being complicit.

You've studied how corporations can convince the public that their involvement in a social issue is authentic. What did you learn?

One of my papers found that firms that proactively disclose socially irresponsible performance mobilize more public support than the firms that only say positive things about themselves. This finding counters the pervasive practices of greenwashing and woke-washing and highlights the importance of authenticity in corporate strategic communications on social and environmental issues.

But that's just part of it. To be taken seriously, you really need to demonstrate your commitment to change by appointing more people of color to your board, for example. If you've done that, then people may change their perception. They may have perceived you as morally inauthentic, but if you change your behavior to be more consistent with your statements, you're going to be rewarded with acceptance. It mitigates the skepticism that some might feel about forprofit corporations doing social activity compared to nonprofits. That is equally or similarly appreciated by conservatives and liberals.

Is it important for corporations to take positions on social issues? Can't they just let government or activist movements lead change?

Corporations are important in terms of persuasion because organizations with symbolic and material resources are more likely to mobilize public opinion and support. During the pandemic, for example, if corporations issued a statement in support of wearing masks and getting vaccinated, their employees and customers were more likely to trust them.

That's especially true today, given our political polarization, because a conservative audience is more likely to be motivated by a corporate statement. In the U.S., trust in the government is really low, but trust in corporations is still high.

How do you see your work and career evolving?

First of all, I want to be a professor. But I'm also a strong supporter of the movement for responsible research in business, which actually is a group of like-minded scholars who think our work should have practical implications in the world.

It's hard to predict what the hot areas of scholarly inquiry will be in the future and what's going to happen in the world. But there are some persistent problems that society and human beings are going to face, such as public health and health equity. Justice and inequality are other things that are not going away. And the third problem is climate change and sustainability. I think we'll either find the answer to those problems collectively, or else human beings won't prosper. I hope my research adds to the knowledge and expertise that corporations can use to help solve those problems.

—Patrick J. Kiger

Outside Interests

A "perfect Saturday" for Li involves a bus ride to Golden Gate Park in San Francisco, catching up on his reading along the way. "Ideally, I can enjoy the scenery with family or friends," he says.

Jim Hake, MBA '83

TO JIM HAKE, the idea behind his nonprofit Spirit of America is no different than the notion that activates citizen service and private-public partnerships to address critical needs in education, healthcare, and other sectors of society.

"What people don't understand is that there also are gaps in national security or gaps in defending freedom and democracy," Hake says. "No matter what we're trying to accomplish as a country, government can't do it all. That's just the nature of it."

Spirit of America, founded by Hake in 2003, is the only nonprofit recognized by Congress and approved by the Department of Defense to work alongside deployed U.S. troops and provide private assistance in support of their missions.

Spirit of America has filled thousands of those "gaps" by doing everything from opening sewing centers in Iraq and supporting crisis response training in Taiwan to providing a radio station and ballistic vests to Ukrainian defense forces. Like Congress and the Pentagon, private donors have recognized the value of what Hake's organization can do. Its budget last year was about \$33 million, and its team has grown to 35 people.

Hake brought a proven entrepreneurial spirit to Spirit of America. He founded and sold Access Media, one of the first internet media companies, and in 2000 he was named a Technology Pioneer by the World Economic Forum.



LOCATION

Washington, DC

EDUCATION

MBA, Stanford GSB, '83 BA, Dartmouth College

PROFESSIONAL

EXPERIENCE

Founder and CEO, Spirit of America Vice president, Ziff Davis Founder and CEO, Access Media

What sparked the idea for Spirit of America?

The attacks of 9/11. I had always felt strongly about what America stands for the promise of a free and better life. What we stand for are the best ideas the world has going for it. I don't know if it's because I grew up in Philadelphia, the birthplace of our beloved albeit imperfect country, but I always felt strongly about that. After those attacks on the idea of America, I wanted to do something to help.

Do you see yourself as a partner to the U.S. government?

Look at the range of threats and challenges to freedom and democracy around the world and within our own country. You have to ask, "Is it better to take what our government apparatus can do and just leave it up to that, or is it better to add to it everything our citizens can bring to the table?"

You said you see American troops and diplomats as entrepreneurs. Explain that idea.

They're out there in some difficult and challenging places. They're a lot like conventional entrepreneurs — trying to solve difficult problems and achieve difficult objectives with limited resources and know-how. As an entrepreneur, your quest is to access help. A place like Silicon Valley is fine-tuned to support entrepreneurial activity, but it's the exact opposite in our government and military. That kind of venture capital support does not exist.

So Spirit of America is like a VC?

