Innovation expert Peter Maulik '04 shows that there is more to success than luck and circumstance. Read on p25

THE GAME CHANGERS
Columbia women leading the upper echelons of the finance industry, p10

THE NEXT INDUSTRIAL REVOLUTION
GE CFO Keith Sherin '91 heads up a $1 billion investment in Big Data, p16

LEADING CHANGE
How do leaders set values or reset their organization’s direction? p28
I am pleased to introduce the School’s redesigned alumni magazine under a new name, Columbia Business. In response to feedback from alumni like you, the magazine has been redesigned to be more relevant, engaging, and visually compelling. We sought to simplify the publication’s goals—to connect alumni with each other and the School—to celebrate alumni milestones and accomplishments; and to chronicle the impact of Columbia Business School alumni, faculty members, and students on the global business landscape.

Feedback from our constituents led us to change the name of the magazine from Hermes to Columbia Business. The new name capitalizes on the powerful business relationship that connects alumni, faculty members, and students on the campus and throughout the world; it’s also a play on the word “business,” as the magazine is a source for Columbia Business School happenings. The new name underlines the School’s role as a leading institution in the business landscape.

Join the Conversation
Stay connected to the Columbia Business School community by viewing and sharing videos, photos, and updates. Learn more at www.gsb.columbia.edu/participate.

IDEAS AT WORK

1. **Think Small**
   - Is it time to reconsider economies of scale?
2. **Sharing Central**
   - New research reveals how connectivity in local social networks promotes cooperation.

IN BRIEF

1. **LAUNCH**
   - Let’s Shake on It
     - Alex Geiger ’92 is launching a tech start-up two months after graduation.

CLASS NOTES

1. **ALUMNI SPOTLIGHT**
   - Alisa Wood ’08 (EMBA)
2. **MOVING UP**
   - The latest notable alumni promotions
3. **ALUMNI SPOTLIGHT**
   - Christian Mariager ’88
4. **ALUMNI IN THE NEWS**
   - Your fellow classmates have been making news.
5. **FACES & NAMES**
   - Alumnae share their experiences in striving for—and reaching—the top of the finance world.

FEATURES

10. **The Game Changers**
    - by Amanda Chauffour
    - What glass ceiling? Columbia Business School alumnae share their experiences in striving for—and reaching—the top of the finance world.

16. **The Next Industrial Revolution**
    - by Jen Iversen
    - GE is investing $1 billion in Big Data. Leading its finances is Keith Sherin ’91 (EMBA), who has spent three decades helping the company chart new territory.

25. **Ready, Set, Innovate**
    - Interview by Jen Iversen
    - As chief strategy officer at Fahrenheit 212, Peter Mauboussin ’04 (EMBA) bets on—and delivers—innovation strategies that pay off for clients. It’s not luck that leads to success, he says.

28. **Leading Change**
    - Book excerpt by Ray Fisman
    - Interview by Simone Silverbush
    - How do employees learn an organization’s culture? Professor Ray Fisman draws on organizational economics to reveal how leaders drive change.
China’s Next Steps: Six Smart Moves

More Than 500 Connect with Industry Experts at Healthcare Conference

In BRIEF

China’s Next Steps: Six Smart Moves

More Than 500 Connect with Industry Experts at Healthcare Conference

IN BRIEF

China’s Next Steps: Six Smart Moves

More Than 500 Connect with Industry Experts at Healthcare Conference

IN BRIEF

More Than 500 Connect with Industry Experts at Healthcare Conference

IN BRIEF
**Barbara Krumsiek Awarded 2012 Botwinick Prize**

Barbara Krumsiek, the chair, president, and CEO of Calvert Investments, received the School’s 2012 Botwinick Prize in Business Ethics on November 26. Organized by the Sanford C. Bernstein & Co. Center for Leadership, the Botwinick Prize recognizes an outstanding leader who exhibits the highest standard of ethical conduct in business or the professions. Krumsiek received the award for her work at Calvert Investments, a globally recognized organization by the Sanford C. Bernstein & Co. Center for Leadership, the Botwinick Prize recognizes an outstanding leader who exhibits the highest standard of ethical conduct in business or the professions. Krumsiek received the award for her work at Calvert Investments, a globally recognized leader of sustainable and responsible investing.

**Under Krumsiek’s leadership, the Calvert Women’s Principles were created in 2004—the first practical code of conduct focusing exclusively on empowering, advancing, and investing in women worldwide. Krumsiek also serves as co-chair of the United Nations Environment Programme Finance Initiative, a partnership between the United Nations Environment Programme and 100 financial institutions around the globe that promotes links between sustainability and financial performance.**

The Botwinick Prize in Business Ethics was established with a generous endowment from Benjamin Botwinick, BS ’26, and his wife, Bessie.

**Paul Milstein Center for Real Estate Highlighted**

On January 17, Bloomberg Businessweek highlighted job placements of the School’s Paul Milstein Center for Real Estate Program graduates.

**Linda Green Discusses Physician Shortages in Washington Post**

Linda Green, the Armand G. Erpf Professor of the Modern Corporation, discussed how physician shortages could be eliminated in the Washington Post on January 15. “The breakthrough in the supply of non-doctors, the team approach, they all add up to having physicians cover twice as many patients as they have in the past,” Green said.

**Katherine Phillips on CEOs and President Obama**

Katherine Phillips, the Paul Calio Professor of Leadership and Ethics talked to Marketplace on November 14 about what Obama can learn from CEOs about how to lead when they lose their end date.

**David Ross Shares the Impact of CEO’s Children on Employee Wages**

Research by David Ross, the Sanford C. Bernstein & Co. Associate Professor of Leadership and Ethics, on how a male CEO’s children affect the wages of his employees was featured in the Wall Street Journal on January 6.

**Keith Wilcox Discusses Facebook’s Effects on Self-Esteem**

On December 24, Bloomberg View cited research by Professor Keith Wilcox on how social networks like Facebook may inflate self-esteem and reduce self-control.

**IN BRIEF**

**COMPANY PROFILE**

**Founders:** Abe Geiger ’12 (CEO), Stu Ellman, Jared Grusd ’06 (EMBA), and Jan Steinberg ’03 (Industry: Legal Services)

**Months in Business:** 7

**No. Registered Users:** 20,000

**Income:** “Let’s Shake On It” by Abe Geiger

**Why pay a lawyer for simple legal agreements when you can customize them on your phone?**

CEO Abe Geiger reveals how his tech start-up Shake is speeding up business for consumers and small businesses alike.

