

GET THE JOB. GET AHEAD

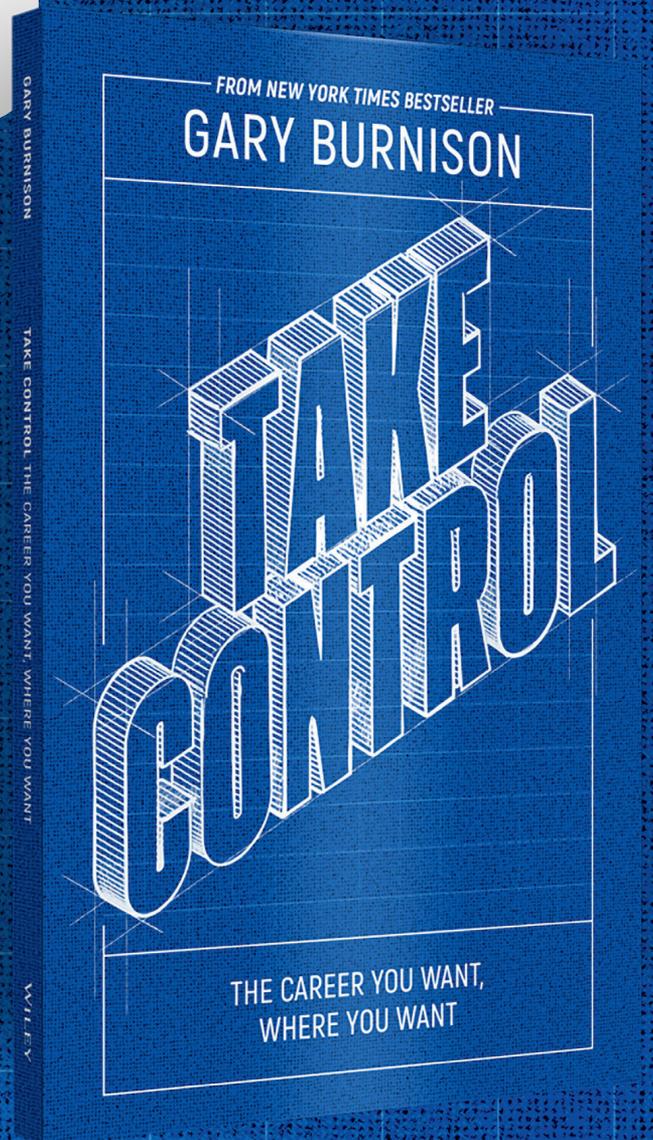
TAKE CONTROL

READ THE BOOK



KORN FERRY

BE **MORE** THAN



BRIEFLY ON...

*“Tensions
have elevated
business risks
for leaders.”*



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LEADERSHIP

The Year of Election Angst



With geopolitical risk so high, the year's global election cycle is a pivotal one for business leaders. Are they ready for it?

By Peter Lauria

the Robert H. Smith School of Business at the University of Maryland.

The 2024 election cycle will be a pivotal one for business leaders. In the US, for instance, an improving economy is welcome news, but cultural

Setting US presidents running for reelection don't typically walk on picket lines with striking workers. But there was President Biden in Michigan last fall, throwing his support behind auto workers to gain their support—in what promises to be a grueling 2024 election.

Politics and business have always been intertwined, of course, but in recent years they seem to have merged into one big ball of risk for corporate leaders. Whether it's US trade tensions with China, Russia's invasion of Ukraine, or the Israel-Hamas war, corporate leaders consistently rank geopolitical risk among the top concerns for the global economy and business. "The tensions have elevated the business risk for leaders in a way that it wasn't 10 or even five years ago," says Michael Faulkender, former assistant secretary for economic policy at the US Department of the Treasury and a professor of finance at

and social issues that are likely to take center stage in a potential Biden-Trump rematch—from gun control to abortion—could prove precarious for business leaders to navigate. Nels Olson, vice chairman of the Board and CEO Services practice and global leader of government affairs at Korn Ferry, says the combination of economic and social issues "will make it challenging for many CEOs to balance corporate financial interests."

