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OCTOBER / NOVEMBER 2023



IN DEPTH:
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FOUNDER & PRESIDENT / ESRI



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In Depth

Business leaders in focus with a view to educating
our readers in successful management and market strategies.



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THE RECESSION

THAT NEVER HAPPENED



AS 2023 BEGINS TO WIND DOWN, the inflation rate is finally beginning to slow and the Federal Reserve’s seemingly relentless interest-rate-raising craze seems to be subsiding.

Predictions that the U.S. economy would soon thrust into reverse also appear to be fading.

The labor market is unexpectedly strong, with unemployment at a five-decade low, and business leaders are breathing a sigh of relief as a relatively painless cool-down is now looking possible. Consumer spending continues to grow and corporate profits remain robust.

There is still some uncertainty about a possible delayed blow from the steps the Fed has taken to curb inflation sharply cooling the economy in a way that has yet to surface,

and even a slowdown short of a recession could be painful, leading to layoffs.

But for now, at least, talk of worst-case scenarios have been ceding the conversation to cautious optimism.

Here a CEO-NA, we have been reviewing how companies and captains of industry are beginning to embrace artificial intelligence, as well as providing insights on how North America will reach its EV goals as viewed by the Wilson Center and whether the Bank of International Settlements believes cryptocurrency has a future in the global economy.

In our At the Back section, we offer a lighter take on trends like corporate-universal salaries and how work cultures around the globe vary from country to country. And just for fun, we have included a travel section on Mexico’s unique Day of the Dead celebrations, coming up on Nov. 1 and 2. ✂

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News Flash

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BIG TECH REBOUNDS



X A YEAR AGO, the tech industry’s prospects looked bleak: Google’s profits had dropped, share of Meta were in free fall and Amazon’s growth had slowed to its lowest levels in two decades.

But by mid-2023, the tech giants had finally found their financial footing and were doubling down on artificial intelligence.

What had originally looked like an industrywide bust turned out to be nothing more than a correction, with Meta’s and Google’s ad businesses rebounding, and Microsoft and Amazon again showing profits in the second and third quarters.

Now Big Tech is banking on artificial intelligence to refresh its aging product lines, which haven’t changed dramatically in recent years. Most are pouring billions of dollars into generative chatbot technology.

There is some concern that the new crop of AI-powered chatbots could upend the

economics of the internet, turning today’s powerhouses into tomorrow’s has-beens and creating the industry’s next behemoths. But most investors see the new technology as a positive transformation that will benefit both consumers and corporations.

And thanks to heavy investment from the likes of Google, Meta and Microsoft, financial analysts predict that generative AI will deliver more than \$2 trillion in economic windfalls in 2024, with those earnings trickling down to other industries and smaller corporations.

Right now, generative AI products are just beginning to hit the market, and how well these new sales will go won’t be clear until the middle of next year.

But even if all the AI investment were to fail to spur the financial boom that companies and investors are hoping for, Big Tech has demonstrated that it is resilient and can absorb potential losses. ✂

TEXAS CRUDE SETS NEW BENCHMARK FOR GLOBAL PRICES

Texas's light sweet crude grade is now playing a major role in influencing the global price of oil.

As a result of a booming shale production over the past decade, the United States has become an oil exporting powerhouse, and American crude is exporting like never before, especially to Europe, where sanctions against Russia have disrupted flows.

In particular, the U.S. Gulf Coast has become a pivotal supplier in a more dynamic energy market. Underpinning this market transformation is West Texas Intermediate (WTI) crude oil futures, which are spurring greater competition in the world oil trade.

The WTI grade, a blend of several streams of light sweet crude, is in high demand by refineries everywhere because of its ideal viscosity, making it the oil of choice for gasoline production.

As a result, WTI has become the most important pricing grade globally, which, in turn, has attracted investment in Texas crude and futures while also displacing the precarious power of OPEC to manipulate prices and oil taps.

Last year, the average daily trading volumes in Texas Houston and Midland contracts were up 85 percent year-over-



year through June, with open interest up 60 percent.

U.S. oil exports increased 22 percent in 2022 over the previous year to a record 3.6 million barrels per day, and in March of this year – exactly 40 years after the launch of the WTI futures contract – U.S. crude oil exports reached a record high of 4.8 million barrels per day, according to the U.S. Energy Information Administration (EIA).

A surge in U.S. oil shale outputs, along with the lifting of the country's crude export ban in 2015, has helped

give markets extra supplies. Last year, shale oil production totaled about 7.79 million barrels a day, representing roughly two-thirds of all U.S. output, and shale production is expected to exceed 9 million barrels per day by 2024. Meanwhile, North Sea production is waning.

WTI Midland crude is now the first made-in-America benchmark, giving the United States far more influence over global crude prices and reducing the threat of international supply disruptions and cost volatilities. ✓

NEW REGULATIONS LEAVE PORK INDUSTRY SCRAMBLING TO BRING HOME THE BACON

Months after the U.S. Supreme Court upheld a California law banning the sale of certain pork products made from pigs raised in small gestation pens, the U.S. pork industry has been feeling the squeeze on its profits.

California grocery stores and restaurants have been trying to secure supplies of bacon and other pork

products that meet the new state standards, which were due to go into effect in July, but were later postponed to allow the consumption of existing stocks.

Even before the ruling, farmers across the country were facing depressed hog prices and high feed costs, and accommodating to the new Cal-

ifornia rules represents a major additional outlay.

Consequently, many hog farmers are opting to not sell in California, which consumes about 15 percent of the nation's pork, or to switch to breeding other animals, which could lead to pork shortages and push the price of bacon and pork chops even higher. ✓



BORROWING FROM PETER TO PAY PAUL

Evidence has surfaced that tech billionaire Elon Musk borrowed more than \$1 billion from the private-equity SpaceX rocket maker that he oversees as CEO at the time he was acquiring the social media Twitter, which he later renamed X.

The extraordinary loan was just one more example of how Musk has creatively exploited his wide portfolio of companies to get cash without having to permanently part with shares.

Documents showed that SpaceX – of which Musk controls a 42-percent stake and an almost 79 percent voting power – approved the loan in October of last year, backed by some of Musk's own stock in the company, and was repaid with interest the following month.

Over the years, Musk has repeatedly borrowed from banks using shares in his various companies as collateral. This is not the first time that the world's richest man has borrowed from SpaceX to finance his other ventures.

He allegedly borrowed \$20 million from the company in 2007 to help keep afloat a then-struggling Tesla, which narrowly averted collapse the following year, and in 2016, SpaceX invested \$330 million in bonds issued by the SolarCity energy company, which was later was acquired by Tesla. ✓



SLOWING INFLATION HITS CORPORATE PROFITS

Second quarter after-tax U.S. corporate profits were down by 9.4 percent compared to the same period last year, according to the U.S. Commerce Department.

The decrease basically reversed the stellar growth that many companies had experienced shortly after the Covid-19 pandemic wound down, when after-tax profits were up 7.7 percent compared to a year earlier, and in the second quarter of 2021, when they soared by 55 percent.

Cooling inflation, higher labor costs and a slowdown in consumer spending have likewise cut into earnings.

In the second quarter of 2023, U.S. employment costs increased by 4.5

percent, year-over-year, while consumer prices were up 4.1 percent.

Meanwhile, the S&P 500 companies registered only a 2.9 percent decline in earnings per share registered in the second quarter of 2023, much less than the Commerce Department figures.

Part of the difference is due to the fact that the S&P 500 contains only large, public companies, many of which have operations outside the United States that were less vulnerable to U.S. market trends, while the Commerce Department figures included Federal Reserve banks, which have registered steep losses due to high rates and the reductions in the Fed's portfolio. ✓



{ YALE INSIGHTS }

BEYOND THE HYPE, CEOS ARE ALREADY USING AI

The headlines are full of grand – and sometimes terrifying – speculations about the potential of artificial intelligence. But business leaders see real advantages for their companies in the new technology, and many are already harnessing that potential.



BY JEFFREY A. SONNENFELD
AND STEVEN TIAN



AMID ALL THE MEDIA frenzy surrounding AI (my team counted over 200 Wall Street Journal headlines featuring AI in only one month), it can be hard to discern the genuine applications of AI from unwarranted commercial hype and paralyzing societal alarmism. We recently spoke to top CEOs across sectors who provided valuable insights into how America's largest businesses are actually integrating AI to transform their business models.

These insights show that AI is already well on its way to becoming

embedded across business operations. These CEOs are leading the way in applying the new technology to solvable problems while steering ingenuity toward the areas where humans cannot be replaced: human empathy, judgment, synthesis and novel originality, where artificial intelligence cannot yet match genuine intelligence.

As Albert Einstein advised, “The only source of knowledge is through experience.” It is time to move beyond the AI cheerleaders’ optimistic hype, as well as the Cassandras’ alarmist fatalism, to examine what is actual-

ly happening, instead of speculating from the sidelines.

PROFESSIONAL SERVICES EMPLOYEES COULD BE THE MOST AFFECTED

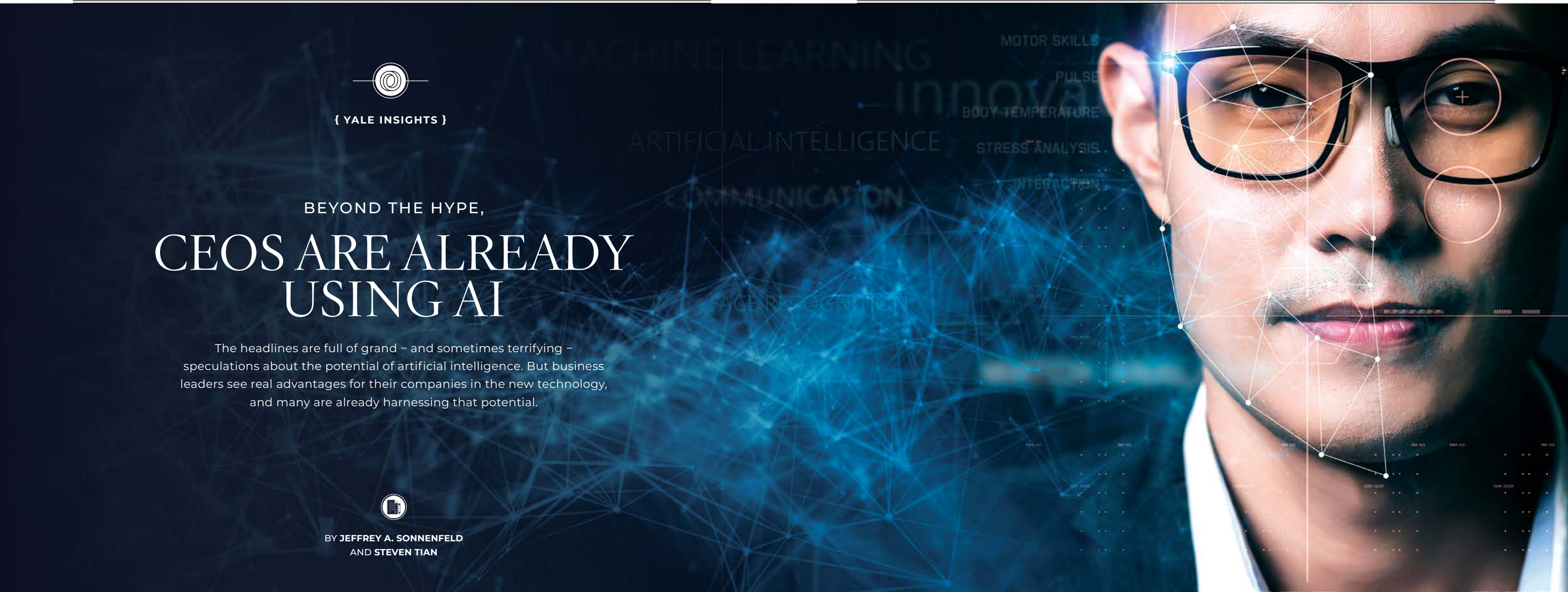
Some thought leaders have argued that AI will have a great displacement effect on professional “knowledge workers,” whose monopoly on esoteric knowledge will now be challenged by generative AI capable of regurgitating even the most obscure factoids far beyond the rote memory and recall capacity of any human.

Yet the comments of professional services CEOs reflected an overwhelming belief that AI can never truly replace human judgment in their fields, even as the new technology disrupts many facets of their business. There was an overwhelming agreement that for all AI’s usefulness in automating what can be automated, AI is best used to buttress rather than supplant human professionals, freeing them up for higher value-added work while delivering services with the empathy and appreciation of ambiguity that only humans are capable of.

The incoming CEO of Lazard, former OMB director Peter Orszag, provided some specific areas in investment banking where automation is helpful: “AI provides the opportunity to replace some menial work of investment banking, whether it’s having executive assistants go back and forth on finding a time for a meeting to summarizing meeting notes. It’s also an incredible opportunity for our talented young analysts who spend a lot of time pulling data from multiple sources to streamline the research process as well as how that informa-

tion is used in various applications. All of that can be automated and that frees up our people for higher value-added tasks where we’ll put their skills to better use.”

Orszag was careful to caveat that AI remains a nascent, immature technology with operational challenges. “I tested putting together an email using GPT4 but ended up redoing most of it myself. There were a couple of thoughts that the technology put forward that I may not have thought of myself. The right way to think about it, at least for now, is augmentation.”



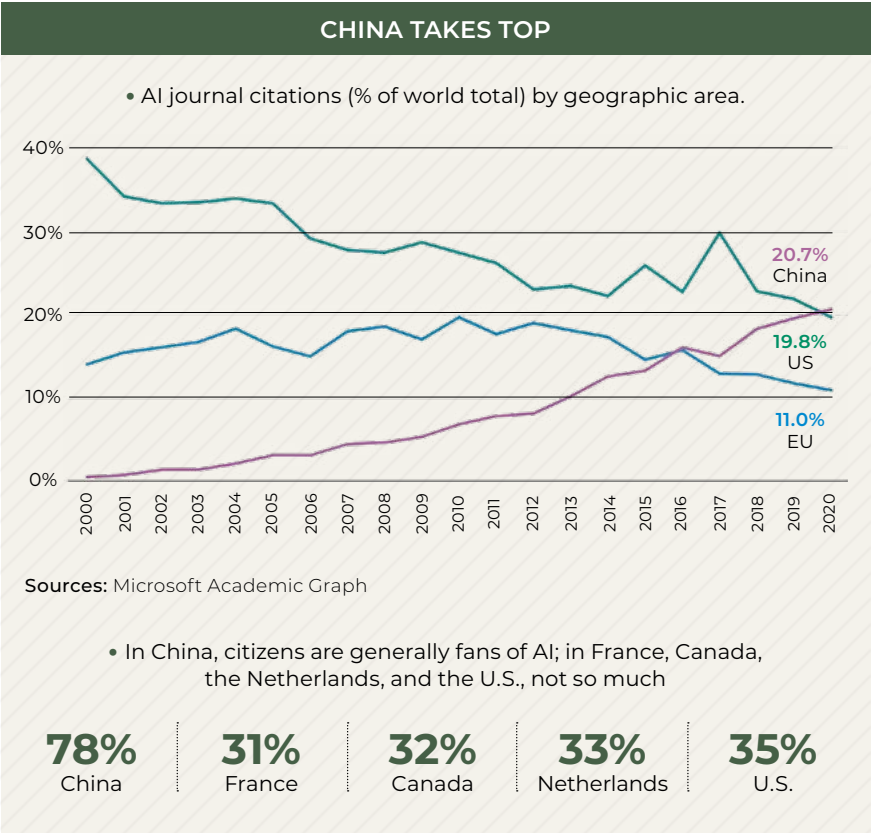
BOTTOM OF FORM

Investment banks are indeed expressing optimism over the potential applicability of AI. JPMorgan, which employs 1,500 data scientists and machine-learning engineers, is testing “a number of use cases” for GPT technology, said its global tech chief Lori Beer, including a Chat GPT-like AI service which dispenses investment advice. Likewise, Morgan Stanley is also testing the applicability of AI in answering financial advisory queries.

Another investment bank CEO, Jeffrey Solomon of Cowen, echoed Orszag’s caution while expressing measured skepticism over just how far the AI revolution would extend in replacing bankers, citing the value of novel and original investment research which simply cannot be automated.

“I have been hearing for years how AI will make sell-side research obsolete. Last time I checked, our highly collaborative research insights are still the most widely read. Generative AI may enable us to produce research more efficiently someday, but it cannot collaborate with other humans in a way that helps us to create new thoughts or insights or synthesize divergent perspectives through human judgment. In banking, we can use things like ChatGPT to help us produce generic pitch decks and basic materials, but the real insights and value-added ideas, will still come from humans who have the ability and experience to listen, learn and advise with empathy, recognizing no two situations are ever identical and there is often no clear right answer.”

Even in professional fields such as meteorology, which seem to be most vulnerable to AI displacement and replacement, there is a strong conviction that AI will never be able to navigate the inherent ambiguities not captured by datasets and that AI will not be able to reach beyond historical patterns and into unknown new paradigms. The



CEO of AccuWeather, Joel Myers, provided a vivid example: “Just last week, we manually reduced our model-forecasted temperatures over the Northeast below other weather forecasts, because we knew there would be a cooling effect of the smoke from the Canadian forest fires. No model could have accurately predicted the effect of such a

novel phenomenon, even as there is no question AI will allow continued rapid acceleration of our progress.”

In IT, Steven Bandrowczak, CEO of Xerox, highlighted that “AI has already reduced the number of times that our technicians need to go out to customers for technological troubleshooting by over 40 percent. We’re using it with



great effect in our call centers. And even in other day-to-day tasks. In HR, even our welcome letters to our new employees can be written by AI now.”

In the insurance industry, Thomas Wilson, the CEO of Allstate, noted that insurers are integrating AI into virtually every business line: “We use AI to price tens of millions of pieces of business every year. We use AI to detect fraud. We use AI to determine the value of a totaled car. It’s virtually everywhere in our business. The pace of change is accelerating for us.” Wilson further noted that one challenge unique to the insurance industry is that since insurance is regulated on a state-by-state basis, regulations governing AI in insurance would be even more complex and difficult. “I think people, individuals should be able to own their own digital identities. Your face, your voice, the data you create. That is using the economic and legal construct we already have, which is

In the insurance industry, Thomas Wilson, the CEO of Allstate, noted that insurers are integrating AI into virtually every business line: “We use AI to price tens of millions of pieces of business every year.”

ownership, and extending that concept from physical and intellectual property into the personal data we generate in our everyday lives,” Wilson said.

CREATIVITY, CONTENT AND MARKETING’S QUESTIONS

The CEO of Coca-Cola, James Quincey, emphasized the massive potential disruption AI can pose to the marketing industry, whose value-add has long rested in its ability to generate striking, original marketing content.

Citing Coke’s recent novel consumer-driven AI ad campaign, in which AI-generated ads were indistinguishable from human-created advertising, Quincey even raised the specter that the days of companies such as Coca-Cola shelling out billions for professionally created marketing content could potentially be coming to a close.

“We opened our content library where any consumer could select any Coke imagery they wanted, and they could use the visual AI machine DALL-E to generate their own consumer-created advertisements. We put the best ones up on the billboards in Times Square in New York, in Piccadilly in London and so forth. Apart from the curiosity and the novelty value of doing it, the big question is, where can it all go?”

But the very mention of AI intruding on creative professionals and entertainment stars, and replacing novel content generation, creates fiery blowback from every corner of the creative

community — as reflected by the striking personal reflections of no less an eminence than Steven Spielberg: “If AI can be utilized to cure cancer and other diseases, but not give my grandkids an easy way of cheating on their finals, that’s great, but I certainly don’t want AI intruding on the creative process. Writers, directors, producers, actors, we are very, very proud of the fact that where we get our inspiration is often from the stars, from the heavens, from some spiritual place, from an exclusive place of what we strongly believe in, but not from an algorithm. And so I’m very much for AI as long as, as Vito Corleone said in the first Godfather movie, ‘as long as your business doesn’t interfere with mine.’ So as long as AI doesn’t interfere with the creative process of telling stories, or force writers to write the stories that AI comes up with, I am fine with AI.”

**NEW RULES OF THE GAME
FOR RETAIL AND E-COMMERCE**

For CEOs of major retailers, as Walmart CEO Doug McMillon reminded, AI is the means to an end rather than the

In the e-commerce space, eBay CEO Jamie Iannone noted how eBay has been experimenting with AI for several years across functionalities in improving the customer experience, with already significant success.

end itself. “It’s important for us to realize and stay focused on what we’re trying to solve and not get enamored with any particular technology, whether AI or otherwise,” McMillon said.