**A Legal App, Minus the Legalese**

The complexity and legalese involved in basic legal agreements is really frustrating when, actually, a signed napkin or even a handshake is legally binding. The goal is to demystify the law for non-lawyers. We want people to actually understand the agreements they are signing, whether it’s lending money to a friend or discussing a partnership for your start-up.

Shake combines elements of TurboTax, Square, and Dropbox. We ask you a few questions (e.g., Who are you loaning money to? Are you charging interest?), provide you with a short document in plain English, let you execute it on your phone, and leave you with a record of all your legal documents you can access anywhere.

**Plugged In to New York’s Tech Community—and the Columbia Business School Network**

During the summer before my second year at Columbia, I interned at Greylock Partners, an early-stage VC backed by Alan Patrizof, MS ’97, and Ian Sigalow ’06. I later worked at Canaan Partners during my second year, evaluating investment opportunities, learning the VC perspective, and immersing myself in the NYC tech community. In June Abe told me about an idea that Jon and Jared had kicked around. It aligned perfectly with the start-up I had been working on an independent study with Professor Jeff Harris. I already knew Abe (the president and CDO of BuzzFeed) and quickly got to know Jared (Spotify’s general counsel) as we joined forces to make Shake a reality.

**Biggest Hurdle**

Getting good talent at an early-stage start-up is tricky. You’re selling the vision, the team, and the potential. Fortunately for us, the opportunity to disrupt a $270 billion market is pretty appealing.

**If You Want to Launch a Tech Start-Up**

Think big but act small. Stay focused, and don’t overcomplicate the initial product. What is the simplest thing you can build in order to get the feedback you need to grow in the right direction? For us, that was building a mobile app that lets you answer a couple questions, review the feedback you need to grow in the right direction? For us, that was building a mobile app that lets you answer a couple questions, review your own agreement, and sign it on your phone.

**Next What**

We’re looking at a few monetization options, but the focus right now is on building an app that people love using, learning how they use it, and making it better.

—As told to Simone Silverbush

**Watch the video:** [Shake's business plan](https://www.gsb.columbia.edu/botwinick)
How can social media help you find your next job?

The job search has always been a social networking process, whether online or off. Most jobs are filled without ever being advertised, so whether you’re passively networking or actively searching for a job, it’s essential to use social media tools to your advantage. A few ways social media can help you find your next job:

**USE LINKEDIN**
- Complete your profile and keep it updated. Include detailed language describing the industry and functional experience for which you would want to be “found.” Recruiters search LinkedIn using keywords.
- If you upload a photo, use a professional-looking headshot, not a candid crop and definitely not a cellphone selfie. LinkedIn isn’t Facebook.
- Keep all content you post on LinkedIn strictly professional. Your presence there should have a regularly updated business profile but need not be a narrative of your daily doings and musings. Did I mention that LinkedIn isn’t Facebook?
- Be mindful of privacy settings, especially if you are currently employed but quietly using LinkedIn to network.
"There’s something about sitting in one of our theaters at the moment the lights start to dim—when it’s all possible."

His NYC Legacy

Jordan Roth ’10 remembers going to class for the first time of his third semester at Columbia a few hours after he was named president of New York City’s Jujamycn Theaters, the third-largest theater chain on Broadway. "It was fortuitous timing," says Roth. "I took over the company with the benefit of having just put two semesters of focused work into thinking through my management philosophy." That focus is evident in the succession of innovative box-office successes Roth has since ushered into Jujamcyn’s five theaters (the St. James, Al Hirschfeld, August Wilson, Eugene O’Neill, and Walter Kerr)—productions like Clybourne Park, 2012 Tony Award–Winning Producer of Clybourne Park; 2012 Tony Award–Winning President, Jujamcyn Theaters, JORDAN ROTH ’10

How he’s Helping New Yorkers

Building on the industry’s strong legacy of cause marketing, Roth created Givenik, a service that allows theatergoers to buy discounted tickets and give 5 percent of their ticket price to a charity of their choice. Givenik.com currently supports more than 500 organizations, including Big Brothers/Big Sisters, local chapters of the Susan G. Komen Breast Cancer Foundation, and Habitat for Humanity. "Rather than creating a relationship with a charity that ends with a particular show, we’ve introduced a way of coming to the theater and supporting various causes that doesn’t end," says Roth.

Why He Loves the Big Apple

"There’s an electricity to this city that causes people of passion to want—or need—to be here," says Roth. "You see that in business, fashion, technology, and, of course, in artists. New York theater is so vibrant because of the people that New York attracts."
omen make up 47 percent of the US labor force and more than half the US finance workforce. Despite these numbers, according to the research firm Catalyst, fewer than 20 percent of finance industry executives and directors are women. Among all ranks within the industry, the recession has intensified this trend: from 2007 to 2010, 12.5 percent of women in the financial industry lost their jobs, compared with 8.8 percent of men, according to an analysis of government statistics by the Economic Policy Institute.

Nonetheless, a number of Columbia Business School alumnæ are leading the upper echelons of the finance industry: they are at the helm of divisions at powerhouses like Bank of America, Goldman Sachs, and Wells Fargo, or running their own boutique investment firms around the world. These alumnæ share their stories, candid advice on reaching the top, and ideas about how the industry can help women succeed.

Columbia Business School professors also offer insights on the business benefits of diversity in the C-Suite.

What glass ceiling? Columbia Business School alumnæ are striving for — and reaching — the top of the finance world.

WRITTEN BY AMANDA CHALIFOUX  •  ILLUSTRATIONS BY JIMMY TURRELL
Wang recalls. “I made a point to always have something to offer at every committee meeting,” she says. “Over time, the chair came to rely on my input and to actually consider me one of his most valued team members.”

It’s that type of determination, confidence, and expertise that has propelled nearly 400 Columbia Business School alumnae to C-suite positions in banking and investing around the world, despite male domination of the industry. Only the healthcare industry has fewer women directors than finance, according to a 2010 WECNY study of the top 100 revenue-producing companies in New York as identified by Crain’s.

But the statistics didn’t deter Wang, who decided even before pursuing an MBA that her goal was to head her own investment firm. Amold with an undergraduate degree from Wellesley and experience as a senior analyst at Equitable Capital Management, she enrolled at Columbia to round out her academic credentials. After graduating, offers from Wall Street came pouring in.

“No one ever told me that all those working moms had their superwomen capes tucked away in their closets,” she says. “The magnitude of things that working women accomplish—I’m constantly blown away by it.”