But it hardly stops in the US. Across the world, countries representing more than 50 percent of global GDP are holding elections, the outcomes of which could hold significant ramifications across many industries. Take India, for instance, where Prime Minister Modi is running for a third consecutive term. During his tenure, he has pursued policies to position India as a manufacturing alternative to China for international companies, particularly in the technology and clean-energy sectors. The fact that India has grown into a viable option for US companies seeking to mitigate supply-chain disruption has further exacerbated

THE TAKEAWAY

Companies are typically unprepared for new election cycles.

tensions with China. “The relationship between India and China has not only soured, but also become increasingly hostile,” says Navnit Singh, chairman and regional managing director in India for Korn Ferry, noting that China skipped the G20 Summit in India.

In Europe, elections in the UK for Prime Minister, along with those in 27 other countries for EU national representatives, may decide cross-border cooperation with businesses. One sensitive area: climate commitments. Soaring energy prices, coupled with a stagnant economy, have led to heated contests over the economic cost of focusing on climate change, creating vulnerabilities for some incumbent representatives. For business leaders, who are increasingly being held to ESG targets, the progress of climate pledges—whether they’re being slowed down, accelerated, or continued—not only complicates regulatory reporting requirements, but also poses reputational harm should companies pull back on their targets because of looser government oversight.

The increasing exposure to geopolitical risk is one reason firms have been devoting resources to build out their government and corporate affairs functions. But for most companies, **strategic planning around geopolitical risk is poorly understood**, says Heather Heldman, managing partner of Luminae Group, which advises business leaders on vulnerabilities and opportunities in the geopolitical environment. “A lot of leaders still conflate security with business when it comes to geopolitical risk,” says Heldman, noting that they think in terms of “protecting against losses.” She points to the war in Ukraine as an example, saying that by the time firms got around to analyzing the consequences of continuing to operate in Russia versus pulling out, it was too late.

“The possibility of geopolitical disruption is always on the horizon,” says Heldman. “Good risk mitigation means understanding the probability and anticipating where you are vulnerable and where there are opportunities.”

GLOBAL BALLOTING

EU Parliamentary Election June 2024

KEY ISSUES: The possible addition of more countries into the EU, along with the debate over climate commitments in a tough economy, are top of mind for voters in the 27 countries holding elections.

Russia March 2024

KEY ISSUES: Turnout will provide clues into whether voters approve or disapprove of the war in Ukraine, both in terms of spending and economic sanctions.

Taiwan January 2024

KEY ISSUES: The outcome of the election could signal a thawing in the country’s relationship with China or push it closer to the US. High unemployment and living costs will be a big issue with younger voters.

United States November 2024

KEY ISSUES: The country is as divided as it was during the last presidential election. The economy may be performing fine, but cultural issues like gun rights, abortion, and border security are likely to take center stage.

United Kingdom November 2024

KEY ISSUES: The direction of the troubled economy will play a leading role in determining whether the Conservative party remains in power.

India April 2024

KEY ISSUES: The country’s economy is humming, and its importance on the global stage is growing. Increasing hostility with China could impact how global corporations view the country, both pro and con.

Sudowodo/Getty Images



OFFICE PLANNING

BY ARIANNE COHEN

The End of the Humble Desk?

IT'S A PROBLEM OF GLOBAL proportions. It occurs in every country. It upsets operations. It's wildly wasteful. It keeps executives up at night. What is it?

The humble office desk.

To the likely frustration of office planners, the latest data shows that 36 percent of office desks are empty all week. That's according to workplace-utilization data firm XY Sense, which studied nearly 25,000 work areas across nine countries, and also found that only 14 percent of

desks are used at least five hours per day.

The figures wipe out the common view that workers put in "full days" at their desks, and reflects how modern workplaces are utilized. "People come to work to collaborate, to network, and to see project teams," says Michael Chappell, strategy director and studio director at Gensler, a global architecture, design, and planning firm. "The desk is just not designed to support collaboration."

Experts say that though these figures are jarring,

John Lund/Getty Images

THE TAKEAWAY

Workers need space to collaborate more than they need desks.

they represent only a mild acceleration of trends dating back to well before the pandemic, when workspace-observation studies indicated that desks were in use only around 40 percent of the time. Sure, some people remain very attached to their desks (and offices), but the underlying problem, says Chappell, is that many workplaces were designed to maximize the number of desk spaces, creating an imbalance with their actual use. In practice, many workers spent their days shifting among conference rooms, lounge space, private offices, and coffee areas.