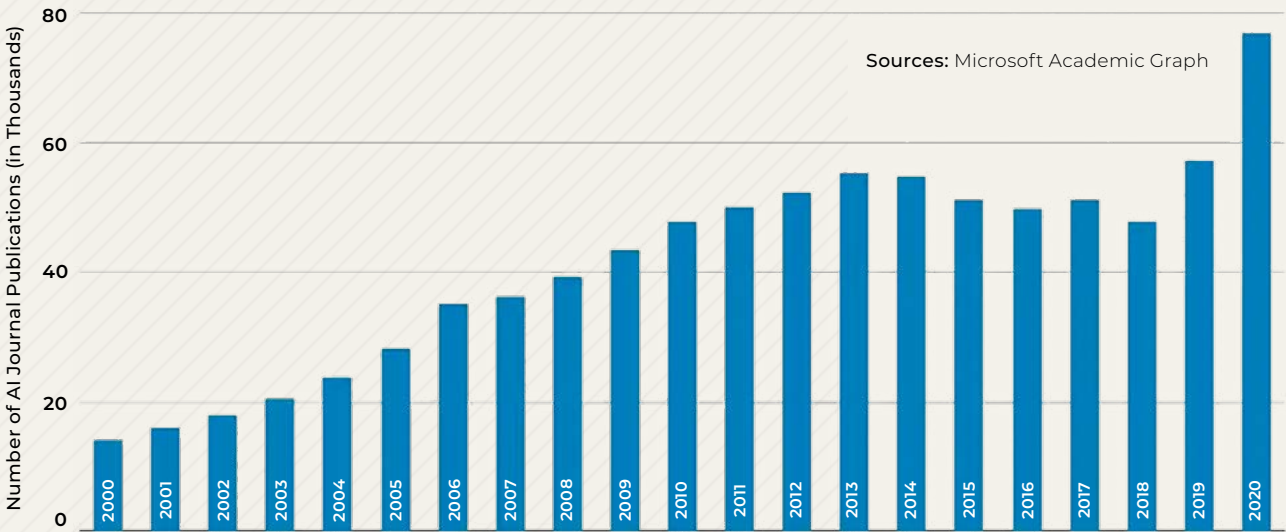
“For customer experience, associate experience, efficiency and forecasting in our supply chain, AI is a big opportunity for us. We can get to an item-level and household-level accuracy with AI and data. The combination of more and more data sets against increasingly intelligent algorithms and robotics in the supply chain creates a more effective and efficient company over time. We can automate our supply chains with backend automation investment across our distribution centers and fulfillment centers, which will change

the jobs that our people do. It frequently feels like we’re only limited by our imagination.”

In the e-commerce space, eBay CEO Jamie Iannone noted how eBay has been experimenting with AI for several years across functionalities in improving the customer experience, with already significant success. “If you are looking for something on our platform, you can just hold your camera up to it and AI can help you identify it. If you are a seller, our generative AI beta can help you describe your item. The feedback has been fantastic, that basically AI is doing all the work for them in listing their items on eBay and it’s incredibly powerful. The sellers can still edit the item descriptions so it’s okay if it’s not 100 percent perfect.”

NUMBER OF AI JOURNAL PUBLICATIONS, 2000-2020

• AI research is booming: More than 120,000 peer-reviewed AI papers were published in 2019. The report also notes that between 2000 and 2019, AI papers went from being 0.8 percent of all peer-reviewed papers to 3.8 percent in 2019.



tiers of human knowledge, knowing only historical patterns and historical data, without the ability to change pre-existing paradigms. “Turning on the computer and having it come up with a completely new biologic pathway, I think that’s still fantasy,” he said.

**MANUFACTURING, SUPPLY
CHAINS AND COMMODITIES
ARE A NATURAL FIT FOR AI**

Far from being the stodgy legacy industries that detractors portray them as, in sectors such as natural resources, commodities and industrial manufacturing, companies are integrating disruptive AI with impressive effect.

Ethan Allen CEO Farooq Kathwari noted how automation can improve manufacturing efficiency at remarkable rates: “compared to about 10 to 15 years back, we now have 50 percent less associates doing about 30 percent more manufacturing volume and retail, with interior designers working virtually with clients around the world.” Ethan Allen is hardly alone in improving manufacturing efficiency through automation. As Weyerhaeuser CEO Devin Stockfish remarked, “AI is helping improve reliability while simultaneously bringing down costs across every manufacturer today.”

Similarly, CEO Michael Hennigan of Marathon Petroleum noted that with ample data generated by its oil refineries on everything from refinery productivity to environmental resilience, AI is helping to improve both the business efficiency and environmental conscientiousness of oil and gas companies.

Like everyone else, CEOs seek to make sense of the rules that govern technological plays – but they are not sitting on the sidelines of the AI debate as spectators. Their actions, across sectors, reveal how AI technology is already transforming business models — and redrawing the lines between where artificial intelligence ends and genuine intelligence starts. ✂

**SOLVING HEALTHCARE’S MOST
INTRACTABLE PROBLEMS**

When we surveyed CEOs on the field where they believe AI is likely to make the most transformative contribution, 48 percent responded with healthcare. As former Veterans Affairs Secretary David Shulkin pointed out, AI is uniquely poised to help address four major challenges which have historically plagued healthcare delivery: the tremendous variation among doctors and the way that they practice; the long lag time before doctors adopt new scientific information and practices; the lack of precision in being able to target the right diagnosis with the

right treatment; and the inability of patients to make educated decisions given information barriers.

Robert Bradway, the CEO of Amgen, provided a vivid account of how AI is transforming areas such as protein folding and drug discovery: “In drug discovery, the key question is how to choose the molecules that will likely have the right or wrong attributes once they get into the clinical trial setting, and it turns out that AI is helping us identify the kinds of attributes which can be problematic once we introduce new medicines into humans.”

But Bradway simultaneously noted that AI cannot yet push into the fron-



{ IESE BUSINESS SCHOOL INSIGHT }

THE RETAIL REVOLUTION

Digitalization, the pandemic and climate crises, supply-chain disruptions and inflation have all shaken up retail. And despite the push to get back to normal, for retail, normal doesn't exist. Companies must now prepare for an omnichannel future.



“ONE OF THE BIGGEST constraints on consumption is when consumers stay home. If customers no longer visit stores on a regular basis, they increasingly buy online. This demands a multichannel strategy that uses every possible channel – e-commerce, smartphones, social media and reinvented physical stores – to keep the customer surprised and deliver a seamless shopping experience.”

So wrote IESE professor José Luis Nuño in his 2013 IESE Insight article, “The decline of Main Street, the rise of multichannel retail.” At the time, he was describing the retail landscape six years after the 2008 global financial crisis. But he might as well have been describing today.

The fact that this situation was evident in retail a decade ago helps explain the choice of title for Nuño’s recently published book, “Never Normal.” Because even though the 2020 pandemic was an abnormal event, its effects on retail will come as no surprise to anyone who has been paying attention. Now, as the world talks about getting back to normal, Nuño says we’d be better off accepting that “normal” doesn’t exist: “If the last two years have taught us anything, it’s that the only thing ‘normal’ is a continuous series of shocks and disruptions, and the disruptive forces that have been particularly difficult for retailers over the past decade are not going away; the only ‘normal’ thing to do is adapt, evolve and reinvent yourself to survive.”

THE RETAIL APOCALYPSE

Long before 2020, business pundits were warning of a Retail Apocalypse, mainly due to the rise of e-commerce, which threatened to put many traditional retailers out of business. Particularly for small- and medium-sized retailers, the outlays required to invest in online operations in addition to their physical stores were just not viable, especially when online sales growth was



Long before 2020, business pundits were warning of a Retail Apocalypse, mainly due to the rise of e-commerce, which threatened to put many traditional retailers out of business.

not (and in some cases, still isn’t) high enough to justify the extra expenditure. “Multichannel” meant “being all things to all people,” a move that some retailers regarded as spreading themselves too thin at a time when the rewards of doing so were also seemingly thin.

Time has proven that the shift to e-commerce, for those who managed to do so, was none too soon. The 2020 lockdowns prompted an overnight shift to online purchasing and delivery of goods and services. Businesses and

consumers that were able to “go digital” helped mitigate the economic downturn caused by the pandemic and they have also sped up a digital transition.

Yet there’s more to this digital transition than meets the eye. It’s not clear whether the e-commerce boom provoked by the pandemic was a one-off phenomenon, and pent-up consumers will revert to shopping in stores as soon as they’re given the chance, which is what we’ve seen so far since lockdowns eased.



As Nuño points out, it wasn’t the average shopper on the street who was warning of an impending Retail Apocalypse, but rather the stock market analyst. “And interestingly, if you look at retailers listed on the stock market that weren’t purely digital businesses, you find they have outperformed the rest of the traditional indexes by almost 300 percent over the past decade. With a few exceptions (like Amazon, Zalando, Alibaba or Shein), pure online retailers remain unprofitable, with their growth rates propped up by investors,” he writes.

Indeed, until 2020, consumer spending in physical stores was still predicted to outperform online sales until 2030. Besides books, music and video, no other retail category has achieved more than half its sales through e-commerce alone, and even for those that have, it has taken 20 years to get there.

This is not to dismiss e-commerce as a major force affecting retail. Certainly, it is. But as Nuño notes, we need to dig deeper to get at the forces driving e-commerce; otherwise, the temptation would be to pile all your

Pandemic aside, perhaps the bigger disruptive force dictating the future of retail is demographics – namely, millennials and Generation Z, who make up major segments of the world’s population.

resources into online sales at the expense of everything else, which could be counterproductive.

DIGGING DEEPER

Pandemic aside, perhaps the bigger disruptive force dictating the future of retail is demographics – namely, millennials and Generation Z, who make up major segments of the world’s population. They are prone to purchase for experiences and according to values such as sustainability. They are also used to buying online and paying via smartphone. It will be this consumer reality that ultimately drives the future of retail.

In reading market forces, the key for retailers is to think twice before jumping on bandwagons or riding whatever the current wave seems to be. For instance, when doomsayers were predicting a Retail Apocalypse a decade ago, it was mainly in reaction to the rise of Amazon. But the business takeaway is not for all retailers to jump on board Amazon. Rather, it’s to reassess your own market landscape and make strategic choices befitting you.

THE STATUS QUO BIAS

Despite compelling evidence that data-based decision-making can make retail operations more efficient and profitable, many retailers remain slow to change their old ways – at their loss. Researchers conducted a study of managers’ use of algorithm-based decision support systems (DSS) for seven clearance markdown campaigns at Zara. The algorithm made recommendations, but it was up to the human managers to adopt or override them.

In a pilot test, Zara found that managers who followed the DSS recommendations increased revenue from

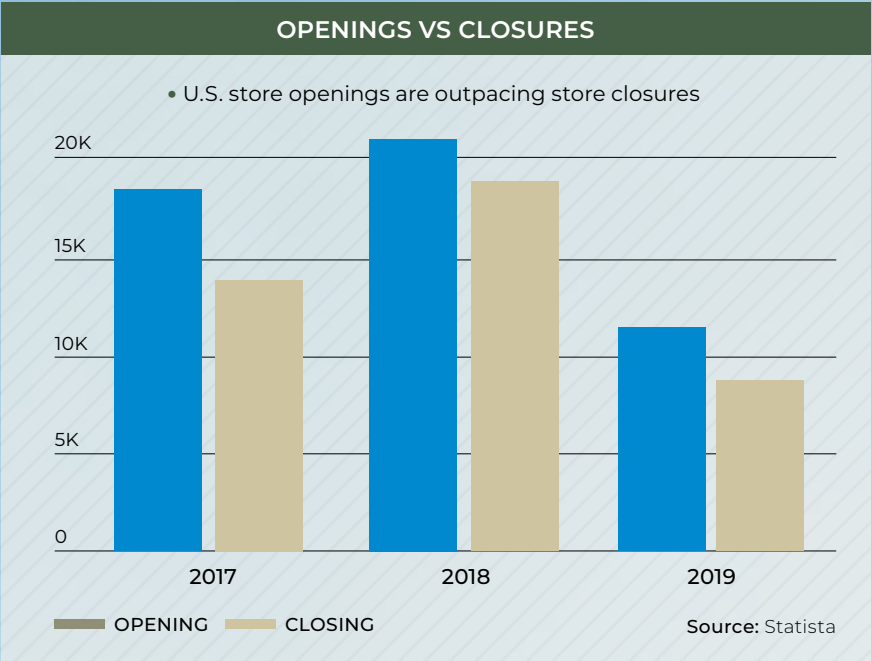
clearance sales by almost 6 percent. That led Zara to roll out use of DSS across its stores and franchises world-wide. But then something changed: managers started ignoring the DSS recommendations, sometimes more than half the time; moreover, they would lower prices when the system recommended keeping them the same, or they would apply more aggressive markdowns than what was recommended. The result: Sales revenues were less than expected.

What happened? Human biases kicked in. Specifically, managers were used to receiving weekly reports showing current inventory levels and they typically made decisions aimed at ensuring that nearly all remaining stock was sold as soon as possible. The DSS, however, made recommendations with the goal that overall revenue would be higher at the end of clearance sales, and that could mean more conservative markdowns in the initial periods. Yet, if managers' attention was focused on inventory, then they naturally ignored the algorithm. Zara was not alone in experiencing this: Past research involving a consumer electronics firm found its managers overrode DSS recommendations more than 80 percent of the time, also for peculiar human reasons.

Recognizing that humans are generally reluctant to change, analytics tools should make clear the logics behind the recommendations, especially those that deviate from the previously accepted rule of thumb.

TOO MUCH CHOICE?

Despite the arguments in favor of reducing choice because too much choice necessarily leads to consumer dissatisfaction is largely a U.S. phenomenon, and even then, it depends on what choice: Being spoiled for choice of soft drinks is not the same as a choice of jobs, schools or doctors.



Recognizing that humans are generally reluctant to change, analytics tools should make clear the logics behind the recommendations, especially those that deviate from the previously accepted rule of thumb.

For retailers operating globally, it's worth remembering to contextualize product offerings, as the link between the number of choices and subsequent (dis)satisfaction may have a cultural dimension. When making strategic decisions to cut, keep or expand SKUs, consider the cultural nuances surrounding choice. As with everything, retailers need to drill deeper to get at the underlying forces at play.

The good news is that the retail sector continues to show remarkable resilience. The debate is not between physical and online stores but rather what is the role of stores: Collection points? Showrooms? Local distribution centers? Places for experiences? Just as stores cannot be understood without some form of e-commerce, neither will it be possible to deliver on e-commerce without the logistical efficiency and the capacity to create strong brands that large stores are capable of.

MANAGEMENT TAKES THE LEAD

Changing the retail model must be driven by management. Without direction from the top, sales staff will continue to follow obsolete promotional models.

• **Localization.** Over the past two years, companies that were able to shift their sourcing locally did so to avoid global supply-chain disruptions. This trend of deglobalization is ongoing, reinforced by geopolitical tensions and resurgent nationalism, as well as the drive to reduce carbon footprints. Localization, however, also has to do with the convenience of shopping locally – the dispersion or unbundling of demand mentioned earlier. People want things nearby. They may buy things online, but they want to see, touch and pick them up locally. Recognizing the desirability of local spaces, the suburban superstores are moving back into the neighborhood. And the larger chains



need to decide if it's really necessary to maintain two or three stores on the same shopping street.

• **Omnichannel.** The answer is to turn surplus stores into redesigned retail spaces. Whereas people used to discover brands online and then go to the store to buy them, now they tend to buy online and use the store to discover and try out new brands. The rise of e-commerce doesn't eradicate the need for physical stores but rather re-invents them: They are the best way to create brand awareness and shift logistics costs over to the customer. So, these stores become warehouses, showrooms, experience centers, local collection points for online operations, or even dark kitchens.

• **Direct-to-consumer (DTC).** Selling via Amazon may expand your reach, but you don't reap the rich customer data or control the sales process. To be profitable, at least half of your e-commerce should be direct-to-consumer, meaning selling directly to consumers via your own platform. Granted, you may still

need to use local stores for delivery/pickup, so some of the gains of cutting out the middlemen are lost by doing your own logistics. But, on balance, DTC gives you better control over your margins and your customer relationships.

In this "never normal" world, corporate leaders and retailers alike must get to grips with this permanent state

of disruption. Some of the actions taken to cope with the pandemic – more open-air spaces, pickup zones, spaces redesigned for less crowding and better flows – demonstrate retailers' quick thinking and are worth keeping. Retailers should build on this spirit of flexibility and resilience. Because there's only one normal in business: Adapt or perish. ✂





{ ROYAL BANK OF CANADA }

CANADA’S ECONOMY IS BEATING EXPECTATIONS

BUT THAT MAY NOT LAST

The only true “soft landing” scenario is one in which inflation pressures
slow quickly back to target rates without a deterioration in the
economy, and that still looks unlikely.

THE CANADIAN ECONOMY has proven far more resilient than expected in 2023. In both the United States and Canada, GDP continued to grow as consumer spending held despite higher interest rates and prices. Low unemployment rates have persisted, and inflation is still running above central bank target

rates. Concerns about the U.S. regional banking sector have calmed down, at least for now, and the next fight over the U.S. debt limit has been kicked down the road to after the 2024 elections.

CANADIAN GDP EDGES LOWER IN THE SECOND HALF OF 2023

The war in Ukraine continues, but en-

ergy costs have fallen back, and global supply chain pressures have further eased. China's economic growth is slowing, but by now this should be expected as demographic headwinds from an aging population build.

Overheating labor market conditions and a large stockpile of household pandemic savings in Canada might delay the full impact of tighter monetary policy. But the surge in interest rates over the last year will continue to take a toll.

Higher prices and interest rates already ate up all of the increase in Canadian household after-tax wage incomes in 2022. And they look on track to do so again in 2023. The most likely base case outlook includes at least “mild” recessions in Canada and the United States — although these declines in GDP are starting a quarter later than previously expected.

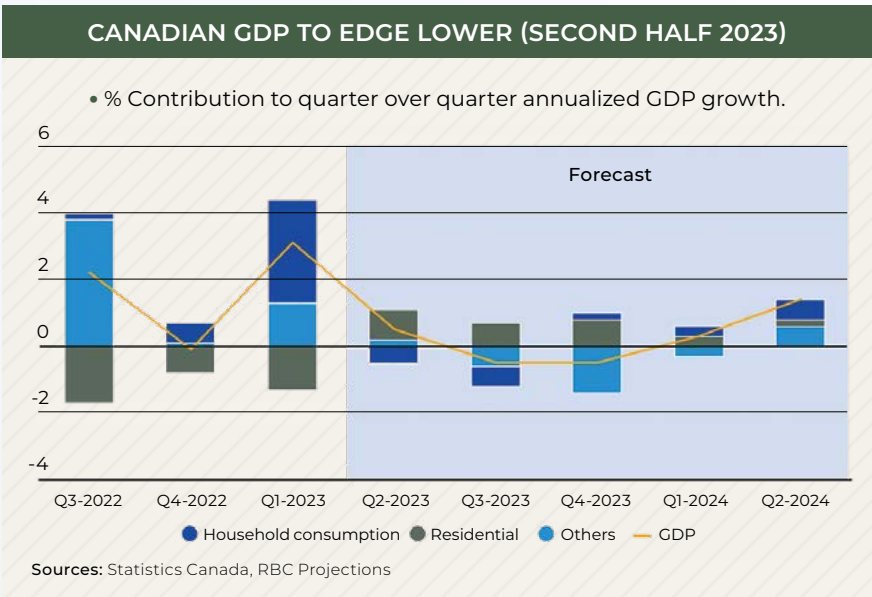
NO SOFT LANDING AHEAD

Strong data at the end of the year could delay but won't prevent a “bumpy” landing.

The return of inflation to the Bank of Canada target rates (2 percent) is still contingent on a softening economy. If recent momentum continues to surprise on the upside, then the Bank of Canada and other central banks will need to hike interest rates more than expected.

The Bank of Canada already ended the pause in interest rate hikes that started in January this year with a 25-basis point hike in June and will probably boost the rate again before the end of the year.

The only true “soft landing” scenario is one in which inflation pressures slow quickly back to target rates without a deterioration in the economy, and that still looks unlikely.



Even as higher prices and interest rates soak up a larger share of purchasing power, consumers in Canada continue to spend. Housing markets look like they're past their bottom with home resales and prices rebounding in the spring, and the ratio of demand to available listings shifting in favor of sellers in a rising share of markets.

A tracking of credit card data showed spending on necessities and other discretionary goods flattening out. On the other hand, spending on local entertainment like dining out has remained very firm.

CRACKS ARE FORMING UNDER THE SURFACE

Still, although unemployment rates are exceptionally low, there are signs that labor demand is weakening. Job openings are down almost 20 percent from peak levels in Canada, and by 16 percent in the United States. Fewer workers are quitting their jobs — normally a sign that confidence in labor markets is fading.

The impact of interest rate hikes since early 2022 has yet to fully flow through to borrowing costs. But consumer delinquency rates are already rising. And with average mortgage in-

terest costs running almost 30 percent above year ago levels in Canada, more softness is likely to show up as these loans are gradually renewed at higher rates. In Canada, the debt servicing ratio — or the share of household disposable income eaten up by debt payments — will likely rise to record levels by the end of this year.

TIGHTER CREDIT MARKETS ADDING TO RATE HEADWINDS

Although concerns about the U.S. regional banking sector have subsided, banks are still broadly reporting tighter lending conditions. Canadian credit markets have been more stable this year, but have also seen lending conditions tighten.

Credit conditions continue to tighten across North America, and persistent labor shortages mean businesses will be slower than usual to forego productivity-enhancing investments, but some softening in this arena could occur going forward. In the United States, where lending conditions have tightened more significantly, growth in factory shipments has slowed, commercial and industrial loans have started to edge lower.

Price pressures will continue to ease, but more slowly for services.

Lower energy costs are pushing headline inflation rates lower both at home and abroad. As of May, gas prices in Canada were still high but running almost 20 percent below year-ago levels. Home heating costs have also fallen sharply, with natural gas and fuel oil costs also down from a year ago, when Russia's invasion of Ukraine sent energy costs soaring.

Food price growth remains high, but appears to be past its peak. The surge in grocery prices over the last year was driven by a combination of choked supply chains, soaring transportation and labor costs, and higher agriculture commodity prices. All of these factors have now eased. Global shipping costs have plunged and local transportation (road and rail) costs are increasing more slowly. Agriculture food commodity prices are down 15 percent from their 2022 peak, leaving them closer to levels last seen in the summer of 2021.

Though broader inflation pressures have also eased, they're still too firm for central banks to relax. The Central Bank of Canada's preferred core measures have been running at around a 3½ percent annualized rate — still above the top end of the 1 percent to 3 percent target range.