Those who represent America officially around the world are in the lead. The venture capitalist is not running the business and telling the entrepreneur what to do. But the best ones are supporting that entrepreneur's activity and bringing all they can to bear — their experience, what they've seen, what they know, and the capital to test new ideas — to help them succeed. That's just about exactly

"What we stand for is what most people aspire to -a free and better life."

CHERISS MAY

what we do to help America's troops and diplomats.

Didn't military attorneys at first tell you the collaboration idea wasn't possible?

One of the problems was that these military attorneys said if a soldier or Marine or commander tells you something is needed, that's actually a solicitation of gifts, which violates the Joint Ethics Regulation. That prevented the military, in some cases, from even talking to us or taking advantage of our assistance, or providing logistical support.

How did you address that concern?

The first way was with a regulation created at U.S. Central Command that cleared up some of this legal confusion. But the real breakthrough was in 2018 when Congress recognized our partnership and collaboration with the military and encouraged it under the National Defense Authorization Act.

You've said some Spirit of America projects make it "harder for extremist groups to exploit poverty as a recruiting tool." Can you give a specific example? Around 2015, the commander of special

operations in Africa asked us to focus on Niger. When we got there, the U.S. Army special operations captain said, "My job here is to prevent a war." He explained that extremist groups such as Al-Qaeda, Boko Haram, and ISIS were all trying to undermine and exploit the undergoverned areas of Niger. They were trying to get those folks who were scratching out a living each day to align with them and take the country in the wrong direction. So our personnel went with that captain and his team to meet with tribal leaders and understand their problems and concerns.

Which were?

Livestock health and opportunities for their youth. We put together a package of immediate assistance; we hired veterinarians and gave them dirt bikes and medications to treat the livestock. We also created a scholarship program for tribal youth to get veterinary education, so they could go back and make money and improve the livestock health themselves. Who has the budget for veterinary scholarships for tribal youth in northern Niger? Well, nobody! It certainly wouldn't have fallen into a military funding bucket.

Why do you feel that approach is a better way to show what America stands for?

It represents a full spectrum of who we are. [Former Secretary of Defense] Jim Mattis has said America has two fundamental powers — intimidation and inspiration. The military and government institutions are pretty good at intimidation, but the power of inspiration is even more important. That's what moves people to choose to be our partners and allies. Inspiration takes the American people, not just American institutions. Americans want to help, and we want to help for the right reasons. What we stand for is what most people aspire to — a free and better life.

Why is Spirit of America's "not neutral" approach important?

My motivation is to stand up for what we stand for and built into that is taking a side because it involves supporting the efforts of U.S. troops and diplomats. About 10 years after starting the organization, we applied for membership in InterAction; it's an organization of organizations that provide assistance around the world. I thought it would be a great set of people to learn from, and maybe we could use it as a platform to talk about this public-private collaboration model we'd come up with.

What was the result?

After they reviewed our material and saw that we supported the safety and success of U.S. troops and diplomats, they rejected our application because we take a side — America's side — and taking a side violates universal humanitarian principles that demand neutrality. The logic was that humanitarian workers need to be able to work in conflict zones without fear of attack by one side or the other.

Does that approach increase risks?

Not any that weren't there anyway. And our relationships with the organizations that do have [neutrality] as their policy are good. On the ground, people's overwhelming motivation is to get the right things to happen. Ukraine is a good example of that. A lot of organizations that have done great humanitarian work want to help Ukraine preserve its freedom, but because of their focus, they're unable to help the Ukrainian military. But they're happy we do.

What has been the response to your efforts in Ukraine, and what does that say about American support for the Ukrainian cause?

I'm encouraged by the response. It mainly shows up for us through donors and people asking how they can help. About two weeks ago one of our donors made a \$5 million gift on top of previous gifts. That's because he understands what's at stake. Ukraine is not just about Ukraine. Ukraine is on the front lines of the fight to defend the free world. We will live with the consequences for generations.

What did you learn during your time at GSB that has been especially useful during your work with Spirit of America?

Open-mindedness is the biggest thing. Second, is the entrepreneurial culture of Silicon Valley, which seeps into the GSB in all kinds of ways. My background as an entrepreneur turned out to add value in the work we do — speed, flexibility, that willingness to try things and see what works, a willingness to start from the bottom up.

-Martin Smith

Miller Time

In the fall of 1982, during his second year at the GSB, Hake established a social club called Friends of Arjay Miller, a playful homage to the former GSB dean. Its principal activity was a weekly gathering at a local restaurant, The Old Pro. "By the time I graduated, 50% of both classes, around 300 people, were members," Hake says.