But most firms continue to be slow to absorb this message. The US office-furniture market has continued to grow post-pandemic, reaching nearly \$15 billion in 2022, and is expected to rise to north of \$22 billion by 2030. “It’s a truly incredible amount of wastage,” says Shivaun Ryan, head of customer success at XY Sense.

In contrast, conference rooms and smaller enclosed meeting areas are occupied during 67 percent of the workday. This leads to large swaths of unused office space and hard-to-book meeting rooms. “You have situations like 12 empty offices and two filled conference rooms,” says Juan Pablo

González, sector leader of Korn Ferry’s Professional Services practice.

One industry has been far ahead of the curve, however: management consulting, whose executives realized decades ago that their workers were often on the road visiting clients. When those employees did return to the office, they primarily needed to connect with coworkers. Management consulting was an early adopter of so-called “hospitality” spaces in the workplace, or activity-based areas resembling restaurant booths, focus rooms, libraries, coffee shops, and clubhouses.

For firms still staring down hundreds or thousands of desks, the solution, says Chappell, is to rebalance desk space with activity space. For example, in an industry where employees mostly use small laptops, a workplace layout can minimize storage and desk-surface area to create more meeting and collaboration spaces. The trick to avoiding the notoriously dismal experience of “hot desking” is listening to the needs and preferences of people and surveying them about what sorts of spaces they’d return to work for, says Chappell. “Hardly any reply ‘desks and offices,’” he observes. ▀



PetAir/Adobe St.; JimmyZ3/Adobe St.; Soifer/Getty Images

AUTOS

BY RUPAK BHATTACHARYA

A Double Whammy for Automakers?

OVER THE PAST DECADE, electric vehicles have captivated the public. The combination of a sustainable fuel source, sleek new designs, and billions in government subsidies has stirred up a frenzy of excitement rarely seen in the car industry. But one group, unsurprisingly, isn’t quite as excited: auto executives.

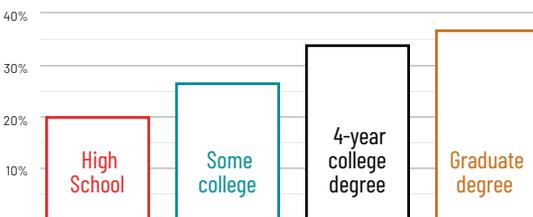
And small wonder. The transition from internal-combustion engines to electric has been arduous and

DATA

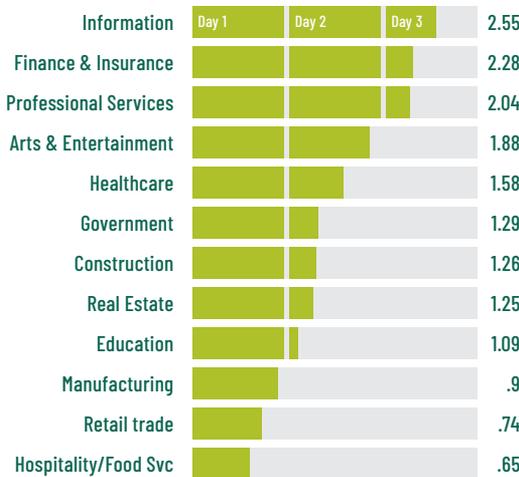
Who Works From Home?

The remote-work revolution has not dispersed evenly. Detailed data shows more educated workers or those living in dense urban areas are more likely to be logging in work outside the office.

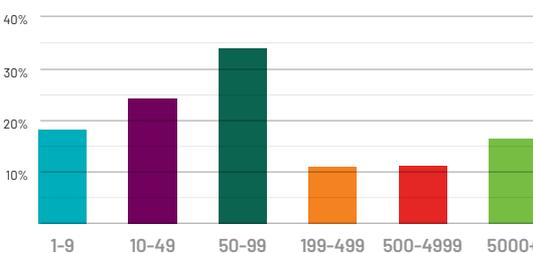
By Education (among Americans aged 20 to 64)



By Profession (number of days home, out of five) Days



By Company Size (% fully remote)



Source: National Bureau of Economic Research

THE TAKEAWAY

Difficult news is best delivered to stakeholders ahead of time.