IMMIGRATION WILL PREVENT A CRASH, BUT NOT A DECLINE

In Canada, surging population growth is helping to fill more jobs. The unemployment rate hasn't budged in 2023 from the exceptionally low 5 percent at the end of 2022. And employment increased by a quarter of a million over the first four months of 2023.

That's boosting economy-wide output, providing higher wage and salary income to help offset rising debt and inflation costs.

But while Canada's economy is still beating expectations, an inevitable slowdown could be lurking just around the corner. ✂



{ THE HILL }

THE FED AND WALL STREET

STILL IN A BRAWL OVER AN INFLATION CURE



BY SYLVAN LANE



THE FEDERAL RESERVE and the stock market are still butting heads over the central bank's efforts to fight inflation.

Stocks have been up and down all year, often wiping out gains one day after a short-term rally driven by hopeful economic news. Inflation as measured by the consumer price index has fallen considerably in recent months – and far more than analysts expected – according to data released right before the Fed decided to slow down its interest rate hikes.

While the Federal Reserve has recently ended up boosting rates by

smaller amounts and less often than its previous hikes, a dour forecast from officials, including Fed Chairman Jerome Powell, has shaken markets out of their optimism. Instead of signs of lower interest rates ahead, the Fed has warned rates could be even higher and stay that way for longer.

The Dow Jones Industrial Average, the S&P 500 index and the Nasdaq have all undergone rollercoaster ups and downs. "The Fed and the stock market are fighting. They're in a brawl right now," said Callie Cox, U.S. investment analyst at online investment firm eToro, in a recent phone interview.

“The stock market’s been itching for a pivot for months now, really since last year, and the Fed time and time again has told us that they’re serious about inflation, they want to get inflation under control, and if that means keeping rates high for a while, so be it.”

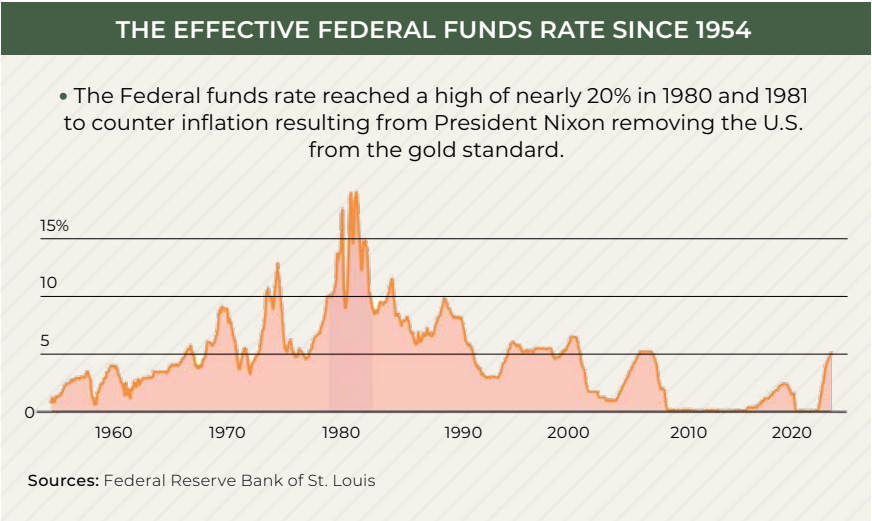
As interest rates continue to rise, businesses will face steeper borrowing costs and have less money to invest in expansion, making their stocks less appealing to investors.

Households will also have less expendable income to throw in the market as interest rates on their mortgages, car payments and credit cards rise.

The stock market’s hardship, however, is an important part of the Fed’s plan.

Fed officials know their tough talk about keeping rates high and snuffing out inflation at whatever the cost alarms investors and traders.

Those warnings are intended to keep Americans’ expectations in check and force businesses to feel the squeeze of high rates without rising stock prices to buffet the blow.



“The Fed knows that its words are equally as powerful in a world where social media is so pervasive and information just moves so quickly,” Cox said.

“The Fed is preparing markets for what’s coming before it actually happens. This time around, though, it just feels a little bit more painful because the Fed needs to get inflation down.”

Powell has said that the United States still has “a long ways to go” before inflation is down to a sustainable level.

He added that the only way for the Fed to achieve that goal was to keep its foot on the brakes of the economy with high interest rates meant to boost the unemployment rate, which is now at five-decade-long record low.



In July, the Fed raised its key rate for the 11th time in 14 months, to its highest level in 22 years, and the Federal Reserve official said that they don’t foresee cutting rates until well into 2024.

The Fed also sees its rate hikes taking a serious toll on the U.S. economy, projecting the jobless rate to increase to 4.6 percent by the end of 2023 and economic growth slowing to 0.5 percent.

While Fed officials say it may be possible to avoid heavy job losses in that scenario, most outside economists believe such an increase in the jobless rate would mean more than 1 million Americans losing work.

“The Fed did not welcome the disinflation trends that have just started to emerge and focused on robust job gains and elevated inflation. Any hopes of a soft landing disappeared as the Fed seems like they are committed to taking rates much higher,” said Edward Moya, senior markets analyst at OANDA.

A Fed-driven recession or steep slowdown would be more bad news for the stock market as companies struggle with lower sales and fewer households have the flexibility to put money in risky assets.

But higher rates in and of themselves could be a larger and longer-term damper on the stock market.

Stocks exploded in value in the years following the Great Recession as the Fed kept its baseline interest rate range near zero.

The market’s stunning rally accelerated even more during the Covid-19 pandemic, when low interest rates and trillions of dollars in federal stimulus helped fuel new records across all three major indexes.

With rates likely to stay high for much longer, Cox said the days of the market smashing through record highs again are likely far away.

“When we look back at 2023, we kind of are seeing a year of purgatory,” she said. ✂

The Fed did not welcome the disinflation trends that have just started to emerge and focused on robust job gains and elevated inflation.

But the U.S. workforce has roughly 4 million fewer workers now than it did before the onset of the Covid-19 pandemic, while businesses are posting record numbers of open jobs.

With fewer workers available to fill open jobs, businesses have been forced to boost wages to attract candidates — and prices to compensate for that higher pay. That dynamic, Fed officials say, is the reason why inflation has remained high even as prices for almost all goods other than food have fallen.

“We have too many jobs and too few workers, so that means that wage

inflation is going to be far from a sustainable average, and we’re going to have that passing through to prices. That’s what we’re working on right now,” said Mary Daly, president of the Federal Reserve of San Francisco.

“To be honest with you, I don’t quite know why markets are so optimistic about inflation.”

Late last year, Fed officials boosted their projections for how high they would need to raise interest rates and how long they would keep them at levels meant to hinder the labor market.



{ WHARTON SCHOOL }

THE CASE AGAINST A GLOBAL MINIMUM TAX

This tax would make the United States less competitive
and cede taxing of U.S. multinational corporations
to foreign countries.



BY PERRY V. KALAJIAN

IT HAS NOW BEEN more than two years since G7 leaders announced a groundbreaking agreement to divvy up taxation of multinational corporations' profits.

That breakthrough followed years of fraught negotiations under the aegis of the OECD/G20 Inclusion Framework, adopted that same year.

By establishing a 15-percent global minimum tax rate that companies would have to pay wherever they operate, the agreement was aimed at trying to deter profit-shifting through tax havens and to limit beggar-thy-neighbor policies for attracting foreign investment.

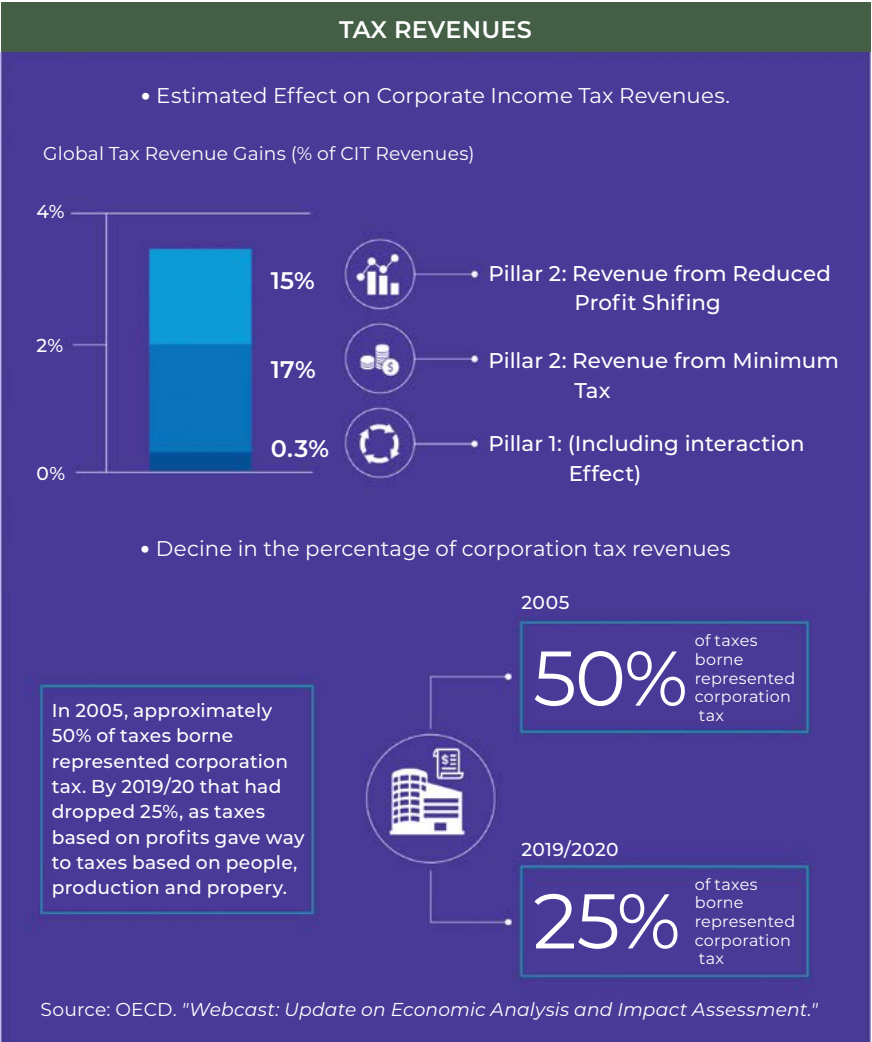
It also introduced the concept of an additional tax on "around 100 of the world's largest and most-profitable multinationals to countries worldwide, ensuring that these firms pay a fair share of tax wherever they operate and generate profits."

But the consensus behind the agreement is now eroding, and while some European countries and other OECD members have begun to implement the agreed-upon global minimum tax, the U.S. Congress outright rejected the plan last year for fear of putting American companies at a competitive disadvantage.

Under the Inflation Reduction Act, the United States instead opted for a 15-percent alternative minimum tax on companies that book more than \$1 billion in income for three consecutive years – a criterion that applies only to a small cohort of U.S. multinationals.

Furthermore, the other plank of the deal – the mechanism reallocating a small share of profits from the largest multinationals to signatory countries – calls for a binding multilateral treaty.

But that is going to be a non-starter in the United States, where the ratification of any treaty requires a two-thirds majority in the Senate, and conservatives have already made clear



By establishing a 15-percent global minimum tax rate that companies would have to pay wherever they operate, the agreement was aimed at trying to deter profit-shifting through tax havens and to limit beggar-thy-neighbor policies for attracting foreign investment.

that they will oppose any new tax on U.S. multinationals.

Their attitudes are perfectly understandable, given that the agreement's main provisions may threaten American businesses and do more harm than good.

Here's why:

First, let's separate the facts from the fiction on global corporate taxes.

The Joe Biden administration is trying to apply its theory of globalization to corporate taxes.

Under the previous administration, legislation was passed to drop the U.S. federal corporate tax rate from 35 percent, among the highest in the world, to 21 percent to spur growth in the U.S. economy. The current administration and others in the United



States would like to raise the federal corporate tax rate from 21 percent, but they fear that the disparity between a higher federal corporate tax rate and lower tax rates in other countries will have U.S. companies moving their domiciles, which determines their jurisdiction for taxation, to more friendly countries in a process called "tax inversion."

Tax inversions were popular during the years of the Barack Obama administration, but with the federal corporate tax rate dropping to 21 percent, the tax advantage with respect to other countries diminished and the process became less useful.

To support its desire to increase the federal corporate tax rate, the ad-

ministration now wants to lessen the gap between its proposed corporate tax rates and the lowest rates in other countries through a global minimum tax of 15 percent on global profits no matter where corporations establish their headquarters.

This position overlooks the simple fact that, even with some of the proposed safeguards designed to punish countries acting as tax havens, it would take only one or more countries objecting to the minimum tax rate of 15 percent and maintaining their lower rates – which creates revenue and is advantageous for these countries – to undermine the proposal.

In addition, raising the federal corporate tax rate would hurt U.S. corpo-

rations at a time when we seem to be entering a softening economy.

In October 2021, more than 130 countries agreed to a two-part plan to impose a tax on the profits of large corporations, to be finalized in mid-2022, with the hope of implementing the changes next year.

The timeline for finalizing the rules has now been extended to 2023.

The first part of the plan is the global minimum tax.

To date, there has been little progress in passing national laws to implement the global minimum tax.

In the United States, the implementation of the global minimum tax legislation has been stalled in Congress for months.



The United States, with its large tech companies and other corporations, has an advantage over Europe, and this plan squanders that advantage.

Meanwhile, the European Union has not been able to pass legislation to approve the tax; France, Germany, the Netherlands, Italy and Spain have agreed to press ahead with the tax on their own as soon as next year.

The second part of the plan would allow countries to impose their corporate taxes on corporations based on where those entities' goods and services are sold, in part aimed at resolving disputes around unilateral digital-services taxes directed toward U.S. technology companies.

The administration has argued that the lost tax revenue on our technology giants and other large corporations would be made up by taxes



collected from large foreign-based companies selling to U.S. consumers and other corporations that book their profits from U.S. sales in foreign jurisdictions.

The administration asserts that the deal is roughly revenue-neutral for the United States.

But even if that assertion were true, why would the United States want a revenue-neutral tax deal?

The United States, with its large tech companies and other corporations, has an advantage over Europe, and this plan squanders that advantage.

If other nations are going to unfairly pick on U.S. corporations with unilateral digital-services taxes, then the U.S. government should defend our advantageous position through actions such as tariffs, military support, ener-

While some major U.S. technology companies have largely backed the proposed tax changes to avoid the digital tax maze in Europe, a better response would be to defend U.S. companies so that they do not have to acquiesce.

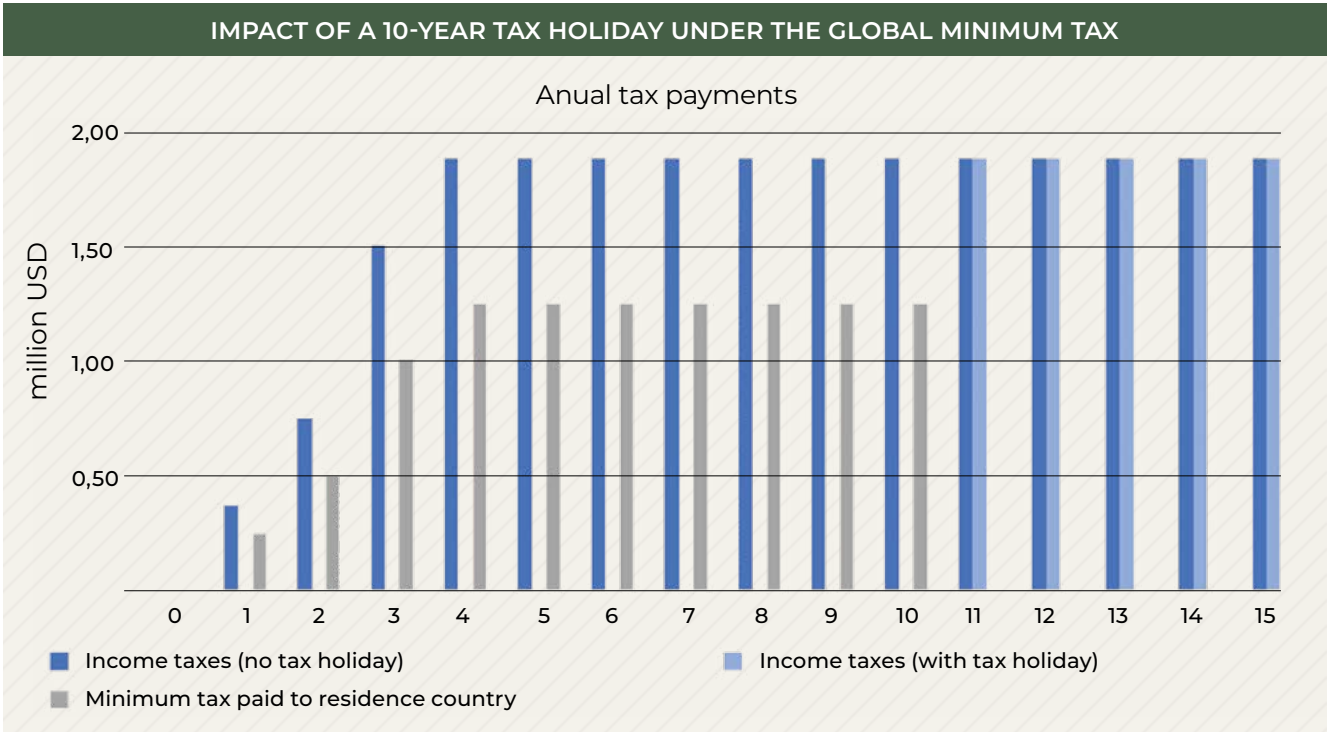
the digital tax maze in Europe, a better response would be to defend U.S. companies so that they do not have to acquiesce.

Some argue that if the United States does not adopt the 15-percent global minimum tax, its companies with foreign subsidiaries will essentially be paying a penalty tax to foreign countries.

Fortunately, congressional approval of this tax plan is required, and so far the plan has met with strong resistance.

As previously stated, any tax treaty will require a two-thirds vote of the Senate.

If finalization of the tax plan goes into 2024 as projected, it will no doubt be met with even greater resistance if conservatives take control of Congress. ✂





{ INTERNATIONAL MONETARY FUND }

TRADE, DISRUPTED

MOVING FORWARD WITH SUSTAINABLE GLOBAL COMMERCE

Global trade may be moribund, but it is not dead. It's time to re-envision the international trade framework for a sustainable future.



BY MICHAEL FROMAN, FORMER U.S. TRADE REPRESENTATIVE



WHEN I BECAME THE U.S. trade representative in 2013, my then-11-year-old son asked me to explain my new job. He had accompanied me on a trip to India the year before, and we had visited the U.S. ambassador at his beautiful residence in Delhi. My son understood that as trade representative, people called me “Ambassador” too, but we weren’t moving to a new country and new house. He was curious. “What the heck does a trade representative do anyway?” he asked.

I suggested we look at the labels on the clothes in his closet. Made in

Mexico. Made in Bangladesh. Made in Cambodia. “All of them,” I explained, “represent a trade agreement or a trade preference program that countries negotiated. It all comes down to trade,” I told him.

In the decade since, global trade has taken some significant twists and turns. Trade agreements and globalization were once lauded for creating efficient and dynamic supply chains, lifting hundreds of millions of people out of poverty, and reducing prices for consumers around the globe. What followed has been a sharp backlash amid concerns that trade liberalization and

the offshoring of manufacturing had hollowed out industry in developed nations. Countries are now pursuing more nationalistic policies. And in turn, that has led to hand-wringing about the future of the multilateral trading system and, specifically, the role of the World Trade Organization (WTO).

While globalization is being intensely scrutinized, it is also evolving. Rumors of its death are largely exaggerated or, at least, are premature. Some countries have certainly retreated from negotiations to liberalize trade, but others, particularly in Africa, continue to charge ahead. Com-

panies are reevaluating their supply chains, focusing not solely on efficiency, but also on security, resilience and redundancies. There has been some onshoring, but also nearshoring and even friend-shoring. Global trade continues to grow.

At the same time, the global trading system has reached an inflection point. Pressing concerns, such as the convergence of climate and trade policies, could strengthen international cooperation or create new fissures. And there are real questions about the limits of multilateralism and the need for a new political consensus around trade.