In 1998, Wang started her own firm Tupelo Capital Management. She enrolled at Columbia to round out her academic credentials. After graduating, offers from Wall Street came pouring in. “I was a marketing major at Columbia and had experience I already had on Wall Street,” Wang says. “I wanted to not only understand the world of finance and investments but also help others navigate it—to give back in a way I wish someone would have given back to my grandmother.”

But, unlike Chrin encountered challenges before she even graduated with her MBA. Married before business school, she became pregnant her first semester at Columbia. Many people advised her to give up a Wall Street career. “They said it was going to be too difficult, that no one would hire me without the right summer internship,” Chris says.

Unlike Chrin, working in finance was not an initial goal for Browning. “I wanted to not only understand the world of finance and investments but also help others navigate it—to give back in a way I wish someone would have given back to my grandmother.”

Instead, Browning worked as an airline analyst for 20 years before taking a risk on a management job in London in 2010 with Merrill Lynch. Today, she is head of Bob’s Merrill Lynch Global Research. But despite the obstacles inherent in her move to investment management, Browning says the biggest challenge she faced was in building a family while climbing the corporate ranks. “I think for a woman with a young family, it is very difficult,” Browning says. “Those challenges were there when I was coming up and are still there today. There is more recognition and sensitivity to these issues now, but, frankly, there hasn’t been much change to help women balance work and family.”

Nicole Pallone Ross ’99, managing director and head of the Mid-Atlantic region in the investment management division at Goldman Sachs, says the difficulty of juggling the role of mother and professional shocked her after the birth of her first child.

“After my first week back from maternity leave, I thought, ‘no one ever told me that all those working moms had their superwomen capes tucked away in their closets,’” she says. “The magnitude of things that working women accomplish—I’m constantly blown away by it.”

“Citing a recent study of University of Chicago MBAs, Ann Bartel, the Merrill Lynch Professor of Workforce Transformation at the School, reports that, although male and female MBAs have nearly identical earnings at the outset of their careers, nine years after graduation, female MBAs earn approximately 40 percent less than their male counterparts on average. “Differences in career interruptions and wobbly years, both of which were largely associated with motherhood, accounted for this large gap,” Bartel says.

Opening Doors
But motherhood is not the only obstacle women experience in advancing. “The reasons women have not achieved parity—“This suggests that firms may not be allocating their resources in a way that maximizes productivity and efficiency,” Browning says. “It wasn’t easy. I had a mentor at Goldman Sachs,” Chris says. “But I know both my family and my career were very important to me, and I was determined to make it all work. Firms need to be more responsive when a good producer asks for flexibility during a period of their lives when they need it. If they don’t allow for that, they’re going to lose the person and their investment in them.”
Sallie Krawcheck ’92, former CEO and chair of Citigroup Global Wealth Management and a member of the School’s Board of Overseers, discussed how women can advance their careers while maintaining work-life balance in her keynote address during the School’s first Women’s Week, held November 12–16, 2012.

**ON WOMEN’S WEEK: “I THINK IT WAS A WONDERFUL WAY TO CELEBRATE THE FEMALE COMMUNITY AT THE SCHOOL WHILE ALSO FOSTERING AN OPEN DIALOGUE ABOUT THE CHALLENGES WOMEN FACE IN BUSINESS TODAY.”**

Krawcheck told students that women’s careers can be viewed as “lattices instead of ladders” in some cases, and she noted that in business, gender pay disparity decreases when women are in charge, and diverse teams regularly outperform more capable, but less diverse, teams. Still, “women are not better than men, just different,” Krawcheck said. She also stressed that a departure from the traditional career model could benefit both women and men. “Companies should move toward flexibility without shame (for employees),” Krawcheck’s talk was just one highlight in an event filled with networking events for students and alumni around the world, including gatherings in Boston, New Delhi, and Singapore.

**ALUMNA SHARES ADVICE, EXPERIENCE DURING WOMEN’S WEEK**

After my maternity leave, I thought, ‘no one ever told me that all these working moms had their Superwomen capes tucked away in their closets.’ The magnitude of things that working women accomplish—I’m constantly in awe.” - Nicole Pullen Ross ’99

In addition to flexible work arrangements, Nicole Pullen Ross believes organizations need to provide access to senior leaders and focus on mentorship and formal new employee sponsorship to level the playing field for all employees. “Firms have to create structures where interactions between women new to the field and senior leaders can happen, because women might not naturally be in the same professional finance circles as the men they’re competing with,” Pullen Ross says. “Sponsors have been critical in my career. A sponsor is someone who is going to be in that senior-level discussion speaking on your behalf or making sure you’re part of that conversation.”

**Carving a Path**

To help women MBA students launch their careers, Columbia Business School is offering more support than ever—from the School’s first ever Women’s Week held last November, to the student club Columbia Women in Business (CWB), which organizes conferences, professional development, and mentorship opportunities for students.

“At Columbia, I felt like the world of finance was an extension of the campus,” Pullen Ross says. “Because of the faculty, frequency of guests, and different perspectives that were constantly available in the classroom, it helped me crystallize the career I wanted to pursue and build a strong network of not only colleagues, but friends.”

But while access may help open doors, it’s often up to women to keep themajar. “The environment is important, but it’s up to you,” Chrin says. “You have to craft your own destiny. Don’t settle for mediocrity. Dig deep and do your own research. Be thoughtful in the relationships you build. The little details matter a lot.”

Indeed, Beams says that performance was critical but certainly not the only part of her success. “You have to do a superlative job 90 percent of the time,” Beams says. “But that’s only half–sometimes less than half–of the equation. The rest is career management and self-assessment–choosing the right jobs and the right challenges to build the right breadth of experience is quite important.”

Once women have the foundation and skills they need, Chrin recommends a direct approach. “Ask for more responsibility. I wasn’t a vice president, and I wanted to be—so I asked my boss,” she says. “Believe that you can do this.”

Wang advises that women in business should accept credit when warranted. “Not only do women eschew credit, but they’re too modest about the overall importance of their work,” she says. “I know when I was running portfolios, I often used ‘we’–I never used ‘I.’ Like many women, I liked to share the credit. Don’t be afraid to point to the successes or achievements you’ve accomplished.”

But what ultimately propels Wang and other women in the C-suite—beyond ambition—is passion for their work. “I just love investing. It’s intellectually the most challenging and creative job I can think of—you’re constantly looking at the world to figure out what’s working and translating that into investment ideas,” Wang says. “I’ve always said that even if I wasn’t paid a cent, I’d still want to be in money management.”