capital-intensive—without even taking into account the recent union action in Detroit resulting in higher labor costs. The bottom line: over the next few years, costs will rise for a product that still—despite the fanfare—sells in relatively low volume. Indeed, EV market share in the US hovered around 7 percent in the first half of 2023 (and 15 percent globally). One major auto manufacturer even announced plans to scale back \$12 billion in planned EV investments after posting a third quarter loss in its EV unit. “It’s rarely easy to be first in the auto industry,” says François Mallette, a managing director at L.E.K. Consulting and coleader of its automotive and mobility practice. “They’re trying to simultaneously make money and fund this massive cost of development.”

Of course, many industries go through major transitions, but experts say the auto industry’s is particularly acute, and raises a challenge that all leaders face: whether to sell for the long term at the expense of the short term. Experts say growing demand from younger consumers represents the future carrot that senior executives are dangling in front of stakeholders. Millennials have the highest level of EV consideration (72 percent) of any generation, according to a recent survey from J.D. Power. But for now, **the onus is still on leaders to manage expectations** via frank communication around the potentially lean times ahead. Honesty and transparency are key for leaders, says Bradford Marion, a Korn Ferry senior client partner and global sector leader of its Automotive practice. “Particularly when you are in the public eye, both as a public company as well as with your employees,” he says.

For the auto executives, there’s a sliver of a silver lining: despite unions winning higher wages, labor costs for EV production may still be lower in the aggregate. One report estimates that 40 percent less labor is required to manufacture an electric car than a gas-powered one. Another factor that may lower costs even further: if automakers decide that they can’t sustain the salary expectations of workers, they may simply decide to double down on their investment in automation.

Setting aside capital and labor issues, the infrastructure that EVs depend on is still far from being completed. At last count, the US had about 130,000 charging stations, for example, far below what would be needed. The US government has allocated \$7.5 billion to build another 500,000 stations by 2030.

Manufacturing enough battery packs is another

infrastructure need. In all, there are about 30 battery plants in operation or under construction in the US. Experts say persistence from leaders and patience from stakeholders is the only way forward.

“Battery plants are nine- and 10-digit investments,” says Emile Santos, a managing director at L.E.K. Consulting. “It will take time to eventually recoup that.”

COMPENSATION

BY RUSSELL PEARLMAN

When Salary Bumps Flatline

FOR WORKERS EXPECTING SOME FAT raises, the recent year has certainly been disappointing. Gone are the days of 10 percent bumps and 20 percent bonuses; instead, modest salary raises have been the norm. And as we head into 2024, it appears CFOs are only getting started.

According to a Korn Ferry survey, companies around the world plan to raise salaries by an average



Craig Hastings/Getty Images

THE TAKEAWAY

Developing employee skills can be key today.

of 3.8 percent, compared to 4.4 percent in 2023. On an individual basis, raises won't vary much, either—whether an employee is a midlevel manager, CEO, or anyone else. In nearly every country, expected raises for every employee group in 2024 will be within a half percentage point.

The news isn't grim for everyone. As Tom McMullen, leader in Korn Ferry's North America Total Rewards group, points out, the job market—with many highly skilled employees looking to hop to a new firm for more money, as well as freshly graduated candidates with glowing résumés—is still healthy. "Companies still want the best talent and to protect key roles," he says.

But belt-tightening is winning the day, because economies worldwide are slowing down—which means fewer people are threatening to quit when they don't get big pay bumps. Most importantly, inflation, despite slowing, remains a serious company cost that affects salary budgets.

So how do firms keep turnover low? Experts say flexibility in both return-to-office and work hours still tops lists of worker requests. While a majority of CEOs want their workers back in the office, many

employees are balking. That flexibility—a necessity during the worst parts of the pandemic—can now become a benefit differentiator.

The other big employee ask: career-development opportunities. That doesn't mean only getting promoted, either. Indeed, lateral moves across organizations—which offer an employee experience and the opportunity to learn new skills—can be particularly effective. "It needs to be meaningful," says Maria Amato, a Korn Ferry senior client partner specializing in engagement and retention. Done right, she adds, career development can help deepen an employee's connection to their work, without the need for employers to hike their pay.