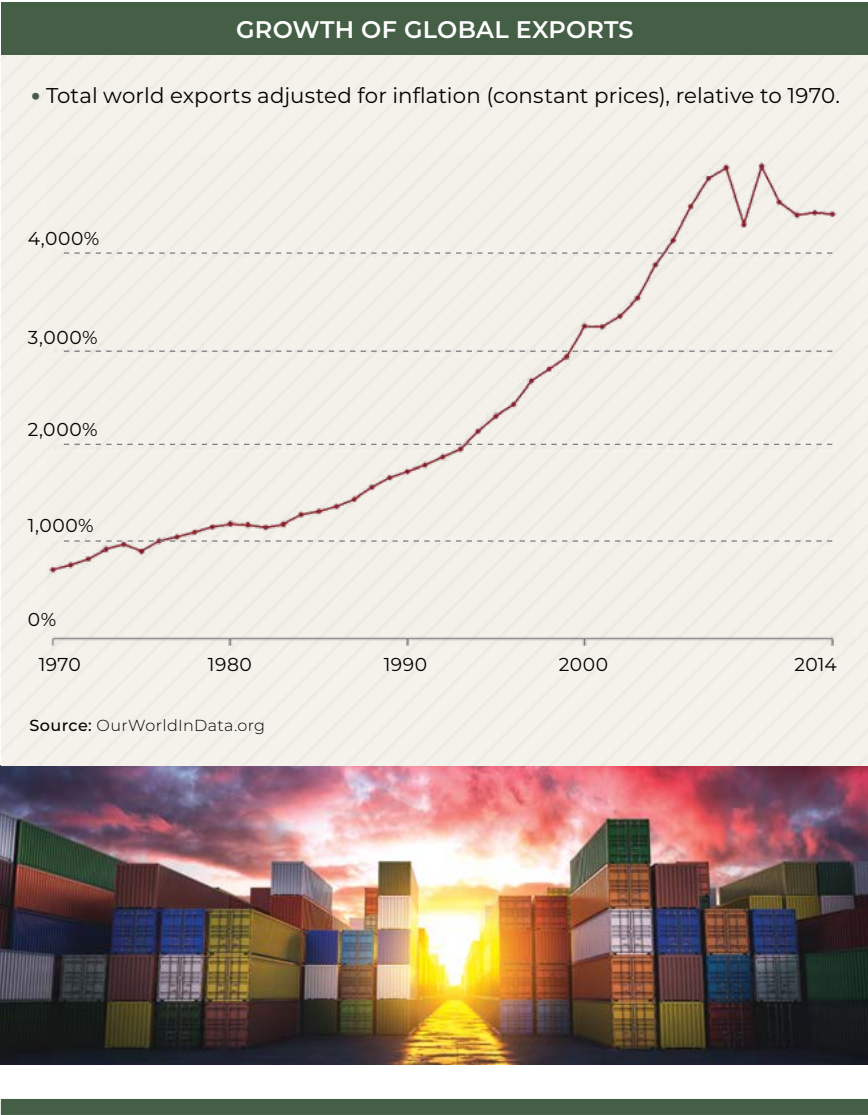
CONVERGENCE OF CLIMATE AND TRADE

Late last year, I was in Egypt for COP27, the UN’s climate change conference. The dialogue was one of urgency. Governments, environmentalists, scientists and business executives all focused on what could be done to address global warming.

The conference itself produced modest results, but, looking back, the most ambitious climate change actions might well have been unilateral steps taken by major economies last year — specifically the Inflation Reduction Act (IRA) in the United States and the Carbon Border Adjustment Mechanism (CBAM) in the European Union (EU).

The IRA became law last August and is considered one of the most significant pieces of climate legislation ever enacted in the United States. It includes \$400 billion in climate-related spending over a decade. Among other things, it incentivizes electric vehicle purchases with a \$7,500 consumer tax credit, and it subsidizes U.S.-based manufacturers to produce clean tech and green energy.

The CBAM, which goes into effect in October, will impose a fee — the EU is careful not to talk about it as a tariff or a tax — on imported products from manufacturers in countries that do not have comparable carbon pricing mechanisms.



While climate and trade policies once operated as separate regimes, they are now converging, and sometimes conflicting. Whether major economies collaborate or go their own way is yet to be determined.

The IRA has faced criticism from U.S. non-free-trade-agreement partners. They argue that applying these subsidies is discriminatory and could lead to the outflow of clean-energy-related investments from other countries. This, in turn, has led the EU to propose an additional package of clean energy subsidies of its own. The CBAM has raised concerns that, given the complexity of measuring emissions and comparing carbon pricing mechanisms,

the EU’s unilateral judgments could be exploited for protectionist purposes.

While climate and trade policies once operated as separate regimes, they are now converging, and sometimes conflicting. Whether major economies collaborate or go their own way is yet to be determined.

TREND TOWARD OPEN PLURILATERALISM

Can the WTO resolve an issue like this?

Likely not, at least not in the short term. Since its founding in 1995, the WTO has been slow or unable to fully reach multilateral agreements, with the notable exceptions of the Trade Facilitation and the Fisheries Subsidies agreements, two leading multilateral deals.

While trade economists tell us that multilateral agreements are the highest and best form of trade liberalization, our collective experience in recent decades has made clear that there is no political consensus around what major economies want from the global trading system and what role the WTO should play. Indeed, it is hard to achieve institutional reform if there is no underlying political consensus.

What is needed now is a substantive conversation about the shifting and often contradictory demands on the global trading system. To what degree should it be focused on economic efficiency? On national industrial agendas? On economic development? To what degree should it address labor and environmental issues? What role should it play in leveling the playing field, disciplining state-owned enterprises and weighing subsidies? Ultimately, should the goal be creating a rules-based system and the mechanisms for enforcing those rules?

Disciplines that were introduced in previous regional and bilateral trade agreements set high standards around some of the most important issues facing the global economy.

These are fundamental questions that need to be addressed before meaningful WTO reform can be achieved. And they cannot be answered by simply ignoring or wishing away the reality of democracies, domestic politics or public opinion. Populism, nationalism, nativism and protectionism are real. They shouldn’t dictate a lowest-common-denominator economic policy, but they do need to be addressed.

In the meantime, in the absence of consensus around the trading system, the world continues to spin on its axis, technology advances and economies evolve. Now, more than ever, coalitions need to come together to set standards that can lay the groundwork for a broader approach.

Take the digital economy. Issues around the role of digital services, data,

privacy and cybersecurity, to name a few, have a potentially greater impact on many economies than tariffs.

Disciplines that were introduced in previous regional and bilateral trade agreements set high standards around some of the most important issues facing the global economy. Now, too, there is an opportunity for public and private sectors to collaborate, but there is also a risk that unilateral action by one party or another could lead to greater trade friction.

In the absence of consensus around multilateral agreements, open plurilateralism might well be the most promising way to advance important trade issues. A series of recent trade deals, from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership to the United States-Mexico-Canada Agreement, are important examples of how to move forward.

THE IMPORTANCE OF GETTING IT RIGHT

The challenges facing the global trading system might have gotten more complex since the journey through my son’s closet a decade ago, but it is more important than ever that we deal with those challenges successfully. There is too much at stake to be complacent. ✍





THE COLLAPSE OF THE PURCHASE FUNNEL

Today's buying behavior is far too dynamic for the linear funnel.
Purchase is no longer the end point, but the starting point,
for an ongoing relationship between consumers and brands.



BY RICARD EDELMAN

EVERY MBA IS AWARE of the marketing purchase funnel — where the consumer is moved from awareness to interest to preference to purchase.

But Edelman has found that today's buying behavior is far too dynamic for a linear funnel and that purchase is no longer the end point but the start of an ongoing relationship with the consumer.

But there is a replacement for the purchase funnel: the trust loop, in which trust drives growth and action earns trust.

The following data was collected in early May from nearly 14,000 consumers in 14 countries: Brazil, Canada, China, France, Germany, India, Japan, Mexico, Saudi Arabia, South Africa, South Korea, UAE, the United Kingdom and the United States. It finds

The journey of brand discovery starts for many consumers after the first purchase; 78 percent uncover things that attract them and make them loyal to a brand after the initial sale.

these insights apply across geographies and generations.

This reflects a radical change in consumer behavior, and one that marketing professionals need to adjust to accordingly.

WHY THE FUNNEL IS DEAD

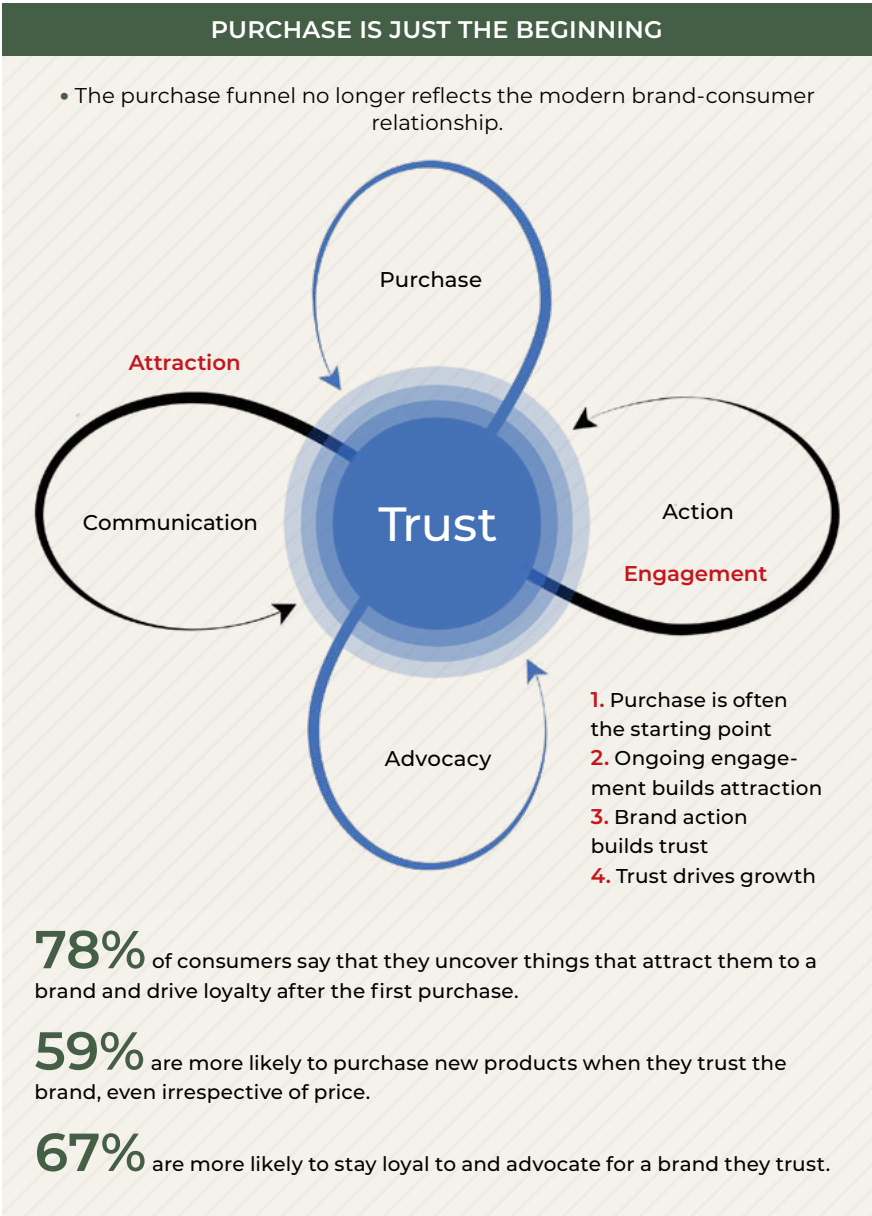
Instead of following a linear path that ends with purchase, buying is just one part of an ongoing virtuous cycle.

Consumers are now demanding ongoing engagement with brands; 79 percent of consumers directly interact with brands beyond using their product or service, through engagements

such as connecting on social media, sharing feedback and participation in brand activities.

The journey of brand discovery starts for many consumers after the first purchase; 78 percent uncover things that attract them and make them loyal to a brand after the initial sale.

Consumers who engage in these direct brand interactions say they help establish that brands deliver on core elements of trust, from competence (70 percent) to ethical behavior (60 percent) and relevance (59 percent).



Hence, the trust loop. The point of sale is a point of departure for an ongoing journey, with trust as the guide.

THE THIRD MUSKETEER

Trust is the Third Musketeer in the consideration set for brand purchase (88 percent say it's an important consideration), just behind value for money (91 percent) and quality (89 percent), and ahead of such factors as convenience and reputation.

The rewards for trust are tangible, in both purchase and advocacy.

When consumers trust a brand, 59 percent say they are more likely to buy the brand's new products and/or buy the brand even if it is not as cheap as a competitor.

With trust, two thirds of consumers say they are more likely to stay loyal, stick with the brand even if it makes a mistake and/or recommend the brand to others.

Brands are rewarded by consumers for acting because they are overwhelmed by the complexities of the present day.

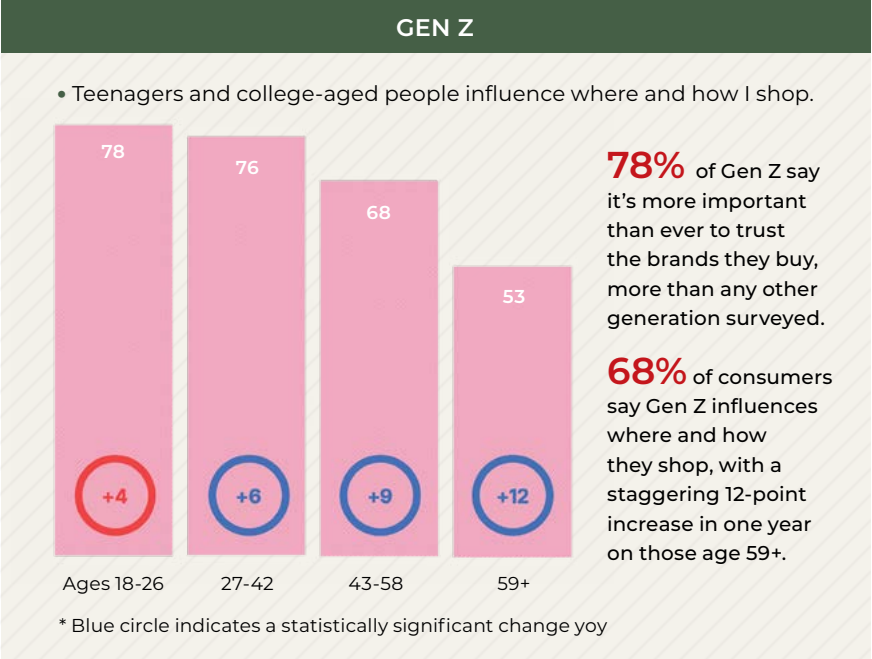
Our study found that the consumer beset by significant concerns, worried about climate change (70 percent) to inflation (67 percent) to global conflict (67 percent) to personal health (64 percent) to polarization (59 percent), misinformation (58 percent) and loss of rights and freedoms (58 percent).

That very vulnerable consumer has a growing dependence on brands to answer the call, with 71 percent of respondents saying that it is more important to trust brands they buy today than in the past.

With trust, two thirds of consumers say they are more likely to stay loyal, stick with the brand even if it makes a mistake and/or recommend the brand to others.



Brands must prove their values to Gen Z, with almost two thirds (62 percent) of 18-26-year-olds saying that if the brand doesn't communicate its actions to address societal issues, they assume it must be hiding something or is doing nothing.



Overall, consumers are five times more likely to buy brands that commit to addressing climate change, and at least four times more likely to buy if brands commit to ending racism and promoting gender equality.

GEN Z
Gen Z is a critical driver of the trust loop, with the most power to influence buying behavior of other age groups.
Seventy-nine percent of Gen Z respondents say it is more important to trust brands they buy today than in the past, up eight points since 2021.
A full 64 percent of Gen Z say brands should make their values more

visible at the point of purchase, underlying how beliefs drive buying.
Brands must prove their values to Gen Z, with almost two thirds (62 percent) of 18-26-year-olds saying that if the brand doesn't communicate its actions to address societal issues, they assume it must be hiding something or is doing nothing.
Gen Z has raised expectations for brand behavior, with at least six in 10 respondents saying high school or college-aged people have influenced how they think about a brand's environmental friendliness as well as the diversity in its advertising and workforce.
Gen Z is also conscious of manipulation, citing that a brand's attempts at

engagement often go wrong because they lack relevance (78 percent) or lack authenticity (56 percent).
Crucially, marketers need to train themselves to distinguish between transient politics and sincere purpose. The former is to be avoided, the latter powerful and needed.
And when brands act, consumers respond. Consumers feel vulnerable. World events are volatile.
We need a new outlook to meet this reality – shifting from a linear, step-wise, one-sided process to always-on, relationship-oriented engagement.
It drives not only purchase, but advocacy. Brands are more important than ever in our lives, and they need to live up to that expectation. ✍



{ HARVARD BUSINESS REVIEW }

WHEN TO ALLY AND WHEN TO ACQUIRE

Alliances and acquisitions are alternative strategies — that is, the decision to do one usually implies not doing the other. If companies actually factored that into their decisions, they would make better deals.



BY JEFFREY H. DYER, PRASHANT KALE
AND HARBIR SINGH



AT THE CORE OF EVERY company's strategy lies a dilemma, wrapped in a problem, inside a challenge. As companies find it increasingly tougher to achieve and sustain growth, they have placed their faith in acquisitions and alliances to boost sales, profits and, importantly, stock prices.

As companies gear up for greater growth, collaboration is once again high on priority lists.

There's a problem, however, and it refuses to go away. Most acquisitions and alliances fail. A few may succeed, but acquisitions, on average, either destroy or don't add shareholder value, and alliances typically create very little wealth for shareholders. Companies' share prices fall by between 0.34 percent and 1 percent in the 10 days after they announce acquisitions, according to three recent studies in the Strategic Management Journal. (The target

companies' stock prices rise by 30 percent, on average, implying that their shareholders take home most of the value.) Unlike wines, acquisitions don't get better over time. Acquiring firms experience a wealth loss of 10 percent over five years after the merger completion, according to a study in the Journal of Finance.

To add to CEOs' woes, research suggests that 40 percent to 55 percent of alliances break down prematurely and inflict financial damage on both partners. When we analyzed 1,592 alliances that 200 U.S. companies had formed between 1993 and 1997, we too found that 48 percent ended in failure in less than 24 months. There's plenty of evidence: Be it the DaimlerChrysler merger or the Disney and Pixar alliance, collaborations often make headlines for the wrong reasons. Clearly, companies still don't cope very well with either acquisitions or alliances.

What are we missing? For more than three decades, academics and consultants have studied acquisitions and alliances and written more tomes on those topics than on virtually any other subject. They've applied everything from game theory to behavioral science to help companies "master" acquisitions and "win" at alliances. They've worshipped at the altars of firms that got the stray acquisition or alliance right.

Surprisingly, although executives instinctively talk about acquisitions and alliances in the same breath, few treat them as alternative mechanisms by which companies can attain goals. We've studied acquisitions and alliances for 20 years and tracked several over time, from announcement to amalgamation or annulment. Our research shows that most companies simply don't compare the two strategies before picking one. Consequently, they take over firms they should have collaborated with and ally with those they should have bought, making a mess of both acquisitions and alliances.

MERITS AND DEMERITS

We conducted a survey of 200 U.S. companies in 2002 to find out what executives said about acquisitions and alliances, and it isn't difficult to see why companies don't weigh the merits and demerits of acquisitions and alliances before choosing horses for courses. The two strategies differ in many ways. Acquisition deals are competitive, based on market prices, and risky; alliances are cooperative, negotiated, and not so risky. So companies habitually deploy acquisitions to increase scale or cut costs and use partnerships to enter new markets, customer segments and regions. Moreover, a company's initial experiences often turn into blinders. If the firm pulls off an alliance or two, it will forever insist on entering into alliances even when circumstances demand acquisitions. Organizational barriers also stand in the way. In many companies, an M&A group, which reports to the finance head, handles acquisitions, while a separate unit, headed by the business development director or VP, looks after alliances. The two teams work out of different locations, jealously guard turf and, in effect, prevent companies from comparing the advantages and disadvantages of the strategies.



We conducted a survey of 200 U.S. companies in 2002 to find out what executives said about acquisitions and alliances, and it isn't difficult to see why companies don't weigh the merits and demerits of acquisitions and alliances before choosing horses for courses.

Some of the world's most admired companies haven't developed a sophisticated enough understanding of when to acquire or ally with other firms. For instance, Coca-Cola and Procter & Gamble announced in February 2001 that they would create a \$4 billion joint venture that would control 40-plus brands and employ more than 10,000 people. Coke would transfer Minute Maid, Five Alive, Fruitopia, Cappy, Kapo, Sonfil and Qoo brands, among others, to the new company, and P&G would contribute two beverage

brands, Sunny Delight and Punica, and Pringles chips. Coke would tap P&G's expertise in nutrition to develop new drinks, P&G's flagging brands would get a boost from Coke's international distribution system and the new company would slash costs by \$50 million, ran the prepared script. Yet Coke's stock dropped by 6 percent the day the alliance was announced, while P&G's shares rose by 2 percent. Investors wondered why Coke had agreed to share 50 percent of the profits from a fast-growing



segment with a weak rival in its core business. The unspoken question: If Coke needed P&G's soft-drink technologies and brands, why hadn't it simply bought them? It wasn't long before the companies wondered the same thing; Coke and P&G terminated the alliance in July 2001.

KNOWING WHEN TO USE WHICH STRATEGY

Another case in point is Intel, which paid \$1.6 billion in cash in October 1999 to buy the \$131 million DSP Communications, which manufactures chips for wireless handsets. Although the acquisition allowed Intel to break into the wireless communications market, its stock price fell by 11 percent over three days after the deal was made. Investors were concerned about the 40 percent premium that Intel paid for DSP's shares. In addition, people tend to leave high-tech firms when bigger companies absorb them, and technologies get obsolete quickly.

Some of the world's most admired companies haven't developed a sophisticated enough understanding of when to acquire or ally with other firms.

Those factors usually trigger post-acquisition trauma. Sure enough, Intel lost most of DSP's key people and its biggest wireless customer, Kyocera, when it absorbed the start-up. Intel had to write off \$600 million of goodwill by 2003. Should the company have tested the airwaves by initially entering into an alliance with DSP? Such questions needn't be answered only with the wisdom of hindsight. We've developed a framework that will help companies systematically decide whether they should ally with or acquire potential partners. Our research shows that executives must analyze

three sets of factors before deciding on a collaboration option: the resources and synergies they desire, the marketplace they compete in and their competencies at collaborating. Knowing when to use which strategy may be a greater source of competitive advantage than knowing how to execute them.

RESOURCES AND SYNERGIES

It's the most abused concept in the acquisitions and alliances dictionary, but companies team up to profit from the synergies they can generate by combining resources. Firms bring many kinds of resources to the table: human resources (intellectual capital, for instance); intangibles (like brand names); technological resources (such as patents); physical resources (plants, distribution networks and so forth); and, of course, financial resources. Whenever companies have to choose between acquisitions and alliances, they must begin the process by examining key resource-related issues.