“Choosing the right jobs and the right challenges to build the right breadth of experience is quite important.” - Maliz Beams ’85

In addition to flexible work arrangements, Nicole Pullen Ross believes organizations need to provide access to senior leaders and focus on mentorship and formal new employee sponsorship to level the playing field for all employees. “Firms have to create structures where interactions between women new to the field and senior leaders can happen, because women might not naturally be in the same professional finance circles as the men they’re competing with,” Pullen Ross says. “Sponsors have been critical in my career. A sponsor is someone who is going to be in that senior-level discussion speaking on your behalf or making sure you’re part of that conversation.”

“After my maternity leave, I thought, ‘no one ever told me that all these working moms had their Superwomen capes tucked away in their closets.’ The magnitude of things that working women accomplish— I’m constantly in awe.” - Nicole Pullen Ross ’99

To help women MBA students launch their careers, Columbia Business School is offering more support than ever—from the School’s first ever Women’s Week held last November, to the student club Columbia Women in Business (CWB), which organizes conferences, professional development, and mentorship opportunities for students.

“At Columbia, I felt like the world of finance was an extension of the campus,” Pullen Ross says. “Because of the faculty, frequency of guests, and different perspectives that were constantly available in the classroom, it helped me crystallize the career I wanted to pursue and build a strong network of not only colleagues, but friends.”

But while access may help open doors, it’s often up to women to keep themajar. “The environment is important, but it’s up to you,” Chrin says. “You have to craft your own destiny. Don’t settle for mediocrity. Dig deep and do your own research. Be thoughtful in the relationships you build. The little details matter a lot.”

Indeed, Beams says that performance was critical but certainly not the only part of her success. “You have to do a superlative job 90 percent of the time,” Beams says. “But that’s only half–sometimes less than half–of the equation. The rest is career management and self-assessment–choosing the right jobs and the right challenges to build the right breadth of experience is quite important.”

Once women have the foundation and skills they need, Chrin recommends a direct approach. “Ask for more responsibility. I wasn’t a vice president, and I wanted to be—so I asked my boss,” she says. “Believe that you can do this.”

Wang advises that women in business should accept credit when warranted. “Not only do women eschew credit, but they’re too modest about the overall importance of their work,” she says. “I know when I was running portfolios, I often used ‘we’–I never used ‘I.’ Like many women, I liked to share the credit. Don’t be afraid to point to the successes or achievements you’ve accomplished.”

But what ultimately propels Wang and other women in the C-suite—beyond ambition—is passion for their work. “I just love investing. It’s intellectually the most challenging and creative job I can think of—you’re constantly looking at the world to figure out what’s working and translating that into investment ideas,” Wang says. “I’ve always said that even if I wasn’t paid a cent, I’d still want to be in money management.”

“Choosing the right jobs and the right challenges to build the right breadth of experience is quite important.” - Maliz Beams ’85
GE is investing $1 billion in Big Data. Leading its finances is Keith Sherin ’91 (EMBA), who has spent three decades helping the company chart new territories.
When Keith Sherin ’91 (EMBA), CFO of General Electric, is asked about the next trend on the horizon, he talks about the “industrial Internet”—or how his company, among others, plans to harness the power of data collected by machines ranging from aircraft engines to CT scanners.

Managing digital intelligence, or Big Data, might be the next revolution in technology, the industrial counterpart to the consumer Internet, the domain of companies like Google, Facebook, and Amazon. GE, one of the biggest manufacturers of equipment used in transportation, power generation, and medical imaging, predicts that analyzing the enormous amounts of data produced by industrial machines will translate into real dollars—for the company, its clients, and the economy.

“Whereas the consumer Internet connects people, the industrial Internet connects machines. Through sensors embedded in hundreds of thousands of jets, turbines, and medical equipment, GE can collect and analyze vast quantities of data, with a goal of helping its customers increase profits and reduce waste. These sensors can help optimize flight times, signal the need to repair or replace a wheel, and help prevent power outages,” he says. Sherin. Likewise, reducing inefficiencies by 1 percent in the rail industry would mean faster trains, lower carbon emissions, and fuel savings of $27 billion in the same period. And 1 percent fuel savings for gas-fired generators would reduce costs by $66 billion, according to a recent report from GE.

The Internet is both a new territory and a significant area of investment for the company. GE plans to invest $3 billion in its new high-tech center in San Francisco by 2015. It has hired more than 200 software engineers in the last two years and plans to hire 200 more. “We’re working from the equipment up,” Sherin says. “The industrial Internet is about increasing performance. We’re fixing our customers’ equipment before it breaks.”

**A THREE-DECADE CAREER**

Sherin, who is in his 32nd year at GE, has a long history of helping the company pursue new opportunities. He has served as its CFO since 1998 and as vice chairman since 2007—years in which the company faced some of its greatest challenges, including the recent financial crisis. From a spot on the corporate audit team, he worked his way up to a CFO position in Europe and other CFO roles back in the United States, completing his MBA seven years in.

It is quite the career arc for someone who finished his undergraduate degree with a major in math and a minor in Russian. “When I graduated, I was really worried about finding the kind of work I wanted to do. Aviation was the last thing I wanted to do.” He believed then, as he does now, that the company’s aviation business. “Every time I did a stint in aviation, they’d send me to a trailer or a basement, and I’d spend my whole week in some little room—and it usually had mold,” he says. “I told all my friends that aviation was the last thing I wanted to do.”

Yet seven years after he joined the company, and soon after earning his MBA, he got an offer to be the CFO of GE’s commercial engine business. “I didn’t even hesitate,” he recalls. “It was a great position, so I said, ‘That would be fantastic—it’s exactly what I want to do.’” He believed then, as he does now, that the best opportunities are those that steer you in your education or talents

“A THREE-DECADE CAREER”

Sherin, who is in his 32nd year at GE, has a long history of helping the company pursue new opportunities. He has served as its CFO since 1998 and as vice chairman since 2007—in which the company faced some of its greatest challenges, including the recent financial crisis. From a spot on the corporate audit team, he worked his way up to a CFO position in Europe and other CFO roles back in the United States, completing his MBA seven years in.

It is quite the career arc for someone who finished his undergraduate degree with a major in math and a minor in Russian. “When I graduated, I was really worried about finding the kind of work I wanted to do. Aviation was the last thing I wanted to do.” He believed then, as he does now, that the company’s aviation business. “Every time I did a stint in aviation, they’d send me to a trailer or a basement, and I’d spend my whole week in some little room—and it usually had mold,” he says. “I told all my friends that aviation was the last thing I wanted to do.”