Illustration by Kate Evans

10

....

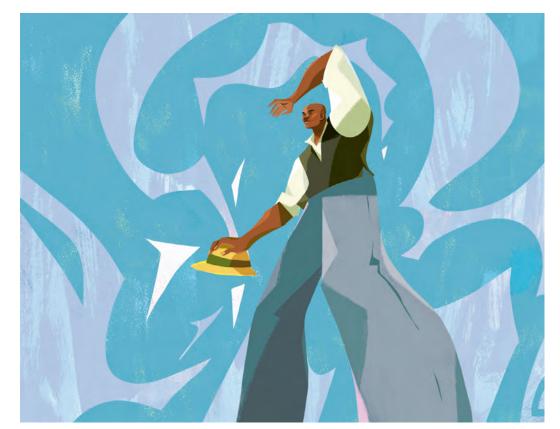
11

69

000

ác

Everett Harper, MBA '99



ike most of us, I was trained from childhood to always have the "right" answer. However, over the last 15 years, the practice of curiosity has been more important to me because it is the foundation for navigating complex challenges.

I had a glimpse of this when I was a PhD student in organizational behavior at the GSB. Asking great questions to fuel research was applauded. But when I transferred to the MBA program, the biggest surprise was the expectation of certainty, epitomized by Professor Van Horne's classic response to my dithering answers: "Decision time, Mr. Harper!" I adapted — and to my surprise, really enjoyed *CorpFin* — but maintained a side hustle of curiosity, like studying "the strength of weak ties" in sociologist Mark Granovetter's *Social Networks* class.

As I'd come to learn, the business world is more about solving complicated problems with lots of unknowns than linear ones with clear answers. As the founder and CEO of Truss, a human-centered software company, and a board member of CARE USA, I spend most of my time making decisions with imperfect information.

RECONNECTING

Everett Harper, MBA '99, is the founder and CEO of Truss, a board member of the Stanford Center for Advanced Study in the Behavioral Sciences, and the author of *Move to the Edge, Declare It Center.* For instance, there wasn't a precise roadmap to bootstrap a remote-first, diverse, salary-transparent company in 2012. There was definitely no linear solution to help us fix Healthcare.gov after it crashed in 2013 — in fact, a linear system tanked the site in the first place.

We learned to use practices and tools that originated in engineering, design, behavioral economics, and organizational behavior — hypothesis testing, agile sprints, and pre-mortems — to build systems to navigate through uncertainty. By the time COVID hit in 2020, we'd had a decade head start on remote work and could help our clients manage this unexpected challenge.

Comfort with ambiguity and complexity equips leaders to deal with events outside of "work" as well. How do you lead your company while managing your own response to tragedy? After the murder of George Floyd, I held an all-hands meeting for my shell-shocked employees. To create space for them, I acknowledged my vulnerability: "I'm a CEO, but I'm also a target. I don't have the answer, but we have your back."

There's hardly a more complex system than a system of humans. Looking at the current GSB curriculum, I'm delighted to see the evolution toward students practicing the curiosity needed to lead in daunting, ambiguous environments. If we are to make a dent in our warming climate, create sustainable companies, and enable more people to thrive in the age of AI, we will need to pursue mastery in uncertainty — in our world and in ourselves. GSB

KIM SALT

"There's hardly a more complex system than a system of humans."



Podcasts From Our Community

Hear from our faculty, alumni, and other experts on a wide range of topics relevant to professionals, businesses, and society.

gsb.stanford.edu/business-podcasts













Chief Impact Officer, Imperfect Info Uncertainty, ¹¹Grunt Work, Influence Earth, Wind & Fire, Curiosity-Based **Extreme Weather Risk, Low-Carbon** ¹⁴Ambidexterity, Freedom of Expres Path of Agreement, Autopilot, Air T ³²Awesome and Urgent, Dual Degree **Democratizing Lever, Building Mon** Prince Harry, Solar-in-a-Box, Odd I Irrational Exuberance, Women's Cir Accidental History, Femtech, Buoya ²⁷Cognitive Decline, Wig Budget, An Soul Train, Taylor Swift, Your "True Not Neutral, ³⁸Oat Milk, Pre-Morter Default Bias, Window Dressing, ES ⁵⁶Delete and Forget, Emissions Targ True Power, Arjay Miller, Alignment Startup Garage, Psychedelic Journe Menopause, ⁵⁰The AI Hammer, Ecop Pickle Costume, Directness is Kindi **Dream of Entrepreneurship**, Black N