REDUNDANT RESOURCES

Companies must also estimate the amount of redundant resources they'll be saddled with if they team up with other organizations. They can use the surplus resources to generate economies of scale, or they can cut costs by eliminating those resources. When companies have a large amount of redundant resources, they should opt for acquisitions or mergers. That gives executives complete control over decision making and allows them to get rid of redundant resources easily.

MARKET FACTORS

Many companies believe that collaboration decisions are internal matters. They don't take into account external factors before picking strategies – and invariably fall victim to market forces. Companies should consider exogenous factors, like market uncertainty and competition, even if they can't control them.

Executives know that collaborations between companies are inherently risky, but don't realize that they've become downright uncertain in a fast-changing world. Risk exists when companies can assess the probability distribution of future payoffs; the wider the distribution, the higher the risk. Uncertainty exists when it isn't possible to assess future payoffs. Companies are forced to decide how to team up with other firms, especially small ones, without knowing whether there will be payoffs, what they might be and when the benefits might come their way.

When a company estimates that a collaboration's outcome is highly or moderately uncertain, it should enter into a nonequity or equity alliance rather than acquire the would-be partner. An alliance will limit the firm's exposure since it has to invest less money and time than it would in an acquisition. Besides, the company can sink more into the partnership if it starts showing results, and, if necessary, buy



the firm eventually. If the collaboration doesn't yield results, the company can withdraw from the alliance. It may lose money and prestige, but that will be nowhere near the costs of a failed acquisition. That isn't exactly rocket science, but few companies are disciplined enough to adhere to those rules.

COLLABORATION CAPABILITIES

A company's experience in managing acquisitions or alliances is bound to influence its choices. Some businesses have developed abilities to manage acquisitions or alliances over the years and regard them as core competencies. They've created special teams to act as repositories of knowledge and institutionalized processes to identify targets, bid or negotiate with them, handle due diligence and tackle issues that arise after a deal is made. They've learned the dos and don'ts from experience and created templates that help executives manage specific acquisition- or alliance-related tasks.

To conclude, let us return to the beginning and two deals, Coke's alliance

A company's experience in managing acquisitions or alliances is bound to influence its choices. Some businesses have developed abilities to manage acquisitions or alliances over the years and regard them as core competencies.

with P&G and Intel's acquisition of DSP Communications. Would these companies have done any better by using our framework? In the case of Coke and P&G, the companies had plenty of redundant resources and wanted to generate reciprocal synergies primarily from hard resources. According to our framework, acquisitions are most appropriate under those circumstances. Next, market uncertainty was relatively low for the venture's products, but competition would have been high. Once again, the framework suggests that when rivalry is intense but uncertainty is low, acquisitions are the best bet. Coke should have acquired P&G's health drinks business instead of entering into a joint venture.

Although Intel took over DSP, the two companies wanted to generate

modular synergies since the degree of resource interdependence between Intel's microprocessors and DSP's wireless chips businesses would have been moderate. Moreover, DSP's resources appeared to be primarily people. Whenever soft resources are involved, according to our framework, a red flag should go up about the appropriateness of acquisitions. Besides, Intel and DSP had little resource redundancy, and wireless technologies are highly uncertain.

Those factors also suggest that an equity-based alliance between Intel and DSP, which Intel could have used as a springboard to an acquisition, would have been more effective than acquisition. As the mathematician would say, QED. ✍

THE BUCK STOPS HERE

AS A BUSINESS OWNER or manager, you know that the buck stops with you. So what do I mean? It means that being able to make decisions effectively is important to the success of your business. As a teenager, I remember visiting my father at his office one day. He was the Chief Financial Officer of a large credit union with many branches and thousands of employees.

THE DECISION MAKER

He was busy looking at the NHL scores from the night before, and I slyly commented, “You don’t have to work?” He said, “Of course I do!”

I asked why he wasn’t busy doing spreadsheets or crunching numbers. He pointed to the floor full of accountants outside his office and said, “That’s what they do.”

I said, “Well, what do you do then?”

He replied, “I make the decisions and am responsible for them. If we lose \$100 million because of my decision, I lose my job.” That has always stuck with me over the years.

In positions of authority, such as a business owner or manager, we need to be leaders to our teams and the decisionmakers for our businesses.

Over the years, I have found the following guidelines have helped me make better decisions:

TAKE EMOTIONS OUT OF THE EQUATION

Letting emotions get the best of you can compromise your decision-making abilities. For our industry, I found the two situations that always triggered emotions were difficult customers/clients and employees. It took me many years to learn not to hastily decide in a

moment of anger or frustration and to think out the consequences of my decision thoroughly.

The consequence of a rash decision can be financial devastating. It can lead to a bad online review, bad word of mouth in a small town, customer embellishes situation to others and so on.



LEARN FROM MISTAKES OR POOR DECISIONS

I have long said and encouraged the phrase “make a rule.” When a mistake happens, or I make a poor decision, what rule can I make so that I never have the issue happen again?

A basic example of this might be: After an installer pulls a car out and accidentally hits the mirror on the edge of the building, then the new shop rule is that all mirrors have to be folded in, and a second person needs to guide the driver out. If I were to say, “Guys, you have to be more careful and always double-check you aren’t going to hit the mirrors,” I would probably see it happen again.

ADMIT POOR DECISIONS

I have been guilty of never admitting to a poor decision over the years. For some reason, I felt it showed weakness and a lack of leadership. I’ve realized that it actually is the opposite. It shows arrogance and keeps us from learning and growing when we can’t admit fault.

Everyone makes mistakes and wrong decisions. It isn’t just admitting to it, though. It is then learning from it and analyzing why we made that decision and what we could have done differently if presented with that opportunity again.

EMPOWER YOUR PEOPLE TO MAKE DECISIONS

I use a four-step cycle for growing employees and hopefully getting the best out of them:

- Set expectations;
- Educate how to accomplish the expectation;
- Accountability for failing to meet the expectation;
- and discipline if needed.

I encourage my employees to learn to be autonomous and make good decisions (I am not trying to micro-manage everything). Using the four-step process I outlined above allows employees to grow and make decisions.

THE BOTTOM LINE

You have to accept the stress that comes with being the decisionmaker. This is a huge part of being a successful business owner. Like my father said: “I am the one whose job is on the line if we lose \$100 million.”

Make quality decisions, own them and learn from the bad ones, and you will continue onward and upward. ✍

By Chris West

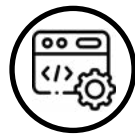


CHIEF EXECUTIVE OFFICER

In Depth

INTERVIEWS

- 052-061 **Jack Dangermond**
Founder and President / ESRI
- 062-071 **Michael J. Kasbar**
CEO / World Kinect Corporation
- 072-077 **Catherine Fiamma Macgregor**
CEO / Engie
- 078-085 **M. Scott Havens**
CEO / Bloomberg Media
- 086-091 **Ted Hanson**
CEO & Member of the Board of Directors / ASGN Incorporated
- 092-099 **Karen S. Lynch**
President and CEO / CVS Health



GEOGRAPHIC
INFORMATION
SOFTWARE
INDUSTRY

THE SCIENCE OF WHERE

BY FRED YOUNG

Jack Dangermond

Founder and President / ESRI

"Landscape architecture is basically geodesign; it's designing geography. And yet geodesign is not only done by landscape architects. It's done by some of the world's largest corporations."

JACK DANGERMOND
Founder and President of Esri



\$2 billion
Revenue

5,000
Employees

Redlands,
California
HQ

Private Equity
Stock



BACK IN 1969, WHEN JACK DANGERMOND and his wife Laura first founded what was then known as the Environmental Systems Research Institute, they had no idea that it would go on to become the world's leading supplier of geographic information system (GIS) software, with a 40-percent market share in GIS operating systems, web GIS and geodatabase management applications.

"At the time, my wife and I were working in a laboratory for computer

mapping and spatial analysis at Harvard University and needed to move back to California," he said.

"So we had the idea that we could apply this computer mapping tool and analytics tools to environmental and land-use planning. In the 1960s, there was really not any technology associated with the whole planning world and we saw this as an opportunity to use computerization to help people do environmental assessments and land-use planning."

Notwithstanding, Dangermond said that while he and Laura definitely saw a financial future in the use of GIS for individual assessment and planning projects, they never imagined that their company would eventually balloon into a transnational global dynamo in the geospatial mapping world.

"I believe that, together, we can collectively create a future that's more sustainable."

JACK DANGERMOND
FOUNDER AND PRESIDENT / ESRI

"Once we began to do project work, people from other fields became quite interested in what we were doing and that expanded gradually from project work for environmental assessments to people in business who wanted to use the technology for geographic advantage to better locate their stores or to automate their supply chains," he said.

One example of how that GIS analysis was put to general practical application was in the case of utility companies that used it to manage their assets, wires, pipelines and power plants and to make better location decisions.

The application of the company’s GIS technology soon expanded into marketing and demographic analysis, as well as into urban management, national security programs and the usage by large national agencies such as the U.S. Forest Service, the Environmental Protection Agency (EPA) and the Census Bureau, Dangermond said.

“In the first 10 or 15 years, our company kind of evolved from this relatively focused area to being a fundamental platform for most human activities,” Dangermond said. “We didn’t really imagine it that way, but that’s the way it actually fell.”

From the start, Esri, as the company is now known, was always at the forefront of the emerging GIS business, Dangermond said.

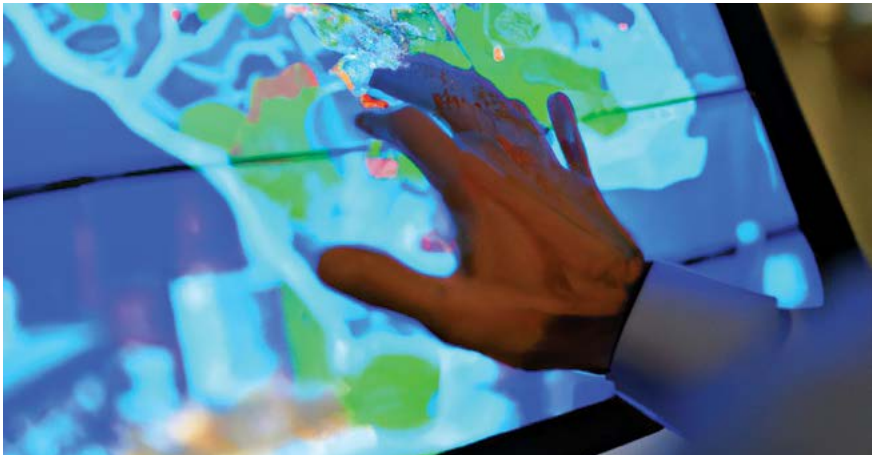
“Today, GIS as an enterprise platform is being embraced by literally thousands of large companies like utilities, whole cities, whole agencies,” he said. “That enterprise vision is similar

to what happened in the 1990s when corporations like Salesforce and Oracle began using customer relationship management (CRM) and enterprise resource planning (ERP) to improve their businesses.”

With all corporate eyes now focused on the importance of GIS, Dangermond said that Esri is currently positioned as the global leader in mapping technology.

“In the first place, Esri has a massive, strong and evolving technical platform, with billions and billions of dollars in investments that have been put into our ArcGIS platform,” he said. First released in 1999, ArcGIS is Esri’s premiere location intelligence and analytic software that allows users to view, edit, manage and analyze geographic data.

Dangermond said that Esri maintains an extensive army of several thousand specialized geospatial engineers in order to continue innovating and improving the platform.



“One thing that has made us so successful is that we’ve never taken outside investment. That means we can concentrate on what our customers want – not what the stockholders or the VCs want.”

JACK DANGERMOND, FOUNDER AND PRESIDENT / ESRI

ABOUT ESRI

- Founded

Established in 1969 by Jack Dangermond and Laura Dangermond.

- Ownership

Privately held, debt free, and committed to sustainable growth.

- Software

ArcGIS: Comprehensive and scalable digital mapping and analytics software.

- Users

Over **300,000** organizations, including **90%** of Fortune **100** companies, most national governments, **30,000** cities and local governments, all **50** US states, and **12,000** universities.

- Locations

49 offices worldwide, including 11 research and development centers.

- R&D

Esri invests **30%** of its annual revenue into research and development.

“There is no other company or technology that is anywhere near as complete or as integrated as ArcGIS,” he said. “There are many small players around the edges and companies like Google with our mapping platform for consumers but they only cover a small percentage of what we do. But as a technology platform, this is one of our biggest assets.”

And while Dangermond keeps the company’s financial data close to his chest, he acknowledged that Esri reinvests about 30 percent of its annual revenues into research and development.

Leading the Energy Transition

To address today’s changing energy landscape, utility companies must take a holistic approach to grid management to drive sustainability, operational efficiency, flexibility, resiliency, and reliability.

We deeply value our long term partnership with Esri and our shared values that empower energy providers. With a comprehensive portfolio of industry-leading solutions and services that manage the lifecycle of the grid, we digitize, optimize, and automate for a more sustainable future.

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Dangermond said that at Esri, the company’s researchers “test new things, try new things and sort of push the envelope within our little field of digital geography.”

“I want to have all that scientific information that we’re building be used in designing the future so that people who make geographic decisions – and, here, it’s not just land-use planners, but it’s everyone: foresters, transportation engineers, people who buy a house – can analyze all of these information layers and design a future,” he said.

“GIS, in its digital manifestation of geography, goes beyond just the science. It provides us with a framework and a process for applying geography. It brings together observational science and measurement and integrates it with modeling and prediction, analysis and interpretation so that we can better understand things.”

Esri also has other assets that set the company apart from its would-be competitors, Dangermond said. “The second one is the thousands of people who actually know how to apply

“It takes a while for executives to understand that every company is a spatial company, fundamentally: Where are our assets, where are our customers, where are our sales? But when they get it, they light up and say, I want to get that geographic advantage.”

JACK DANGERMOND, FOUNDER AND PRESIDENT / ESRI

geographic thinking or the geographic approach to problem solving,” he said. “These people are in our professional services teams, but they are also in the software development of the algorithms, tools and applications that actually work.”

Dangermond said that a “third asset” that Esri boasts is its users. “We have, depending upon how you measure it, between 2 million and 10 million people who work with our tools, and they are constantly inventing, embedding, extending, building apps on top of our core,” he said.

“Particularly today, with the world challenges that we are facing in climate, biodiversity and loss of nature, plus the issues of disasters and national defense, we are not really doing the work. Our users are doing the work by applying our basic platform and tools.

So we keep evolving those tools in close association with our users.”

No less important to Esri’s continued growth and leadership position is its partners, Dangermond said.

“We have almost 3,000 partners and a lot of them are small, little startups, but we also have some major partners like Microsoft, IBM, SAP and Schneider Electric, a global specialist in sustainable and efficient energy management and automation, all of which are really building significant business around and embedding our core tools,” he said.

No less important are Esri’s key partners AWS, which finds addresses, optimizes routes and tracks fleets with Amazon Location Services, and VertiGIS, a leading provider of asset management and geographic information applications and software.



Chart Your Course

Find addresses, optimize routes, and track fleets with Amazon Location Service



Learn more at aws.amazon.com/location

Dangermond said that all of these factors have helped to position Esri for what he called “the next big jump in the IT geo revolution.”

As for the future, Dangermond said that he expects Esri to continue to grow year-on-year, as it has over the last five decades, “anywhere from 5 to 10 percent on poor years and 10 to 15 percent on better years.”

“And occasionally we’ll go higher,” he added. “Right now, I’m thinking in the next five years, we’ll probably double, but it’ll be in the range of 10 to 15-plus percent per year and not dramatic or sudden growth.”

What will be dramatic, Dangermond said, is the rapid extension of the use of Esri GIS tools on a global level. “While the revenue of Esri is one focus as to how we are doing, what’s actually occurring is that our tools are getting cheaper with the whole revolution of the web,” he said. “So web GIS and web mapping has democratized mapping access by our customers’ customers.”

“Executives are waking up to realize that they can do a lot better, save money, make better decisions if they optimize and start thinking geographically and have a location strategy.”

JACK DANGERMOND
FOUNDER AND PRESIDENT / ESRI

Just as the John Hopkins Covid-19 map – which was powered by Esri GIS – helped millions of people around the world to track the international footprint of coronavirus infections during the pandemic, Dangermond said that people today are turning to geospatial maps to review climate change and other environmental trends around the planet.

And it is precisely this type of universal impact that Dangermond said is far more important than Esri’s financial figures, which he defined as “healthy, strong, and growing.”

Dangermond said that, at its core, Esri has “an internal philosophy of always searching for what users need and want” so as to best serve its customers.

“Since we’re not a public company, we can afford to do this. We invest a lot in serving customers multiple times a year, holding large user meetings,” he said. “We have been doing this for nearly 40 years. From our very first user meeting, our clients have given us direction and we listen to them. And that impacts our software primarily, but it also impacts our customer service and our licensing mechanisms.”

Improving the company’s customer experience is vital to Esri, Dangermond said. “We get feedback directly from the customers and through customer experience assessments: Where can we make tech support more efficient? Where can we make customer service more efficient? Where can we make licensing more efficient? What are the business efficiencies that we need to have?”

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• **SCALABLE**

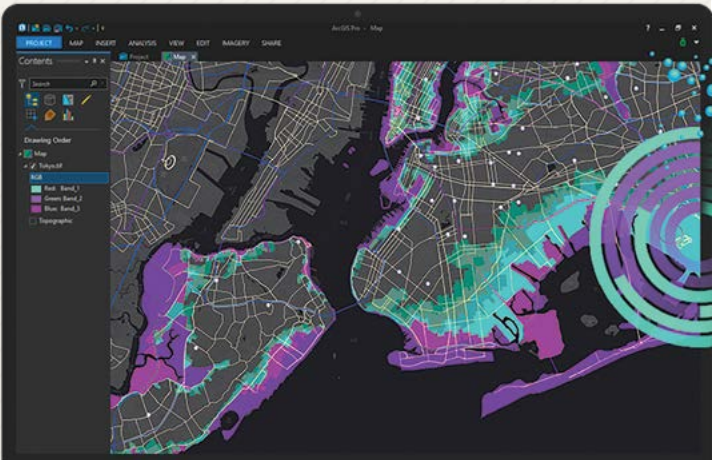
As usage needs scale, ArcGIS scales to meet demand, supporting organizations as data increases in size, complexity, and velocity.

• **SECURE AND PRIVATE**

Trusted by even the most regulated industries, Esri embeds security, privacy, and compliance into the core of ArcGIS.

• **INTEGRATIVE AND FLEXIBLE**

ArcGIS integrates into key enterprise systems and workflows. It runs in your infrastructure or on cloud providers such as AWS or Microsoft Azure.



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Solve your business challenges.

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VertiGIS is a leading asset management and geographic information systems (GIS) application provider and software developer. We focus on the development of software solutions and services that enable professionals in the utilities, government, telecommunications and infrastructure market segments to connect their business processes with spatial asset management technology. Our intuitive range of use-case-based tools helps more than 5,000 customers and millions of end users around the world solve complex business challenges by leveraging spatial data in new ways and building solutions that make a difference in their organizations and communities. A proud Esri Platinum Partner, VertiGIS’ product portfolio is designed to enhance the capabilities of Esri’s ArcGIS®.

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But as a global organization, Dangermond said that Esri often has to adjust to different operating formats in different countries.

“One of our big initiatives is something we call One Esri Globally, and that calls for creating efficiency and a consistent customer experience on pricing, technical support, marketing and so on,” he said. “That’s required getting everybody aligned among the various companies, but also getting everybody aligned among the different departments within Esri.” To do that, Dangermond said that Esri maintains an open line of communication with all its staff.

“Esri is structured as a flat organization, with a team culture,” he said. “We don’t have commissions or bonuses, and, as a result, there’s a flat communication structure that allows us to surface issues and then respond to them quickly.”

Although there have been no shortage of opportunities for Esri to go public, Dangermond said that by remaining private, the company has been able

“Landscape architecture is basically geodesign; it’s designing geography. And yet geodesign is not only done by landscape architects; it’s done by some of the world’s largest corporations.”

JACK DANGERMOND, FOUNDER AND PRESIDENT / ESRI

to protect its independence in terms of how it allocates its resources.

“We keep choosing to go big on investing in geographic thinking, the geographic approach, geographic science as underpinning so many of the challenges that the world is facing today,” he said. Esri is also investing heavily in education, with roughly 11,000 universities and 7,000 NGOs having free access to its latest GIS technology,

The company has earmarked more than \$1 billion worth of free Esri software to schools and environmental organizations.

“Sustainability starts with geography and understanding how everything is interrelated. Geographic thinking – the ability to integrate and fuse multiple

information types, social information types, environmental information layers, economic information layers, bringing it all together around geographic information – is really the ultimate fusion of information that comes from around an organization and from around the world,” Dangermond said. “Esri’s main strategic heart is in integration of all this information to create a more sustainable, more efficient, more effective organization.”

He went on to say that, in his view, all businesses and organizations are, in one way or another, interdependent and also dependent on nature.

“By modeling these ecosystems, using geography as the common platform, we can actually make better decisions and communicate better through maps,” he said.



“Maps are a kind of language to bring all of the best information together and make more effective and more sustainable decisions. So that is sort of our big goal. And I think everybody here believes that Esri runs like a passionate nonprofit in the sense that we are building tools that actually make a huge difference.”

Dangermond said that beyond its philanthropic bent, Esri works closely with its strategic partners such as Microsoft and Autodesk Corporation to keep abreast of rapidly evolving technology and changing geographic planning and environmental assessment needs.

“We like the idea that there’s customer benefit from our strategic alliances. It isn’t about co-selling or co-marketing. There is a technical integration there, and that gets us excited,” he said.