Yet seven years after he joined the company, and soon after earning his MBA, he got an offer to be the CFO of GE’s commercial engine business. “I didn’t even hesitate,” he recalls. “It was a great position, so I said, ‘That would be fantastic—it’s exactly what I want to do.’” He believed then, as he does now, that the best opportunities are those that steer you in your education or talents.

After completing a three-month project and leading a team of 10, Sherin gave a presentation to the division’s CFO. “We thought we had done a good job,” he recalls. “But at the end of it, the CFO said to me, ‘That was intellectually unstimulating and emotionally unpalatable.’” At first, Sherin was angry; later, he realized that he’d spread his resources too thin. “It was a crushing summary of three months of effort,” he said. “I had to do a lot of work to change how I planned, how I operated, and how I communicated.”

CAPTURING OPPORTUNITIES

Missing the mark also taught him the importance of self-appraisal. “I was getting reviews twice every quarter, but no one ever told me that I didn’t have enough corporate finance capability or experience in capital markets,” he says. “I was a math major with a few training courses auditing general managers who had MBAs. I knew I had a huge skill-set void.” That was when he applied to Columbia Business School. “Getting my MBA was a game-changer for me. It gave me all the skills that I needed to build on.”

Back in his early days at GE, Sherin was certain of only one thing: he was never going to work in the company’s aviation business. “Every time I did a stint in aviation, they’d send me to a trailer or a basement, and I’d spend my whole week in some little room—and it usually had mold,” he says. “I told all my friends that aviation was the last thing I wanted to do.”

Yet seven years after he joined the company, and soon after earning his MBA, he got an offer to be the CFO of GE’s commercial engine business. “I didn’t even hesitate,” he recalled. “It was a great position, so I said, ‘That would be fantastic—it’s exactly what I want to do.’” He believed then, as he does now, that the best opportunities are those that fall outside of one’s expectations.

**1% What if there were 1 percent more efficiency in the grid?**

- **$30 BILLION** in the airline industry, a 1 percent gain in fuel efficiency is worth $30 billion over 15 years.
- **$27 BILLION** in the rail industry, it would mean faster trains, lower carbon emissions, and fuel savings of $27 billion over 15 years.
- **$66 BILLION** for gas-fired generators, a 1 percent gain would reduce costs by $66 billion over 15 years.

**LESIONS TO LEAD BY**

As part of the School’s David and Lynn Sillen Leadership Series, Sherin recently shared the lessons he’s learned in his three-decade career at GE:

1. **Build a foundation**—either a domain of expertise or a skill set. In today’s specialized world, there’s no such thing as a generalist.

2. **Project self-confidence**—and come by it honestly: take on challenges to earn confidence in your abilities.

3. **Perform your own self-assessments**—you can’t depend on others to point out the gaps in your education or talents.

4. **Never say never**—often the best opportunities are those that steer you outside of your career plan.

5. **Lead like you want to be led**—it may sound simple, but many aspiring leaders are unaware of how others perceive them.

6. **Have a personal decision-making compass**—figure out what is important to you, and stay consistent.

7. **Learn how to communicate**—and not just how to give a presentation. Expressing yourself effectively gets more important the higher you go.
And this was an opportunity that paid off; his first CFO role within the company soon led to another. In 1992, Sherin was named the CFO of plastics in Europe, a position that required moving to the Netherlands. Three years later, Sherin moved to Milwaukee to become CFO of the healthcare division. He was spending nearly three-quarters of his time on the road and found a way to differentiate himself by taking up business development. “I did the research and met with the company,” he says. “And then I made the offers to buy them.” In late 1998, Sherin got a call to come to GE’s headquarters in Fairfield, CT, and became the head CFO of the entire $200 billion corporation.

**THE NEW ROLE OF THE CFO**

For Sherin, who had moved around the globe with GE, meeting with the company’s performance and the external marketplace. Back in 2008, he helped steer GE through the financial crisis, raising cash even as the market tightened and bad news seemed to accumulate by the hour. He also had to be the public face of the company when it missed its earnings during the crisis. In the last decade, the role of the CFO had expanded outward. “The CFO today has a significant responsibility around external information,” he says. “The role is a conduit between the companies’ performance and the external marketplace.”

His colleagues describe his leadership style during this volatile period as inspirational. “When you look at what happened in 2008, you see that he was instrumental in everything the company had to work through,” says Brian Worrell, vice president of corporate financial planning and analysis. “He remained calm, communicated effectively, and was not afraid to make a decision. During a time of crisis, that was critical.”

But his new job was unlike any other he’d had at GE. He soon found that there was no way to truly prepare for the role of the CFO. “You’re dealing with analysts, investors, the board of directors,” he says. “There are all the external relationships. There were so many things I had to learn.”

He jokes that he has used up all of his nine lives as CFO. His colleagues describe his leadership style during this volatile period as inspirational. “When you look at what happened in 2008, you see that he was instrumental in everything the company had to work through,” says Brian Worrell, vice president of corporate financial planning and analysis. “He remained calm, communicated effectively, and was not afraid to make a decision. During a time of crisis, that was critical.”

After the worst months of the crisis, the company began to recover; now, with its industrial Internet project, GE is looking to the future. Last fall, at its “ Minds and Machines” conference in San Francisco, GE unveiled some of its new technologies and forecast that increased productivity and reduced costs could boost growth in the United States back to levels not seen since the late 1990s. And if the rest of the world experienced even half of these gains, it would add $10 to $15 trillion to global GDP by 2030. “We’re talking about significant change,” Sherin says. “By leveraging the industrial Internet, we can drive productivity and cost savings around the world.”

**Columbia Business School**

Connecting Research to the Practice of Business

### Think Small

From family farms to industrial agriculture, from 2,000-ton capacity schooners to 250,000-ton capacity container ships, industrial production and operations have historically moved in one direction: from small to large. In short, bigger seems better for maximizing productivity and lowering per-unit costs. “Then it scales up” is the perennial question that investors ask of engineers who are creating new technology and infrastructure,” says Professor Garrett van Ryzin, who for the last few years has been team-teaching a course on the business of sustainable energy with Klaus Lackner of Columbia University’s Fu Foundation School of Engineering and Applied Science. “Hearing that question again and again got Klaus thinking about whether it is really necessary to scale up.” The two colleagues’ conversations on that question soon turned into a full-fledged framework for determining the feasibility of moving from large (in size) scale industrial infrastructure to large (in number) but small-in-scale industrial infrastructure.