The good news is that these two non-cash approaches have actually worked, as have others, says Anthony Klotz, the originator of the term "Great Resignation" and a professor of management at University College London School of Management. Organizations that have taken steps to be more flexible or add development opportunities have seen their attrition rates drop, he says: "For millions of people, work has gotten better over the last two years." ▀

WHAT'S ON THE NEXT BOARD AGENDA

1

FOREIGN AFFAIRS

Boards need to know that their management teams have plans if economic or political tensions negatively impact the business.

2

DIVERSITY ON THE BOARD

Some stock exchanges have rules going into effect mandating that their listed companies must have multiple diverse directors.

3

CLIMATE CHANGE

Investors and other stakeholders continue to expect firms to talk about the risks climate change may have on their organization.

The Dilemma of Lotus 1-2-3

An electronic spreadsheet rules the day, until its creator falls prey to a common plight for innovators.

WHEN MITCHELL KAPOR, a 32-year-old tech entrepreneur, founded Lotus Development Corporation in 1982, he introduced Lotus 1-2-3, an electronic spreadsheet that became the best-selling personal-computer software of its day. Designed to run on the recently introduced IBM PC, Lotus 1-2-3 helped birth the personal-computer revolution of the early 1980s by giving users a versatile program that was easy to use and addressed a key business need. It was the industry's dominant "killer app" at the time.

The Cambridge, Massachusetts-based startup exploded on the high-tech scene, recording \$53 million in sales in 1983, the first year 1-2-3 was on the market, making it larger than Microsoft at the time. It went public and continued to grow even after Kapor, disinterested in running a big company, left in 1986 to pursue other interests. Jim Manzi, a former McKinsey consultant with no deep technology background, became the firm's CEO.

Lotus continued to thrive on the back of 1-2-3 throughout the decade, with the product controlling an astounding 70 percent of the \$500 million spreadsheet market in 1988. But trouble was looming.

1-2-3 would become a classic example of the "innovator's dilemma," a theory formulated by the late Harvard Business School professor Clayton Christensen. In his thinking, innovative companies were so focused on sustaining the products that took them to the top that they were unprepared for the disruptive new technologies coming from competitors, usually startups like they had once been.

In this case, Lotus would be

blindsided by the introduction of Microsoft's Windows operating system and its suite of office-productivity software, including Excel, a spreadsheet application that would eventually decimate Lotus 1-2-3.

New versions of 1-2-3 were repeatedly delayed, eroding market share. The company also focused all of Lotus's efforts on supporting OS/2, a new operating system developed jointly by IBM and Microsoft, rather than investing in making 1-2-3 compatible with Windows. But Microsoft promptly switched to Windows 3.0, which became the dominant operating system in the world, and Lotus' products found themselves on an old character-based interface. "It was a head fake by Microsoft," says John Landry, an angel investor who was chief technology officer at Lotus in the 90s. It was a misstep others made too, but missing such key inflection points in the technology whirlwind can be fatal for a product line.

In the 90s, Lotus would rebound some with Notes, a transformative software platform that by 1993, more than 2,000 companies and a half-million people were using. That attracted IBM, which in 1995, acquired Lotus in a hostile takeover for \$3.5 billion.

The merger appeared to be successful in the short run, but in the end, Lotus 1-2-3 was overtaken by Excel, which remains the world's most popular spreadsheet program to this day. Subsumed by IBM, Lotus Development faded into high-tech oblivion. ▀

	B	C	D	E	F
Net Sales					50
Cost of Goods Sold / Sales	137,900	172,200	92,750	245,140	6548,870
Gross Profit	(137,900)	(172,200)	(92,750)	(245,140)	(6548,870)
Operating Expenses					
Wages	22,500	27,500	22,715	30,340	183,855
Salaries	32,500	32,500	32,500	32,500	130,000
Rent	4,500	3,000	4,400	3,000	135,200
Telephone & Utilities	2,575	2,699	2,787	2,698	110,930
Insurance	10,700	10,700	10,700	10,700	42,100
Advertising	1,200	2,100	4,000		
Maintenance & Repairs	17,200	17,990			
Gas & Oil	1,500	3,075			
Depreciation	1,000	2,000			
Travel & Entertainment	2,500	3,000			
Non-Income Taxes	4,550	4,000			
Other Operating Expenses					
					108,028