“Big companies like Schneider Electric have embraced us as their core platform for selling to major utilities around the world. I think we now have 3,600 utilities.”

Dangermond said that he did not know exactly what financial benefits this sort of integration will render, but that, in the long run, the customers’ experience will be better.

“And, yes, business flourishes as a result of that because things work,” he said. Dangermond said that, currently, Esri and its global subsidiaries are generating about \$2 billion in annual revenues, but that the company also spurs between \$28 billion and \$30 billion in business for its key commercial partners.

“The financial ecosystem that we influence is quite large and we can’t even fathom how big it is, but it’s in the range of 15 to 1,” he said.

“We’re like a little tail wagging a much bigger dog. But because we’re not a public company, we remain quiet. People don’t actually know the full extent of what we’re up to.”

Dangermond said that while many CEOs are still oblivious to the importance of geospatial relevance,

it is more crucial than ever that they understand that location and geography matter.

“Supply chains are spatial, their customers are spatial, their markets are spatial, their locations are spatial,” he said. “

And as the world changes with climate change and other vulnerabilities caused by social means, wars, famines, et cetera, you have to look at the issues of business continuity from a spatial lens.”

While many companies now spend fortunes on collecting data, Dangermond said that they often have never seen that data on a map.

“Geo-enlightenment is understanding the interconnectedness of things. Geography and the geographic approach provide us one of the only real ways to create a more sustainable world,” he said.

“Corporate America and CEOs need to get more involved in creating a future that is sustainable.” ✍



MEETING ENERGY NEEDS IN A CHANGING WORLD

BY JORDAN LEE EPPERSON

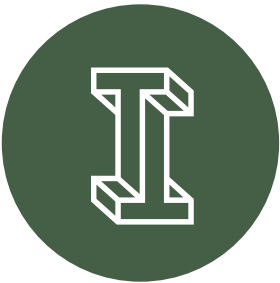
Michael J. Kasbar

CEO / World Kinect Corporation

As Leonardo DaVinci once said, “Everything connects to everything else,” but sometimes those connections can be tricky and convoluted, which is why having a professional bridge that facilitates efficient, reliable, affordable connections is the key to a successful business. That’s what World Kinect Corporation is all about.



\$59 billion Revenue | **5,000** Employees | **Miami, Florida** HQ | **NYSE: WKC** Stock



IT ALL STARTED BACK IN 1984 with a phone, a folding card table and two guys cramped in a harborside office in New York City, making sure that vessel operators in need of marine bunker fuel were successfully connected with the people who had it readily available.

Fast-forward nearly four decades later, and World Kinect Corporation (formerly known as World Fuel Services Corporation) is still connecting

people in need of energy with dependable providers, but on a much larger scale.

And with more than 160,000 customers that operate fleets and facilities across 200 countries and territories, World Kinect Corporation today has grown well beyond just providing fuel to marine tankers.

It is now a holistic and integral part of its customers’ entire energy journey, helping its clients to not only access fuel, but also providing energy management, fulfillment, logistics and payment services.

“What we do is provide a complete energy management solution for land, air and sea transport,” explained World

“There really isn’t anybody in the market that does what we do. There’s lots of people doing pieces of what we’re doing, but there isn’t anybody that does what we do as broadly in terms of the marketing and geography and breadth of services.”

MICHAEL J. KASBAR
CEO, WORLD KINECT CORPORATION

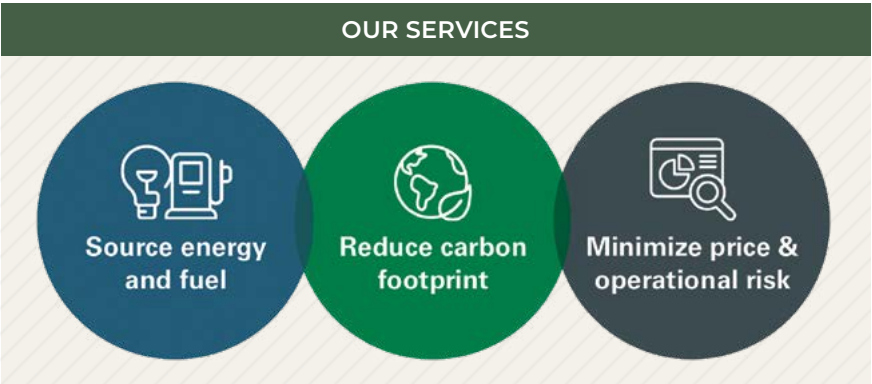
Kinect Corporation CEO Michael J. Kasbar, who happened to be one of those two guys in the crowded office back in 1984.

“When you look at the size of the marketplace today, it’s quite large in terms of aviation and marine. More than 80 percent of the world’s goods travel and get transported through the marine industry, and that’s not likely to change anytime soon, so it’s an important and critical part of global commerce.”

As for aviation transport, Kasbar said that the global market is continuing to expand at a rate of about 3.5 percent per annum, with expectations that demand will double by the year 2040.

“Then when we look at what we call our land segment – ground-based fueling, either for fleets, commercial or industrial users of energy – that’s also a sizeable market,” he said.

Working with critical and dependable partners like Neste, which offers sustainable aviation fuel that can save clients up to 80 percent over the cost of traditional fossil fuels, Phillips 66, a top-quality provider of premium gasoline and other refined petroleum products, and BP, one of the world’s largest oil and gas “supermajors,” Global Kinect tailors its services to meet the specific needs of each of its clients.



“You would have thought that putting fuel on a ship or plane, or delivering it to a factory would be fairly straightforward, but there’s a lot of moving parts. It’s the combination of having perfected that process over decades that allows us to do it in a very efficient and precise way.”

MICHAEL J. KASBAR
CEO, WORLD KINECT CORPORATION

“Like Neste, BP and Phillips 66 are two of our critical, long-term supply partners across several of our businesses,” Kasbar said. “We are excited for continued, successful partnerships with all three of these industry leaders.”

Kasbar said that most of World Kinect Corporation’s clients – be they airlines, shipping companies, commercial industrial users or governmental en-

tities – have as their core competency the objective of moving goods or people from one place to another.

And in order to do that, they must procure energy, which is where World Kinect Corporation comes into play.

“The energy market is complicated,” Kasbar said. “It’s volatile, the



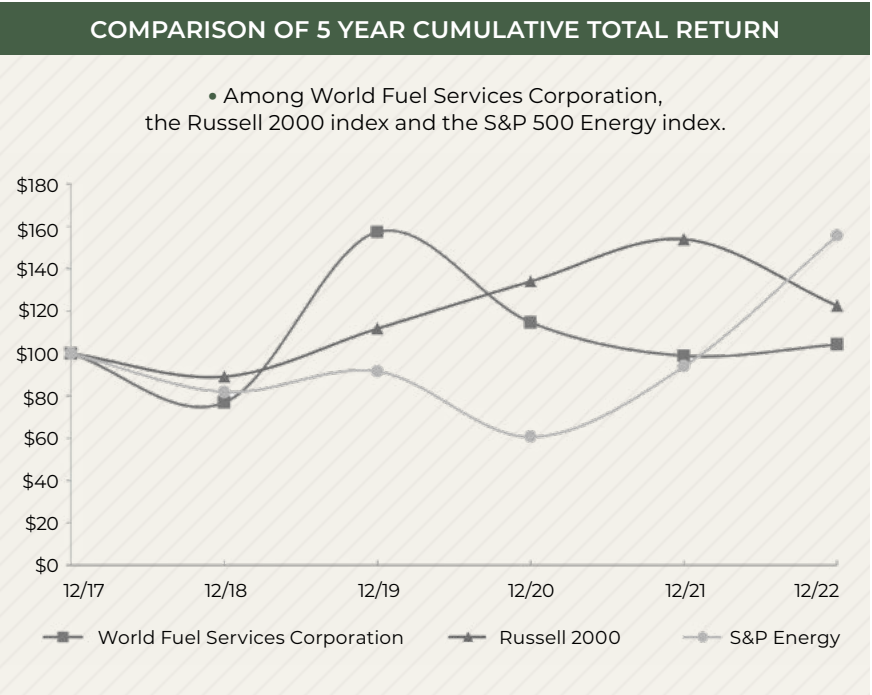
quality of the product is variable, and while we think of energy in global terms, it’s actually quite local, and everything impacts it.”

Consequently, he said, energy buyers must factor in a number of variables, including price, availability and decarbonization in terms of sustainability objectives.

Since most corporations are not experts in either energy procurement or logistics, Kasbar said that they have to grapple with what he called “the trilemma of energy affordability, energy availability and the resilience of supply.”

“We’ve seen by virtue of the invasion of Ukraine how politics can disrupt markets, and we’ve seen refinery outages and natural events like hurricanes seem to be more prevalent,” he said.

“So the actual availability of the product is not assured, and, of course, price is pretty important. It’s critical for operations of airlines and shipping companies. It can be up to 30 percent of their operating costs.”



Moreover, he said, the entire global energy market is currently in flux.

“Renewable energy is now a material part of the supply picture, from onsite solar and renewable diesel to biofuels and sustainable power. All these sources of energy are a part of

the repertoire of almost every company today,” Kasbar said. World Kinect Corporation offers its customers access to both conventional and renewable energy sourcing and provides them with the critical data they need to comply with their respective sustainability goals.

“We are an energy management, fulfillment, logistics and payment business. We help users manage their procurement of energy. Whether it’s a shipping company, an airline, a fleet of trucks or a commercial, industrial or governmental entity, we help them use less of it, get the right fuel at the right time at the right place and the right price with the right logistics.”

MICHAEL J. KASBAR
CEO, WORLD KINECT CORPORATION



“We’ve been doing this for decades, and we are a strategic partner for all of those consumers of energy to achieve both their sustainability and financial objectives,” Kasbar said.

And despite complications from the aftermath of the Covid-19 pandemic and supply-chain breakdowns around the globe, 2022 was a milestone year for World Kinect Corporation.

“We delivered solid performances in every one of our businesses,” Kasbar said, pointing to total revenues of \$59 billion.

“The year 2022 also capped a three-year journey where during that time period our business and our team responded to the sudden and near total shutdown of aviation and marine passenger travel, the abrupt end of our



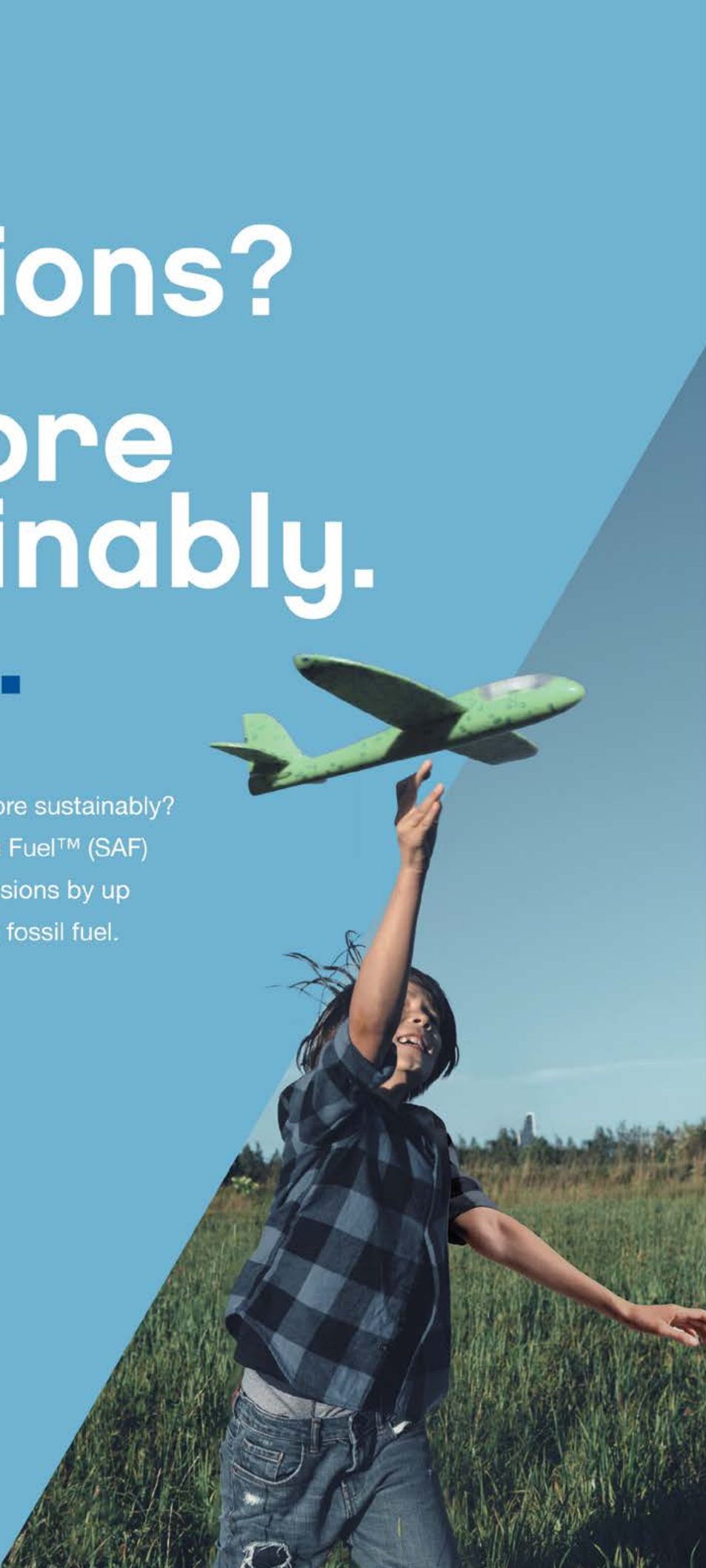
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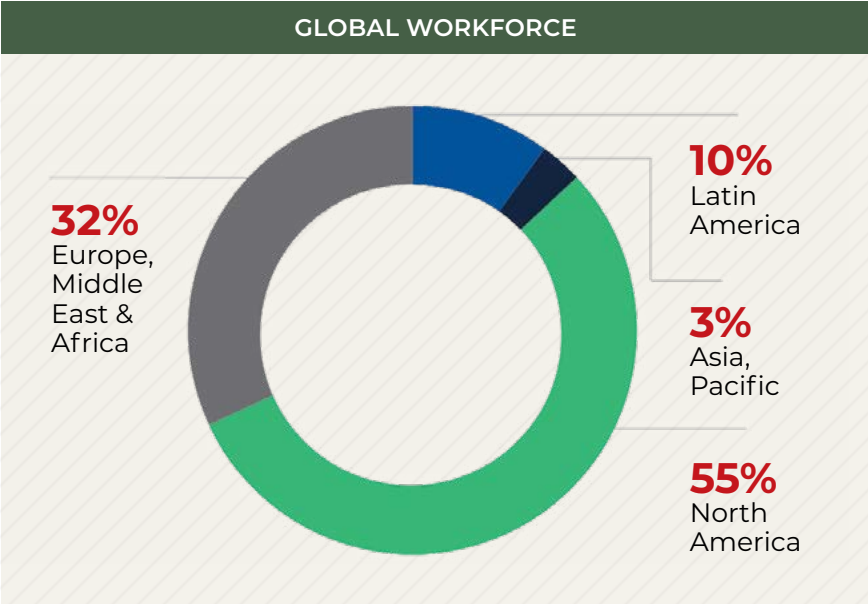


military business activity in Afghanistan, and the impact of the Ukraine invasion on global oil markets, which negatively impacted our aviation inventory model.

And despite all of this, in 2022 we rebounded back to nearly match our record 2019 operating results. If 2022 said anything about our company, it is that our portfolio diversity breeds stability and stability breeds resilience, especially in the face of adversity.”

World Kinect Corporation also delivered solid results in the first half of 2023. Its first quarter 2023 adjusted EBITDA increased year-over-year by 16 percent to \$87 million, and its second quarter 2023 adjusted EBITDA increased year-over-year by 29 percent to \$99 million.

Having successfully built global platforms for both air and sea transport, Kasbar said that World Kinect Corporation is now looking to reinforce its land-based and sustainability businesses.



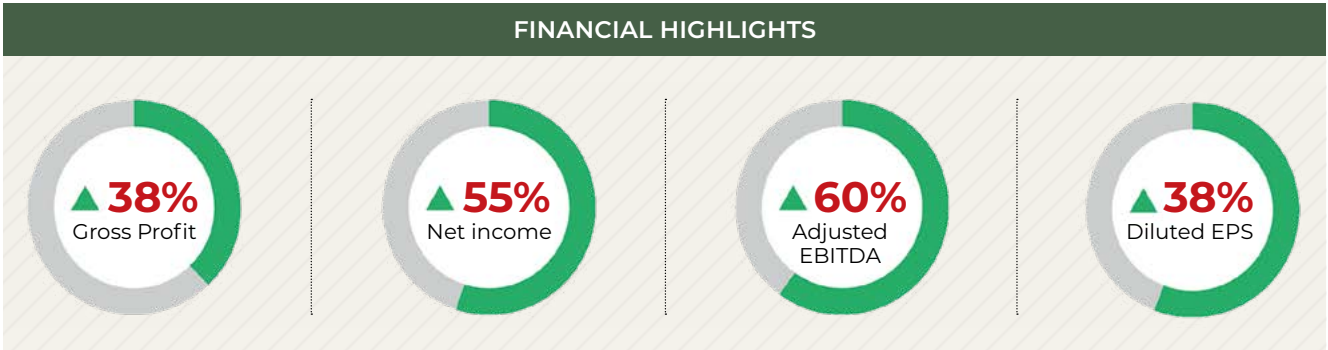
“As military veterans have made sacrifices in the tireless service of their country, so World Kinect Corporation will proudly support them on their transition to civilian life and in finding employment. Veterans are talented and committed and we share and value their passion for excellence in service.”

MICHAEL J. KASBAR
CEO, WORLD KINECT CORPORATION



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“These are younger businesses for us, but there’s a lot of similarities with our land and sea competencies and processes, and even technology platforms, that we’ve been able to leverage into our land and sustainability businesses, because at the end of the day, while the energy diet is becoming more diverse, there is a commonality cutting across all businesses where they’re looking to source renewable power, onsite solar, any number of different activities,” he said.

“And looking at the need for energy efficiency, a big part of achievement of sustainability goals is going to come from energy efficiency. With the technology that exists today, most companies will be able to get halfway through their sustainability targets by looking at efficiency efforts, and we provide a lot of that across all our businesses in terms of consulting for those companies.”

By the same token, Kasbar said that most energy suppliers are more focused on exploration, production, development and sustainability than on seeking out new customers.

“While both our customers and our suppliers are focused on their core competencies, we’re focused on bridging between buyers and sellers, between producers and consumers,” he said.



“Wherever we can get reusable processes or tools, we’ll do that in order to create improved efficiencies, which are vital to sustainability goals.”

MICHAEL J. KASBAR
CEO, WORLD KINECT CORPORATION

And it is exactly that ability to connect energy buyers and suppliers that inspired the company to change its name and rebrand itself in June of this year.

“For nearly 40 years we have been dedicated to providing a comprehensive and reliable supply of energy, logistics and finance solutions for avi-

ation, marine and land-based customers worldwide,” Kasbar said.

“Our new name, World Kinect, represents our role as a bridge, connecting our customers to the resources, expertise and support they need to successfully navigate their energy transition journeys.” ✍



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AIMING FOR GREENER ENERGY

BY SAMUEL SCHWEBER

Catherine Fiamma Macgregor

CEO / Engie

North Carolina Governor Roy Cooper recently remarked that “a strong renewable energy industry is good for the environment and the economy.” As head of the French Engie energy group, CEO Catherine Fiamma McGregor has proven that adage to be fact.



\$93 billion Revenue	160,000 Employees	Paris, France HQ	Paris and Brussels Stock Exchange: ENGI Stock
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WHEN CATHERINE FIAMMA MACGREGOR first took the helm of the French transnational energy group Engie in January 2021, she knew she was biting off a lot to chew given the tumultuous nature of the global energy market at the time.

With the world in the midst of a global Covid-19 pandemic and mounting tensions brewing between Ukraine and Russia, the interna-

tional energy market was anything but stable.

In fact, when the then-48-year-old McGregor became Engie's CEO, global energy demand was down 7.6 percent compared to the previous year, thanks mainly to coronavirus lockdown measures and corporate slowdowns, and by the time Russia finally invaded Ukraine a year later, energy supplies and prices became even more volatile.

But with nearly 25 years of experience in the energy market, including having worked for both Schlumberger (the world's largest offshore drilling company) and Tepnich Energies (which specializes in subsea and surface energy projects), MacGregor, an engineer by trade, was undaunted by the challenge.

“The sheer amount of renewables that need to be developed is massive. You need to be very, very local, you need to go and talk to local authorities and citizens. For us, that’s a competitive advantage.”

CATHERINE FIAMMA MACGREGOR
CEO, ENGIE

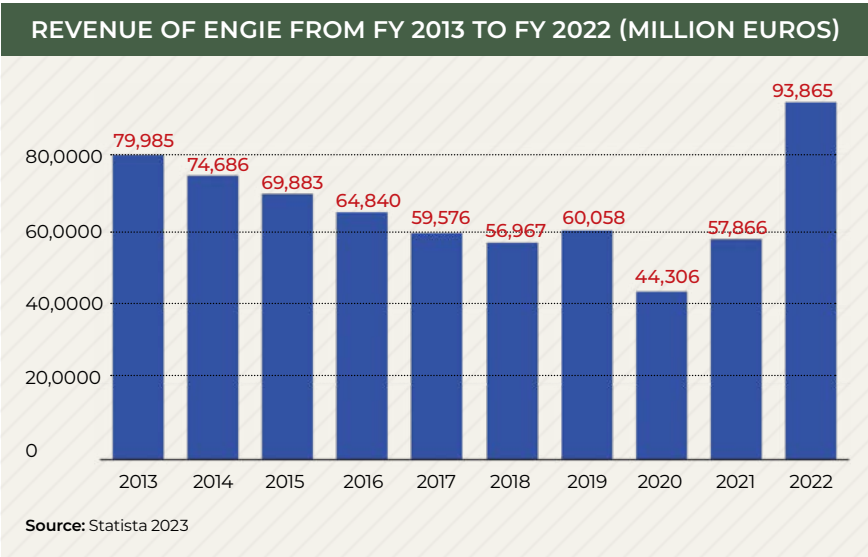
MacGregor's first move as Engie's CEO was to announce her intention to reinvent the former state-owned gas monopoly by making it a green energy champion, focusing more on services than supplies.