**Economies of scale** have dominated industrial practice and investment decisions for so long because they have made sense—and profits—in the face of human and technological limitations. As the size of physical plants
means of transportation, and equipment increases, capital costs per unit and operating costs decline, while increased productivity makes the cost of labor more efficient. For example, 100 ten-ton dump trucks would require many more drivers than a fleet of 100 hundred-ton dump trucks. Further motivations for scaling up include geometrical efficiency (such as increasing the ratio of volume to area) and spreading out the fixed costs of certain components like control and safety systems.

But automation and communication technology have evolved to the point that a large number of small units may be better, cheaper, or more efficient than a small number of large units.

Smaller units also offer geographic flexibility: they can be used together at a single location or concentrated around key supply or demand sources. They can produce savings on operating costs too because firms don’t have to operate all the units if they aren’t needed. And they offer insurance against large system failures: it’s much less likely that a large number of small units would fail all at the same time. Those that do fail would be easy to replace quickly. Finally, the researchers thought they might find that smaller units were less durable and might need replacing more often, but in many sectors smaller units are just as durable as larger ones so, the flexibility offered by small units may trump considerations of durability in some industries.

The implications of this shift are profound and, according to van Ryzin and Lackner, not without barriers. But few of these barriers are technological or financial. To really facilitate mass production, for example, industries will have to agree on standards and interfaces and create the PC industry standardized on “Win tel” (Windows and Intel) architecture. The most significant hurdle may be convincing engineers, designers, investors, policy makers, and firms to rethink the “scale, scale, scale” mantra: it’s much less likely that a large number of large units would operate all at the same time. Instead of asking if a project can complete all the way to the transport. Can the same logic behind these small chlorine plants illustrate these principles? The function and role of social networks is not only far more consequential on the whole than it may seem, but they might not have the resources to exploit them.

The researchers recruited about 4,000 participants from 41 small villages—about 25 people from each village—in Karnataka, India, for which they had extensive social network maps and related household data. Two participants from the same village played a series of standard trust games with each other. One acting as a sender and another as receiver, each starting with an endowment of 60 rupees. (The actual stakes were substantial for those who agreed to participate: each person had the opportunity to earn one half to a full day’s wage for three hours of their time.)

The sender’s task was to decide how much of her 60 rupees to transfer to the receiver, knowing that whatever amount she sent would triple by the time it reached the receiver. The receiver then decided how much of her total allocation—her original 60 rupees plus any rupees from the sender—to transfer back to the sender. The allocation that maximizes the pay available to both recipients occurs when the sender transfers all 60 rupees, and the receiver transfers back half of that 240-rupee largess, so that each participant ends up with 120 rupees.

Why would either player send any allocation to the other? The researchers expected that players with existing social relationships to maintain would be more likely to share more than would strangers, with whom trust experiments are typically conducted. The most efficient outcome—efficient in the sense that participants’ exchanges left both with the maximum possible—happened about 3 percent of the time. Small as it may seem, that frequency is significantly higher than when the game is played between strangers. Overall, the closer the relationship between the two players, the more efficient the outcome. Next, the researchers wanted to learn how the presence of a third player—sometimes a member of the community, sometimes a stranger from another village—impacted the game. In some of these experiments the
judge—the third person—was allowed to spend his or her own allocation of 100 rupees to punish other players by reducing their total winnings if he deemed their allocations unfair. “The set up simulates local contract enforcement or local arbitration by bringing in a third party with the power to monitor and, in some cases, punish the other participants for behavior that he deems unfair,” Breza says. “The judge’s visibility and identity are key because past studies done with anonymous players find that third party punishment helps to increase efficiency of the game.”

As before, the closer the relationship in the social network the more efficient the outcome is likely to be. But what really increases efficiency is going from having a judge with unimportant social status to a judge of important social status,” Breza says. But the way in which the judge is important matters: having a judge who was widely connected across the network yielded different results than having high social or political status. Using Eigenvector centrality, a network measure of importance and connectedness, the researchers identified villagers who act as information hubs, transferring information easily around the network. When one of these centrally connected villagers took the role of judge, the outcomes were the most efficient. In contrast, judges who were politically important but not central to the network tended to play in a way that maximized only their own allocations rather than ensuring that resources were maximized between the sender and receiver. The games were also less efficient when judges were close friends with one of the other players. In other words, network importance rather than closeness, wealth, or titles most often yielded the best benefits.

Breza’s larger goal in pursing this line of research is to use what economists have learned about the powerful influence of social networks and how the peer dynamics within them can be adapted to complement formal financial products for the poor. One such project addresses savings. “Banks in India are very unwilling to provide new tailored products to the poor, but they do have no-frills accounts that let users maintain lower balances. But the accounts are not well used. Savers have a hard time meeting saving goals. This may be because they have to walk the three kilometers to the bank; it may be due to other obstacles, such as procrastination.”

In the savings project, Breza and her co-researchers are studying whether reporting savings activity to a third-party monitor in the same village can help be savers surmount these obstacles. “And should that person be the highly central person or the close friend? Our aim is to identify a solution that leverages the local social network and the formal banking system to help people achieve their goals.”

As chief strategy officer at Fahrenheit 212, Peter Maulik ’04 (EMBA) bets on—and delivers—innovation.

Before joining Fahrenheit 212 in 2005, when it was an eight-person start-up, Peter Maulik ’04 (EMBA) says he knew nothing about innovation. In his previous work, he helped companies from Time Inc. to Saks Fifth Avenue develop strategies for growth, but always found himself thinking of new ways of driving business—and wanted to be involved beyond the planning stage. As Fahrenheit 212’s chief strategy officer, Maulik is responsible for leading the company’s innovation strategies, managing its performance-based compensation model, and developing talent—including making sure that new hires can deliver innovations that pay off for such clients as Samsung Electronics and Capital One. Maulik, a Minnesota native who played football in his undergraduate years and now devotes his excess energy to his daughters’ school, explains why he believes innovation is a skill that can be learned.
Columbia Business asks: Can you explain the business model behind Fahrenheit 212?

Peter Maulik: We’re a bit unique in that our business model is more akin to a private equity firm than to a traditional consultancy—we have skin in the game on all of the projects that we work on. The ideas we come up with can’t just be interesting; they actually have to work.

Innovation is, by its nature, unpredictable. So what we strive for here is to bring a level of predictability to innovation—to deliver a transformational outcome without requiring a company to transform its business. If you can give amazing results in a manner that allows a company to assess more accurately what it will return on investment will be, your chance of helping the company reach that goal is much higher. So we obsess a lot over working to deliver the type of innovations that don’t require you to take a leap of faith.

Innovation seems to mean different things to different people. How do you define it?