“We all have to think and work greener,” MacGregor said at the time.

“Engie is trying to simplify its structure by selling off some activities to concentrate on others, such as renewable energy, and streamlining its sprawling structure.”

Her dramatic push to sell off many of the company’s fossil fuel assets made MacGregor an instant global environmental paladin, but while Engie’s corporate image was boosted by her sustainability dream, the company’s stock price initially lagged behind its rivals, and stockholders were uneasy with her gung-ho approach to the greening of the company.

MacGregor also launched a new strategy to pull back from services and asset sales in non-core sectors and to court private investors into a company that was still 24-percent owned by the French government, which had outsized voting rights and three board seats.



“The world is at a turning point and is shifting toward green energy. The energy market as we have known it won’t ever be the same again.”

CATHERINE FIAMMA MACGREGOR, CEO, ENGIE

But despite her naysayers, MacGregor was unrelenting in her mission to not only reinvent Engie, but also to transform the entire global energy market.

And within 12 months, her strategy paid off in spades for Engie, which ended 2021 with a 31.6 percent growth in gross revenues and a 21.9 percent growth in EBITDA.



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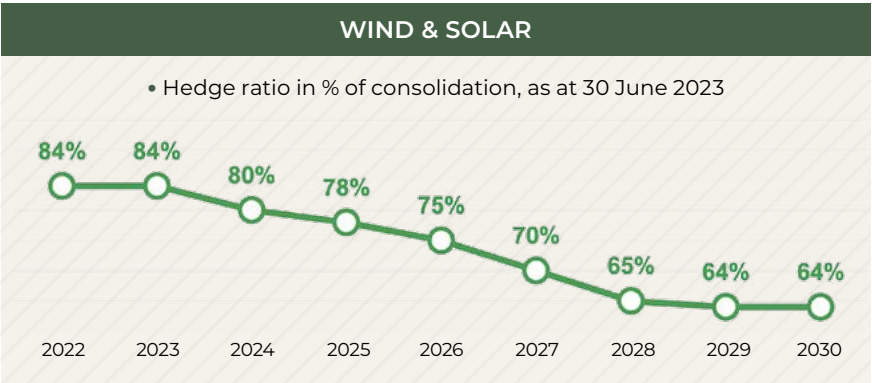
Having proven that the company could grow financially while still maintaining its carbon neutrality target by 1945, MacGregor took her greener power platform on the road and became an international spokesperson for a sustainable energy evolution, promoting cleaner sources over oil and gas options.

“The sheer magnitude and urgency of the energy transition makes it an unprecedented challenge for the world,” she said.

“At Engie, it is at the heart of our corporate purpose, our strategy and everything that we do. At a time when the debate on energy planning was gaining traction, we wanted to share our convictions on what we believe to be the most realistic pathway.”

“The alignment of Engie’s strategy, purpose and carbon ambitions is critical for our future success and provides a clear trajectory to our global teams.”

CATHERINE FIAMMA MACGREGOR
CEO, ENGIE



“The energy crisis has shown us that energy is strategic and that the focus must be on energy supply as a key sovereignty issue.”

CATHERINE FIAMMA MACGREGOR
CEO, ENGIE

That pathway, she said, was developed on a successful transition to net-zero carbon while ensuring that the cost to citizens and businesses be kept under control by developing a robust and reliable energy system.

“To achieve this, we are convinced of the need to exploit all levers for decarbonization. The combination of the molecule and the electron is the answer to these challenges.”

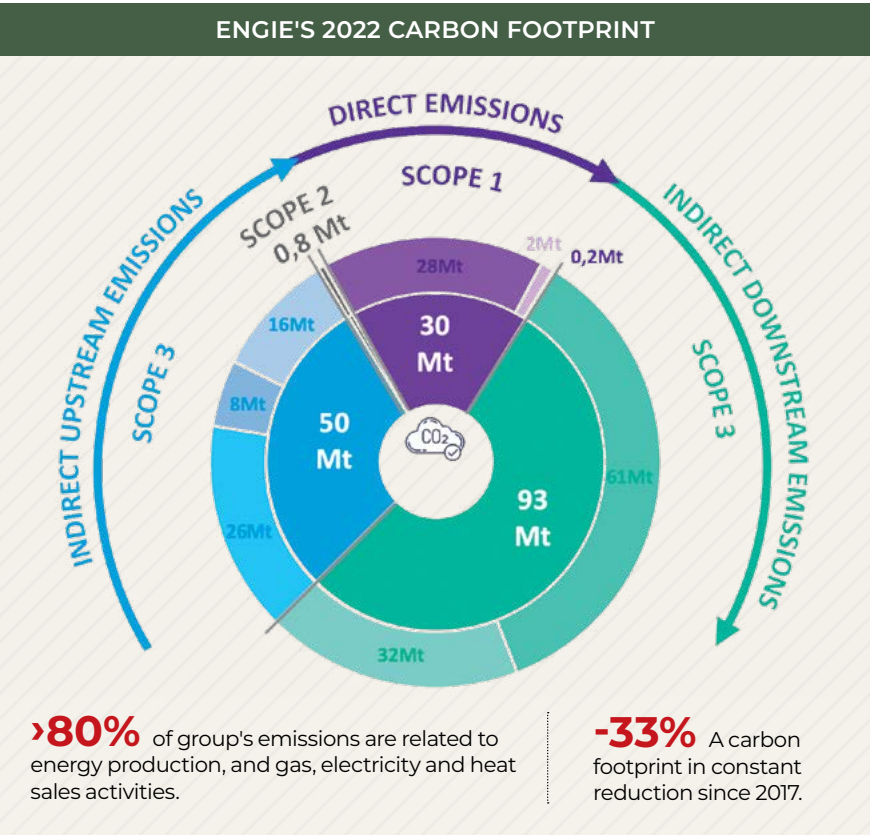
By 2022, MacGregor’s greener energy policies were paying off in an even bigger way for Engie, with a 62-percent boost in revenues compared to the previous year and a 78-percent rise in recurring income.

Today, Engie owns 64.2 gigawatts of installed capacity, composed of 38 percent natural gas, 25 percent hydro, 14 percent onshore wind and 8 percent nuclear, with most of its power plants located in Brazil, France and Belgium.

And with global investment in clean energy set to reach \$1.7 trillion this year, Engie is well positioned to show even more dramatic growth in its 2023 financial report.

Notwithstanding, MacGregor is still on guard when it comes to the unpredictability of energy prices and supplies.

“The energy crisis is far from over so we must remain vigilant,” she warned in mid-September of this year.



“And neither Europe nor the rest of the world are immune to gas supply disruptions or a rebound in demand, even though this winter outlook is better than last year’s.”

And though she acknowledged that geopolitics and other external pressures on global energy supplies could continue to stir turbulence in the international market long into 2026 and even

2027, MacGregor said that the energy sector is a “super-attractive and unbelievable sector” of the world economy.

“We all need to release more positive energy and continue the transition to a more carbon-neutral world,” she said.

“And by doing that, we are going to transform the world for the better.”



PUTTING THE READER’S INTEREST AHEAD OF PROFITS

BY THÉRÈSE MARGOLIS

M. Scott Havens

CEO / Bloomberg Media

Few industries have undergone such rapid or dramatic change in the last decade as that of communications and news media. In order to survive that constantly changing landscape, many media companies are now adopting new and sometimes unprecedented models and policies to redefine themselves and better serve their public. Bloomberg Media is a prime example of that metamorphosis.

Bloomberg Media

1,400
Employees

New York,
New York
HQ

Private Equity
Stock



FROM ITS VERY FOUNDING IN 1993

as Bloomberg Radio, the privately owned business publisher Bloomberg Media has been all about its audience. The company’s mission statement makes that clear: “to empower business leaders and our brand partners by inventing the solutions, knowledge and connections they need to thrive in a transforming world ... through deep, smart, global reporting of the world of

business, powered by unmatched data and the world’s largest newsroom.”

So when a then-49-year-old M. Scott Havens took the helm of Bloomberg Media in January 2022, he decided to take the bold – and some said, risky – step of eliminating all open-market third-party programmatic advertising on both the company’s website and its mobile app.

Haven’s reasoning was simple, to put the readers’ interests ahead of short-term profits by removing superfluous – and sometimes poorly vetted or low-quality – ads that could possibly detract from the viewing experience or even misalign with the company’s core brand.

“Our mission is to build deep relationships with business leaders by arming them with the news and information they need to succeed.”

M. SCOTT HAVENS
CEO, BLOOMBERG MEDIA

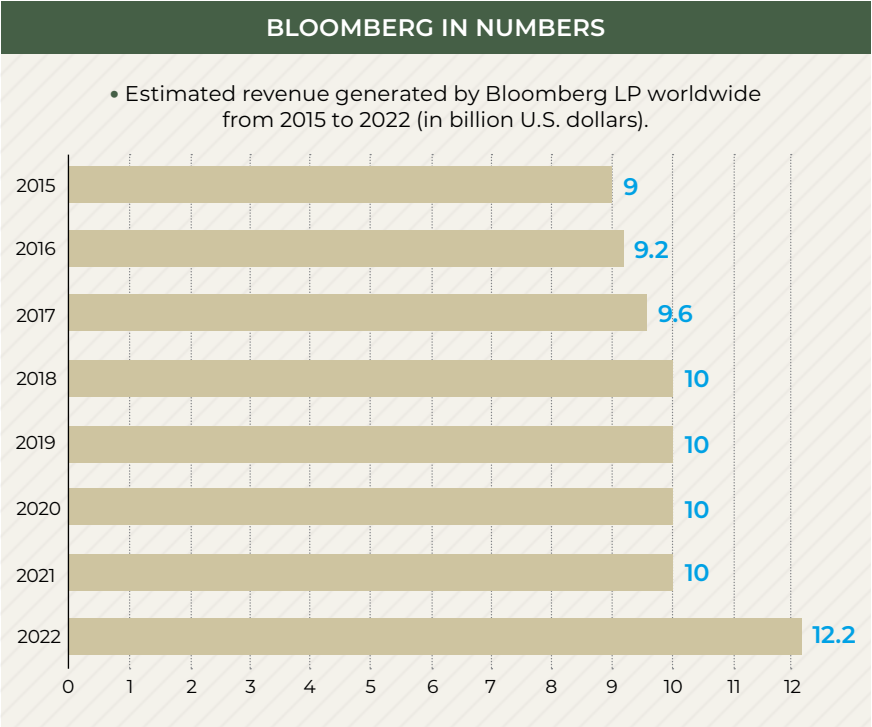
And while Havens acknowledged at the time that Bloomberg Media’s revenues would no doubt take an immediate hit as a result of the controversial move, he maintained that, in the long term, the company would benefit since better-satisfied readers would be more likely to return to the platform and, in turn, consume more content.

“If you make a good product and people enjoy their experience, they are more likely to remain a customer. Media businesses have not cared as much about that as they should.”

M. SCOTT HAVENS
CEO, BLOOMBERG MEDIA

He also was betting on Bloomberg Media's newly re-claimed digital real estate to be an ideal location for presenting in-house ads such as newsletters, podcasts and television programming, thus ultimately offsetting the loss of open-market programmatic ad revenues – which represented about 5 percent of the publisher's total inventory – with increased subscriptions and other sales.

So, without further ado, on Jan. 1, 2023, Bloomberg Media removed all third-party display ads from its digital platforms and also discontinued the use of vendors whose advertising diverted traffic away from the Bloomberg site.

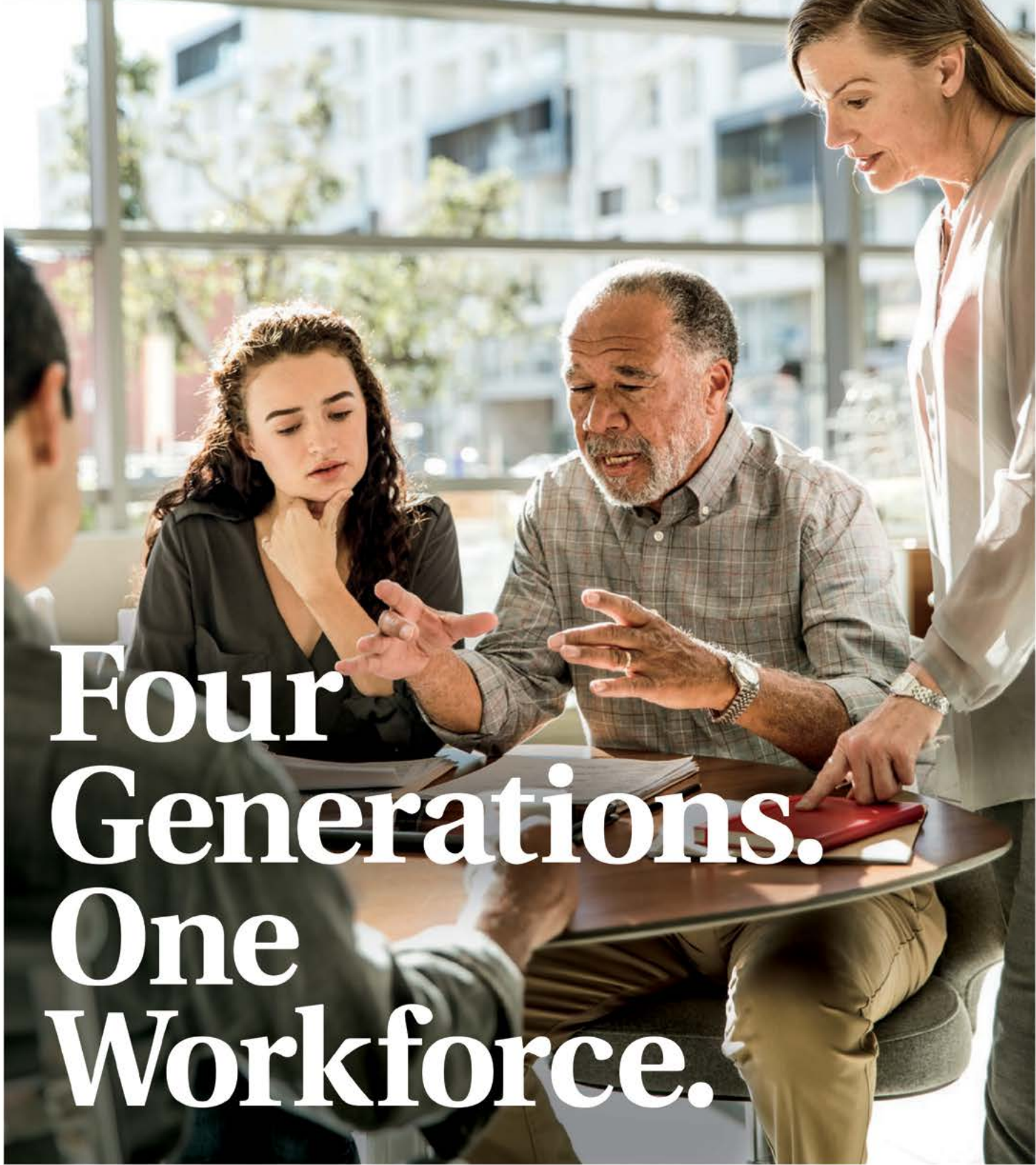


“I think the most important piece of the decision to remove programmatic ads actually ladders up into what I would call our audience-first strategy, our pivot to being obsessed with our customers' needs,” Havens said.

Havens went on to explain that by allowing third-party ads on its sites, Bloomberg Media had essentially

been compromising its own quality objectives and revenues.

“Once you have given access to outside sources, it's not just about third-party programmatic ads coming through the exchanges,” he said. “Our user experience was a bit diminished. Our sites were a bit slower. And, philosophically, I had a real problem with



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opening up our incredibly affluent and successful audience to marketers who we're not working with us and who were paying generally 95 percent less than when they worked with us directly."

Through requiring all outside advertisers to go directly through the company's vetting and pay-scale procedures, he said, Bloomberg Media could now control both the quality and pricing of those ads.

But Havens said that, in the end, the decision was rooted in Bloomberg's "much broader strategic shift toward a deeper focus on its audience."

And while his prediction that short-term revenues would decrease did indeed take place during the first half of 2023, Havens said that the decision has already paid off with an immediate user response.

"What we've been able to do, I believe, is to deepen our relationships with our subscribers and users, with more engagement, more subscription revenue, more group subs that we're selling," he said. "We've sped up the website and we're growing our rev-



"Our bet on being ruthlessly and relentlessly focused on the customer is what we're basing our future success on."

M. SCOTT HAVENS
CEO, BLOOMBERG MEDIA

enue base with our brands directly, and so it will pay off, without question, over the long term."

In the first half of 2023, total advertising revenue was still down, but Bloomberg Media increased its number

of digital subscribers by 7 percent and newsletter subscriptions were up over 100 percent. Bloomberg Live Experiences (events) were up 35 percent. The company has also replaced six of its on-site ad units since January and implemented a new, proprietary ad product for its newsletters that has doubled its email ad revenue and increased viewer clickthrough rates by 80 percent.

Havens admitted that the new programmatic ad-free model may not be suited for every media company based on specific audiences, focuses and size, but for Bloomberg, he said, it was the right path to follow.



"We've worked really hard over many years to build a brand and a product across every platform – digital, print, web, live experiences, podcasts, et cetera – to attract the most influential and affluent audiences in the world," he said. "And, for us, providing uncontrolled access at a cheap rate to a bunch of marketers without our involvement just didn't seem to make sense."

The dramatic revamping of Bloomberg Media's digital advertising policy was not the only innovation that Havens has implemented in his brief term as CEO.

"There are probably three buckets that I've been focused on and will continue to focus on in the near term," he said. The first, Havens said, is improving customers' digital experience by personalizing and speeding-up the online platform, which he said currently accounts for about 60 percent of Bloomberg Media's business.

"We're investing heavily in our digital platform, which is the biggest part of our total business today. We are investing in lots of new programming for our networks, in particular through our Bloomberg Originals group," he said, noting that the brand has two

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73MM Monthly Video Streams
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streaming networks. "We've also been investing in lots of podcasts. We have quite a few these days that are wildly successful. We're pushing about 10 million downloads a month."

Havens' second "bucket," he said, is more focused on the business end of

EXPERIENCES ACROSS PLATFORMS

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operations, with a strong investment in technology and organizational structure that will enable Bloomberg Media to maintain its forefront position as it expands both nationally and globally.

“The final bucket, which is really important to me, is our people,” Havens said. “In media, you differentiate from your competitive set through talent, and so we spent a lot of time bringing in what I think are some of the best players at their position who are both generous of spirit and ambitious. Those are our two cultural values.”

Havens said that while Bloomberg recognizes the importance of technology as an enabler of communications, the company’s real driving force is its talent. He likewise said that Bloomberg is looking to expand its international market.

“Currently, almost 50 percent of our business is outside the United States, and while it’s more challenging and not as mature in many parts of the world, we see that as a huge opportunity for us to grow and expand our footprint,” he said.

“The consumers have spoken; they spend most of their time with video and especially the younger audiences are getting news and information through video. This is a great opportunity for us. We’ve got studios all over the world, and we’ve got 500 people working on video. This is an area in which we have a competitive advantage and we’re going to leverage that.”

In addition, the Bloomberg New Economy Forum in Asia, slated for November, has become an annual showcase for the company’s ability to draw on the power of its global audience. More than 500 global leaders from business and government are expected to convene in Singapore this year to address the world’s most pressing issues.



“Our growth is well-diversified across regions, platforms and lines of revenue. Bloomberg Media has never been in a more stable position to withstand any forthcoming industry headwinds.”

M. SCOTT HAVENS / CEO, BLOOMBERG MEDIA

Still, Havens said that the rapidly changing landscape of media and news poses some serious challenges for both Bloomberg and other information outlets.

“If you don’t continue to add very, very clear value to your user base, you’re going to be canceled,” he said. “People are going to cancel their subscriptions, especially if we’re in bumpy economic times when they are look-

ing at their monthly output, monthly costs. So I think that’s real.

At Bloomberg, we are feeling very good again about our audience-centric strategy, about our pivot toward building products and features that our audiences have told us they need and want. And I think if we’re valuable, if we’re essential to them, they will continue to have that paid relationship with us. But that’s going to be a big challenge.”





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THE EVOLUTION OF ASGN

BY TERRELL DUANE

Ted Hanson

CEO & Member of the Board Of Directors / ASGN Incorporated

Digital marketing expert and author Kevin Stirtz once observed that to achieve corporate success, you must know what your customers want and what your company does best, and then focus on where those two concepts meet. To have a winning product or service, he said, you must provide a solution to a customer problem and do it so well that customers don't want to or need to go elsewhere.



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Revenue

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Virginia
HQ

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FOR ASGN INCORPORATED CEO Ted Hanson, the secret to a successful IT services company is the leveraging of industry expertise and intimate client knowledge to bring the right solutions to its customers.