An innovation is something that creates meaningful value in the marketplace, that actually drives change. Having a good idea—even a really good idea—isn’t that hard. But coming up with a great innovation is incredibly difficult. To create meaningful value, you’ve got to do something that’s different from the norm.

And that scares the heck out of big companies, because their business in many ways is predicated on predictable performance. When you’re guided by quarterly reports, your earnings are supposed to be 1 percent different from the norm.

But what natural gifts do you look for in these athletes?

Because there isn’t an innovation consulting industry—because the typical industry who, when presented with a great idea, is obsessing over how can you make money on it. We’ve found that great innovation exists at the intersection of commercial strategy—or knowing where the money’s coming from—and having a really powerful creative insight. You can tell these folks very quickly, if they’re coming from investment banking, they’re the most creative bankers on the floor. On the flip side, it’s the person in a creative industry who, when presented with a great idea, is obsessing over how you can make money on it.

The second question we ask ourselves about a candidate is: is this person decoupled? In traditional consulting, you’re trained to ask questions because questions create projects. It sounds counterintuitive, but we want people who love answers—and who got an absolute thrill out of rapid problem solving. We’ve found that this characteristic is more prevalent in entrepreneurs than it is among traditional consultants. Entrepreneurs are very quick to say, “This is the answer, the world needs this!” And that passion and conviction often motivates speed and decisive action.

The third quality we look for is a commitment to something bigger than yourself. It could be anything—a sport, a religion, a cause. One, it means that you believe in the possible. But it also means you’re not doing it just on your own. You’re someone who links arms with other believers and works toward a common goal. And that’s essential. As soon as someone allows cynicism to enter the relationship or breaks that link that’s holding us together—that’s the quickest recipe for failure in innovation.

What inspired you to enter this field?

I’d finished my MBA at Columbia, and I was thinking of what I wanted to do next. I had broken into traditional strategy consulting when I started EMBA, and when I finished the program, I had an offer to go work in Singapore for another established consultancy. And I got a call from a headhunter saying a guy who’d started a firm on innovation consulting was moving here from Auckland and that his firm had a performance-based compensation model. I thought that was either the craziest thing in the world or it was brilliant.

Performance-based compensation sounds like a big risk if you’re working in innovation.

It was! But I knew that the world needed innovation consulting—even though I didn’t know it existed. And the performance-based compensation model forces you to attack problems with an entrepreneurial perspective and work as if your mortgage depends on it, because it does. I thought that if you could bottle that, you could revolutionize the industry.

How did your background prepare you for this uncharted territory?

A lot of what we do is based on the strategies and schools of thought that I learned at Columbia. Commercial strategy and creativity is really the intersection of two fundamental disciplines that I took away from my MBA. One was behavioral economics, understanding that people don’t make decisions based entirely on rational drivers. And the second is value investing, which is thinking of how you can drive growth but not just focusing on the top line—creating sustainable and profitable growth. Those two disciplines, which I learned from Bob Bontempo and Bruce Greenwald, are pillars of our process. And it’s paid off: we’ve gone from eight people to 50 and a client list that’s tried before.

Hire Qualities—Not Qualifications

INNOVATORS ARE...

Passionate, interested, curious. Whether an analyst hired from a bank, a great graphic designer, or a key support role, innovators love to ask questions. Innovators drive new information, constantly seeking insights, stimulation, and opportunities.

Trainers. Businesspeople take holidays in unusual places and come back to share what they’ve learned.

Experts. People who’ve lived abroad are by definition, confident risk-takers who share that out-of-context sensibility of looking to see what’s around the corner. Understanding different cultures fuels an ability to understand what people might want.

Omnivorous eaters. People who sample new foods, restaurants, and concepts are curious seekers.

Constructive critics. Folks who are fascinated by and opaqued about forms, architecture, fashion, films, and websites are interesting and important to conceiving innovative solutions.

Readers. Look for those people who walk down the street reading. They know stuff down the street reading. They know stuff.

X factors. Be alert to the unusual quicks that catch you out of your depth and suggest that the box you might expect them to be in is not all it seems. A passion for acting, laissez-faire proselytizing on being a leading expert on political behavior indicates commitment. An important culinary vocation shows interest in cooking, and a taste for fine wine.

Omnibus people. They are all the above—excellent communicators, having natural gifts, they learn to perform at a very high level very quickly. That’s why we’ve been able to bring in people from industries like private equity and investment banking and have them sit next to people from architecture and toy design. Together they make up a team that delivers innovation for clients across all these different industries.

Peter Maulik, MBA ’11, grew up in suburban Chicago. He’s a self-proclaimed pinch hitter, veteran of multiple sports, and he’s always wanted to be a TV personality. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s currently working on his book, which will be released in the spring of 2013. The book is about his life as an entrepreneur and the lessons he’s learned from his experiences in the business world. He’s...
How do employees learn an organization’s culture? Professor Ray Fisman draws from organizational economics to reveal how leaders drive culture change.

As a leader, how do you talk about your organization’s culture? To reinforce certain values or reset your organization’s direction, what’s your plan?

For many leaders, articulating—and shaping—their organization’s culture is a nebulous, daunting endeavor. It’s also a key quality of effective leadership—if not, as Ray Fisman and Tim Sullivan suggest in their new book, *The Org: The Underlying Logic of the Office* (Twelve, 2013), “the very definition of leadership.”

In the book, Fisman, the Lambert Family Professor of Social Enterprise and co-director of the School’s Social Enterprise Program, and Sullivan, an executive editor at Harvard Business Books, use organizational economics to parse how and why orgs do what they do. It’s an eye-opening and forthright survey of the tradeoffs—and dysfunctions—faced by firms big and small, with case studies from organizations ranging from the Methodist Church to the FBI.

“By better understanding the nature of the org,” the authors write, “you should be able to bridge, and perhaps even shrink, the disheartening gap between expectations and reality.”

Illustration by Luci Gutiérrez
Here, in an excerpt from the chapter “The Economics of Org Culture,” Sullivan and Fisman, who write a monthly column for The Wall Street Journal, The Economist, and the Financial Times, explain why the choice of culture is so important for long-term success. "We can’t change our ways one person at a time," they write. "What’s required is public statements from someone whose opinion we respect—and even more important, whose opinion we know everyone else respects—to point us in the same new direction. But culture tends to be sticky, which makes it harder for leaders even to define the change they’re trying to get people to follow."

Consider this example from Robert Gibbons and Rebecca Henderson, two organizational economists, about Merck, a pharmaceutical company that wishes to become more research-focused and tries to attract freshly minted PhD scientists with the promise that their jobs will be “almost like at a university lab.” The hope is that this will allow Merck, with an empty pipeline of new products, to attract the very best and brightest young scientists, ones who are motivated by curiosity rather than paychecks, and who are also more likely to lay the scientific foundations for developing the next wave of blockbuster drugs.

For aspiring scientists, the decision between academic jobs and joining a corporation hinges critically on the meaning of almost. The company never pretends to be exactly like a university. It’s set up to make money for shareholders, so it can’t always indulge itself in the kind of knowledge-for-knowledge’s sake exploration as an academic setting. Yet it is this freedom in pursuit of innovation that it needs in order to come up with new ideas. No contract can clearly delineate the line that’s drawn between these sometimes competing considerations. If you can’t contractually define almost, what can organizations and those leading them do to measure their research staff that they’re almost autonomy to pursue scientific discoveries? Current and future employees instead learn the definition of almost through stories and anecdotes that circulate within the org and beyond. Culture is learned through direct experience and stories, not rule books or style manuals. Stories matter.

Many of the stories that form the culture of organizational culture sometimes feel manufactured—and they may very well be—to clarify the extremes to which an organization will go to back up its value and culture statements with tangible action. Culture of customers and culture of suppliers are explained through accounts of employees going to immense lengths to cheer customers. Clothing retailer Nordstrom, for instance, corroborates its stated policy of outstanding customer service with celebrated anecdotes about eager-to-please "Nordies," such as one who gift-wrapped clothes bought at Macy’s, and another who cheerfully provided a refund on tire chains, though Nordstrom has never sold automotive accessories of any kind. These. customer-centric employees were presumably lauded with praise and possibly promotion, further reinforcing the sense of what’s valued at the company.

In an org that wants to change, though, the challenge is for the leader to discuss what the new culture ought to be and then to put money where his or her mouth is—demonstrating to everyone just how serious the org is about the change. Does “almost” at a pharmaceutical company mean that scientists can set their own hours or go to conferences at will, just like an academic department? Then let’s see the HR practices and budget to accommodate these practices. Leaders may even want to engineer a crisis so they can show what’s truly valued by the company. It’s easy to turn down inappropriate customers when business is good. But only the truly committed will say, “Thanks, but we’re not interested in your money,” when testing on the edge of bankruptcy. Bob Sutton, a Stanford University psychologist, gives the example of the van Aartrijk Group’s small marketing strategy firm, which has an explicit “No Aasholes Policy” for both employees and customers. Founder Peter van Aartrijk recounts a story from the company’s early days, of a client CEO who chewed out a van Aartrijk tech guy for a PowerPoint malfunction. Van Aartrijk swallowed hard and told the customer the company didn’t want to take on more work. He lost a lucrative account but also made it clear that that’s really what he said he wanted to keep ahold of his young firm. It’s what Gibbons describes as “nearly going off the rails.” You don’t really know the depth of commitment to a principle until the organization confronts life- and death circumstances.

So for changing culture, leadership matters—or, to turn it around, shared culture may be the very definition of leadership. You get beyond tedious descriptions (from the Merriam-Webster dictionary: “leadership—the act of leading”) where at least a leader’s job is repeating stories that delineate the expectations and ethos of an organization. These are things that are hard to put in a written contract but crucial to making an organization function. It’s curious to note that some of the most effective stories and corporate legends likely won’t even be true. But they’ve served nonetheless to reinforce the culture, telling employees what to do when faced with unexpected or odd situations. A story that’s often told of the early days of FedEx, for example, which may or may not be true, holds that founder Fred Smith flew to Vegas to try to make payroll by placing bets at the blackjack table. True or not, it’s a legend that—FedEx management hopes—can help to convey the company’s culture of risk-taking. By repeating stories like that, a leader can reaffirm the org of what values are worth, which, together with some clever design and good incentives, can keep everyone carefully aligned.

You write about how anecdotes and legends—aka important organizational culture stories—have more to do with defining an organization’s culture than mission statements or manuals. How can leaders harness this “sticky” element to effect change?

My co-author and I are not really in the business of offering advice; we are diagnostician-cum-culture analysts. You can’t say what will work for everyone. But there are some tips that can help. First, leaders must be good at saying how to shift one. So the best advice we can offer is: beware. I think one thing that comes across very clearly in our lab experiment we present in the book is that people almost always undercapitalize the difficulty of making big changes. There’s a lot of wisdom in knowing when changing direction is in fact possible.

How do leaders, even those who have been in the culture for a while, and especially those who come into an org from the outside, manage the culture of their organization? People really have a very hard time explaining their own org’s culture. One thing you can do is ask: What could I do that others in the org would find totally shocking?”

You suggest that the ability to articulate and promote stories that express an organization’s values is a critical skill for leaders. Besides storytelling, what are other key leadership skills when it comes to driving organizational change?

The world we’ve looked at organizational change at the FIV in the wake of the 9/11 attacks and other attempts at organizational reform—like what BP has gone through over the past decades—illustrate the serious pitfalls of not changing on an almost tirelessly well-meaning reforms often have unintended consequences and can lead to unintended disasters. BP, in particular, cut administrators staff and shifted towards performance-based incentive compensation from everything from cut running to safety performance. But this came at the expense of vigilance on disaster prevention, to catastrophic effect (for example, the 2005 fire and explosion at BP’s Texas City refinery or the 2010 explosion in its Deepwater Horizon rig).

Unfortunately, while economics is very good at describing an equilibrium, it’s not so good at saying how to shift one. So the best advice we can offer is: beware. I think one thing that comes across very clearly in our lab experiment we present in the book is that people almost always undercapitalize the difficulty of making big changes. There’s a lot of wisdom in knowing when changing direction is in fact possible.

How do leaders, even those who have been in the culture for a while, and especially those who come into an org from the outside, manage the culture of their organization? People really have a very hard time explaining their own org’s culture. So one thing you can do is ask: What could I do that others in the org would find totally shocking?”

Who is a recent leader that comes to mind as a model of someone who has changed their organization’s culture for the better?

Tony Hsieh is a genius. He has built an exceptionally compassionate—and productive—culture at Zappos (which has been endlessly documented) through some combination of understated charisma and brilliant selection of employees who are a good fit for the culture he wanted to create. I am also a strong believer in Bob Sutton’s “no asshole rule.” And I have great respect for Starbucks’ CEO Howard Schultz for trying to apply a version of it (the “no jerk rule”) at his company. Not only articulating but demonstrating to your employees that certain behaviors are unacceptable can be a key to lasting culture change. ☐