“Our go-to-market strategy is built around bringing new higher-valued services to our customers,” Hanson said about ASGN, one of the nation's leading providers of IT services and

solutions for commercial and government end markets. “A lot of our customer relationships were built upon our heritage as a leading IT staffing business, and that’s great. We’re still a top player there, but now our teams are also bringing technical capabilities to be able to craft solutions to meet our clients’ needs. In other words, we can offer a higher-value service to a customer that we’ve had in our portfolio for years or even decades.”

Founded in 1985, ASGN has grown steadily since its IPO in 1992 through both organic growth and key acquisitions. The company owes its transition from its early beginnings in healthcare and life sciences staffing to IT services and solutions to its Apex Systems acquisition.

“Our free cash flow is our principal source of liquidity and has enabled us to make acquisitions, an important part of our capital allocation strategy without the need to take on additional leverage.”

TED HANSON
CEO & MEMBER OF THE BOARD OF DIRECTORS, ASGN INCORPORATED

“Before Apex Systems came into the business in 2012, our company was really a collection of diversified staffing firms,” Hanson said. “When Apex joined in a merger of equals,

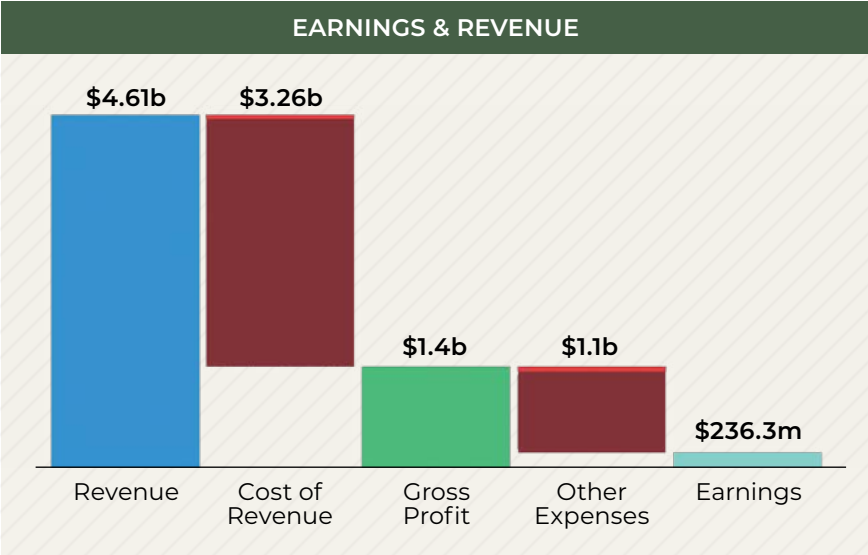
that gave us a real foothold in the IT staffing market, which is currently worth about \$40 billion in the United States.”

With the acquisition of Apex Systems, Hanson said that the company became far more focused on IT services.

“We began to diversify or otherwise manage things that were not IT out of the business, and both organically and by M&A, began to add to our IT capabilities,” he said. “That was really our first step in becoming more solutions- and consultative-oriented. The Apex acquisition allowed us to pivot our story with our customers and with the market around who we were going to be in the future.”

From that time on, Hanson said that ASGN was transformed into a much more consultative firm supported by its IT staffing capabilities.

“That differentiates us and is the foundation of our client relationships over many years,” he said. “Beyond ASGN bringing IT talent to bear, our clients began to see us as a partner that



“We expect that our high-end consulting offering will remain an important source of the value we provide to our clients, and so we continue to make acquisitions that bolster our consulting capabilities.”

TED HANSON
CEO & MEMBER OF THE BOARD OF DIRECTORS, ASGN INCORPORATED

can also offer higher-value technical solutions. At the same time, the market began to recognize that we were going to be a transformed company moving forward. Since my becoming CEO of

ASGN in 2019, this transition to IT services and the movement toward more consultative work have really been the two biggest pivots in our messaging and in our capabilities.”



Today, ASGN offers IT services and solutions ranging from artificial intelligence and machine-learning to cloud, cybersecurity and IT modernizations to a plethora of large corporations and enterprises, along with the U.S. Department of Defense, intelligence community and federal civilian agencies.

“The gold nugget of ASGN is our account portfolio,” Hanson said. “We work with more than half of the Fortune 1000 and the largest federal government agencies. We are bringing IT services to big enterprise accounts that encompass five commercial industries, plus the federal government, a sixth industry.”

And despite some slowdown during the pandemic period, ASGN has continued to show impressive growth year-after-year.

In 2022, the company reported revenues of \$4.6 billion, up 14.3 percent over the previous year, with \$2.1 billion, or 49 percent, from commercial and federal IT consulting. In the first quarter of 2023, ASGN’s commercial and government IT consulting income officially surpassed 50 percent of consolidated revenues, a new company milestone.

Maintaining that growth trajectory, ASGN continues to work toward becoming “a much bigger firm in the future.”

“In addition to the IT staffing market, the commercial market for IT consultative services in the United States -- the part of the market we address -- is in excess of \$300 billion, and it’s our fastest growing area,” Hanson said. “In the federal government, the IT market is worth about \$180 billion, and we’re becoming a significant player at scale in that marketplace. The market is there, and we have the capabilities to be a much bigger business than we are today.”



Even though ASGN is playing in a much larger addressable market than in earlier days, Hanson said that the company’s capital allocation strategy has not changed.

“We believe that M&A remains the best use of and highest return on capital,” he said. “Having said that, with limited deals in the pipeline at present, we expect to continue to be active in repurchasing ASGN shares given our view of our rather compelling share price.”

Hanson said that after the first quarter of 2023, the ASGN board approved a new two-year, \$500-million share repurchase authorization.

Ultimately, Hanson concluded, “what’s underpinning our strategy for the future is faster growth in the consultative part of our business.”

“Not only does that get us to the fast currents of where

AI FOOTPRINT

Commercial:

65+

Clients Served

240+

Projects Completed

790+

Consultants Deployed

Government:

60+

AI/ML Engineers & Data Scientists

300+

Models Deployed

1000+

Certifications, Accreditations, and Awards

IT money is being spent by our clients, but it also comes at a better margin.”

In addition, by leveraging fixed costs by automating certain routine processes and improving efficiencies, Hanson said that ASGN will be able to continue to keep its overhead costs down, which translates into incremental margin expansion and, importantly, a more productive cost point for customers.

“ASGN’s capabilities within IT staffing to help bring the most important talent to our customers to help them execute their technology roadmaps has been the legacy of our business,” he said. “But we’ve also built great solutions and consultative capabilities and we are combining both the talent and those capabilities around solutions in a way that not many other companies have been able to achieve. In that way, our clients are

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TRANSFORMING AMERICAN HEALTH CARE

BY EVELYN PERTUIT

Karen S. Lynch
President and CEO / CVS Health

The ancient Greek physician Hippocrates once said, “Wherever the art of medicine is loved, there is also a love of humanity.” He later went on to add that “there is an art to medicine, as well as science, and that warmth, sympathy and understanding may outweigh the surgeon’s knife.”

\$322.5 billion
Revenue

300,000
Employees

Woonsocket,
Rhode Island
HQ

NYSE: CVS
Stock



KAREN S. LYNCH knows what it is like to be caught in a labyrinth of confused health care services and not know where to turn for help or even what questions to ask the medical staff in a time of crisis.

Orphaned at age 12 when her mother committed suicide, Lynch was raised by her aunt, who, in 1989 was diagnosed with terminal cancer.

For weeks, Lynch sat alone in a Massachusetts hospital room watching her closest relative fade away with nowhere to turn for support or guidance.

The loss of her aunt never left her, nor did the feeling of desperation and confusion that permeated that tragic experience.

“I didn’t know how to navigate the health care system,” she said.

“I was confused, like many people are when trying to find their way through the health care system.”

And while the trauma of witnessing her aunt’s long suffering eventually faded, the firsthand experience

“What we’re trying to do is build that longitudinal relationship with the consumer.”

KAREN S. LYNCH
PRESIDENT AND CEO
CVS HEALTH

of understanding just how difficult dealing with health care services can be left an indelible mark on both her character and her professional trajectory.

“At that moment, I realized that I could help to make a real change in America’s health care system,” she said later.

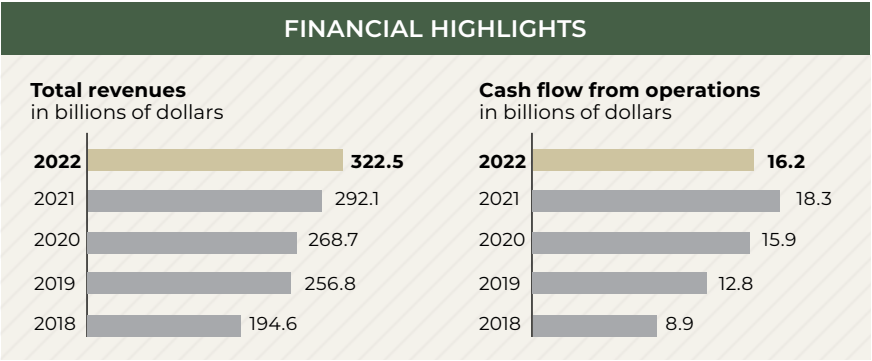
It was that epiphany that led Lynch to a major career shift two years later.

After working more than a decade as a CPA for a local accounting firm, Lynch accepted a position at the Connecticut-based health insurance giant Cigna.

Lynch spent the next 18 years learning nearly every aspect of the health insurance industry, working in Cigna's accounting, finance and human resources departments while meanwhile completing an MBA through night classes at Boston University.

By 2004, Lynch had become the head of Cigna's dental insurance unit and was overseeing that segment's overall financial accounts. In 2009, she became president of the Missouri-based Magellan Health Services group, and three years later, she joined Aetna as executive vice president and head of specialty products.

Just three months into that position, Lynch was charged with overseeing Aetna's corporate integration of Coventry Health Care, which, at the time, constituted the largest health care acquisition in U.S. history.



“I think it’s important for all of us to make sure we’re taking care of our own selves because if you can’t take care of yourself, you can’t take care of others.”

KAREN S. LYNCH
PRESIDENT AND CEO / CVS HEALTH

Hard work and a dedication to serving the public while streamlining the company's health care business won her the role of Aetna's first female president in 2015. After Aetna merged with CVS Health in 2018, Lynch once again proved her worth by helping

maneuver the company through the start of the coronavirus pandemic and making sure that all 9,000 CVS pharmacies remained open to serve the public by administering vaccines and Covid tests.

It was during the midst of the Covid-19 pandemic that Lynch became the President and Chief Executive Officer of CVS following the retirement of Larry Merro in February 2021.

That appointment made Lynch the highest-ranking female CEO on the Fortune 500 list. But for Lynch, the title was not nearly as important as the chance to finally make a major difference in American health care.



“I was thrilled that after the culmination of a long career, I would now have an opportunity to really have an impact on the health care system,” she said.

“It was an opportunity to drive engagement, simplicity, effectiveness — and to drive patients to the right care at the right time, in the right places.”

Now at the helm of one of the largest private health care providers in the United States, Lynch said that she took a moment to pause and think about what the true purpose of CVS was and how she could make sure that its clients would always have access to high-quality, affordable health care. To that end, Lynch said she set out to find new ways for the private health care industry to serve the greater good.

She also said that she wanted to make CVS a company that could help people navigate the health care system without excessive bureaucratic red tape and complicated paperwork.

“Because we’re so central in people’s lives, we have the ability to be even more central in people’s lives,” she said.

“That’s the mark I really wanted to make, to be part of someone’s everyday life where if they’re healthy, they’re engaging with us to stay healthy. And if they have health issues, they’re engaging with us so that we can help manage and navigate that.”

Lynch’s vision was to move CVS beyond its toiletries and pharmacy roots and transform it into a one-stop health provider with a three-prong approach: an insurance arm to help people pay for care, pharmacy services to provide medicine and in-store health care centers to treat patients. In order to fulfill that vision, one of Lynch’s first moves as CEO was to fast-track CVS’s \$8 bil-



“When you make decisions as often as I do, you’re going to make a bad call. You just have to readjust.”

KAREN S. LYNCH
PRESIDENT AND CEO / CVS HEALTH

lion acquisition of the in-home care corporation Signify Health.

Earlier this year, CVS completed another acquisition, that of Oak Street Health, a leading multi-payor, value-based primary care company with approximately 600 providers and more than 170 medical centers across 21 states, followed by the launching in July of Caremark Cost Saver to help lower pharmacy out-of-pocket drug costs for CVS clients’ members.

And over the last two years, Lynch has spearheaded an ambitious program to transition hundreds of the company’s U.S. stores into super-clinics and to

reposition the CVS brand as a primary care and home health care provider.

“Our role is offering an alternative site of care, either in our retail locations, or in the home with virtual connections,” Lynch said.

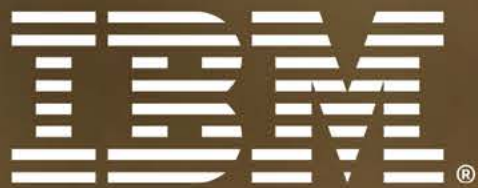
“We’re entering into the primary care space because we believe that primary care has real significant influence over the cost of health care.”

And, indeed, it does. Since CVS currently fills more than 2.5 trillion prescriptions a year, Lynch said that the company has the capacity to influence drug prices.

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smart
to work.™



“Health care, in the way I think about it as a leader, is not just about insurance – there is an emotional connection.”

KAREN S. LYNCH
PRESIDENT AND CEO / CVS HEALTH

And because it insures more than a hundred million Americans, it can help to determine national copay and coverage costs, thus passing savings on to patients.

Lynch said that ultimately her goal is to convert CVS into a hands-on health care provider that can diagnose and treat a broad range of illnesses and conditions at much lower costs than a hospital emergency room.

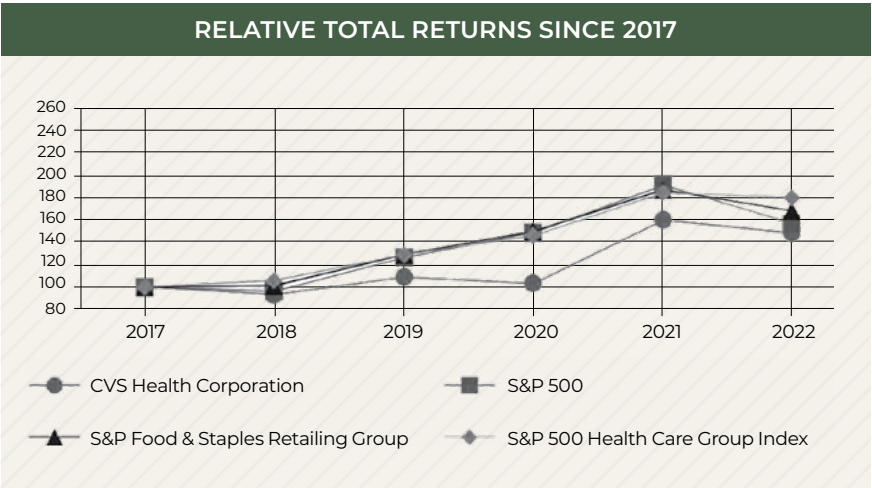
And never forgetting her mother’s premature death – which she has always insisted could have been prevented if adequate mental health care had been available to her – Lynch has made sure that psychological and mental health services are included in CVS’s line of support. Last year, CVS provided more than 10 million virtual mental health visits to its customers.

“Basically, what we are trying to do is touch the entire spectrum of someone’s health journey,” she said.

“What we did during the pandemic to vaccinate America has really allowed us as a company to earn the right to be in health care.”

Lynch’s strategy to put the customer at the forefront of CVS’s health care business has not only paid off for the public, but also for the company.

Last year, CVS Health topped \$322 billion, up from \$292.1 billion in 2021, and delivered \$17.5 billion in total adjusted operating income.



The company also generated more than \$16 billion in cash from operations in 2022, allowing it to exceed expectations for adjusted earnings per share every quarter and surpass its financial goals for the year with each of its three foundational businesses contributing to a strong performance.

In the Health Care Benefits segment, CVS expanded membership and increased its total revenue by 11 percent, growing across all product lines.

Its Medicare business likewise delivered strong growth, adding nearly

400,000 members during the year across its portfolio for both individuals and employers.

The company’s Individual Medicare Advantage membership grew at a double-digit pace and reached a major milestone with more than 2 million members, including those eligible for both Medicare and Medicaid.

After re-entering the individual public health insurance exchanges in 2022, CVS expanded its Public Exchanges presence to 12 states for 2023, and CVS’s Pharmacy Services segment



grew by nearly 11 percent last year. As for specialty pharmacy services, CVS increased its revenue by 19 percent over the prior year, while still providing substantial savings and transparency to its customers.

So far, 2023 is also looking promising for CVS, with second quarter revenues of \$88.9 billion, up 10.3 percent year-on-year compared to the same period in 2022, and total revenues increased of \$174.2 billion, up 10.6 percent compared to last year.

And with a 98-percent existing customers retention rate, the company is projected to increase its revenues by double-digits in the years ahead.

Looking forward, Lynch said that CVS is now focusing on interacting with more patients digitally. In the last two years alone, CVS has seen its digital customer portfolio increase from 15 million to 45 million.

“Technology is a game-changer in health care,” she said.

“All health care is local, and we’re building a healthier world one community at a time. To do this, we need to represent the communities we’re working in and we need to build the diversity to effectively support the communities we serve.”

KAREN S. LYNCH
PRESIDENT AND CEO / CVS HEALTH

“If we don’t stay up on technology, we’re never going to get that connected care and that personalized care.”

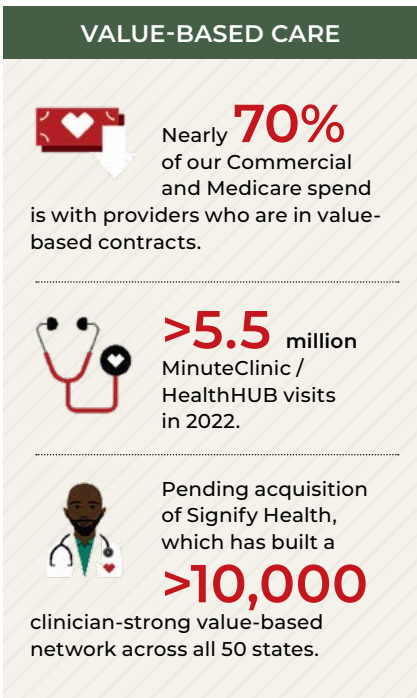
Still, Lynch acknowledged that she is somewhat cautious about the future outlook for both CVS and the health industry in general, noting that 2024 could be relatively lackluster financially compared to 2022 and 2023 due to a number of possible headwinds such as uncertainty over Medicare Advantage, which accounts for 50 percent of its insurance premiums revenue, and weakened incomes from Covid vaccines and tests.

Additionally, the company’s dramatic restructuring has cost nearly \$2 billion, and in July, CVS announced

that it would be laying off 5,000 employees to compensate.

“We are continuing to execute on our strategy to expand access to health services across our care delivery channels and strengthen our engagement with consumers to improve their health and wellbeing,” Lynch said.

“I believe there is great opportunity to differentiate in today’s changing health care landscape. Health care is getting more local and more personal. To address the changing needs, we’re driving to consumer-centricity by putting our members and the people who count on us every day at the center of everything we do.”



GOOD MONEY MANAGEMENT

BEGINS WITH AN ALLOWANCE

ONE OF THE BEST TOOL PARENTS have for teaching financial responsibility to their kids is an allowance. Even very young children should have discretionary funds to spend as they see fit. Saving, decision-making, planning, sharing, charity and responsibility are just some of the lessons that can be taught through an allowance.

It's important to clarify that an allowance isn't money a child earns for doing chores. Children should have age-appropriate tasks they're expected to do without pay simply because they are members of a family.

An allowance is part of the parents' responsibility to meet the needs of the family. The amount of the allowance depends on the child's age and the parents' income. It should be adequate to meet the child's needs, but not necessarily every want.

Perhaps the most important benefit of an allowance is learning to develop independent thought. Expect children to do some unexpected things with their money, but allow them to make their own mistakes. The important thing is not to rescue them with more money. Help them work through their own solutions.

Here are some tips for teaching financial responsibility:

• **Teach philanthropy at an early age.** A portion of a child's allowance – 10 percent – should be allocated to charity. Encourage children to participate in canned good, clothing or toy drives for charities. Help them to respond to natural disasters, such as hurricanes or earthquakes, outside their community by donating money to help.

• **Teach saving at an early age.** It's important to put something aside for the future. Teach your children that saving isn't for leftover money. Both the allocations for charity and savings should be made before any discretionary spend-

ing takes place. As with the donations to charity suggested above, the child should be encouraged to set aside the same portion of allowance, 10 percent, for savings.

Children should have savings accounts by the time that they are eight years old. If older children don't have savings accounts, remember it's never too late to start a savings account for a child.

• **Encourage an entrepreneurial spirit.** If children have a special goal, encourage them to find ways to earn the necessary funds. Don't create unnecessary jobs just so they can meet the goal. That's the same as giving them the money. Let them find a job and make the offer. If it meets a need and the price is right, hire them.

• **Never reward good behavior with tangible gifts.** Goodness is its own reward. Your approval and words of praise should be sufficient. Paying for good behavior leaves parents open for juvenile blackmail. Parents don't want to hear, "I'll stop crying if you take me to the toy store," or "I'll come home on time if you buy me a new stereo."

• **Don't try to compensate your children for your own deprivation as a child.** There are some purchases that signify changes of lifestyle and qualify as rites of passage. Allow your children the pleasure and pride that making those purchases for themselves can bring.

Teaching children financial responsibility can be an exciting and fun-filled experience. It's not always easy, but when parents are consistent, the rewards are immeasurable. Parents will be giving their children skills that will benefit them for the rest of their lives. ✍

By Juliet Lambert

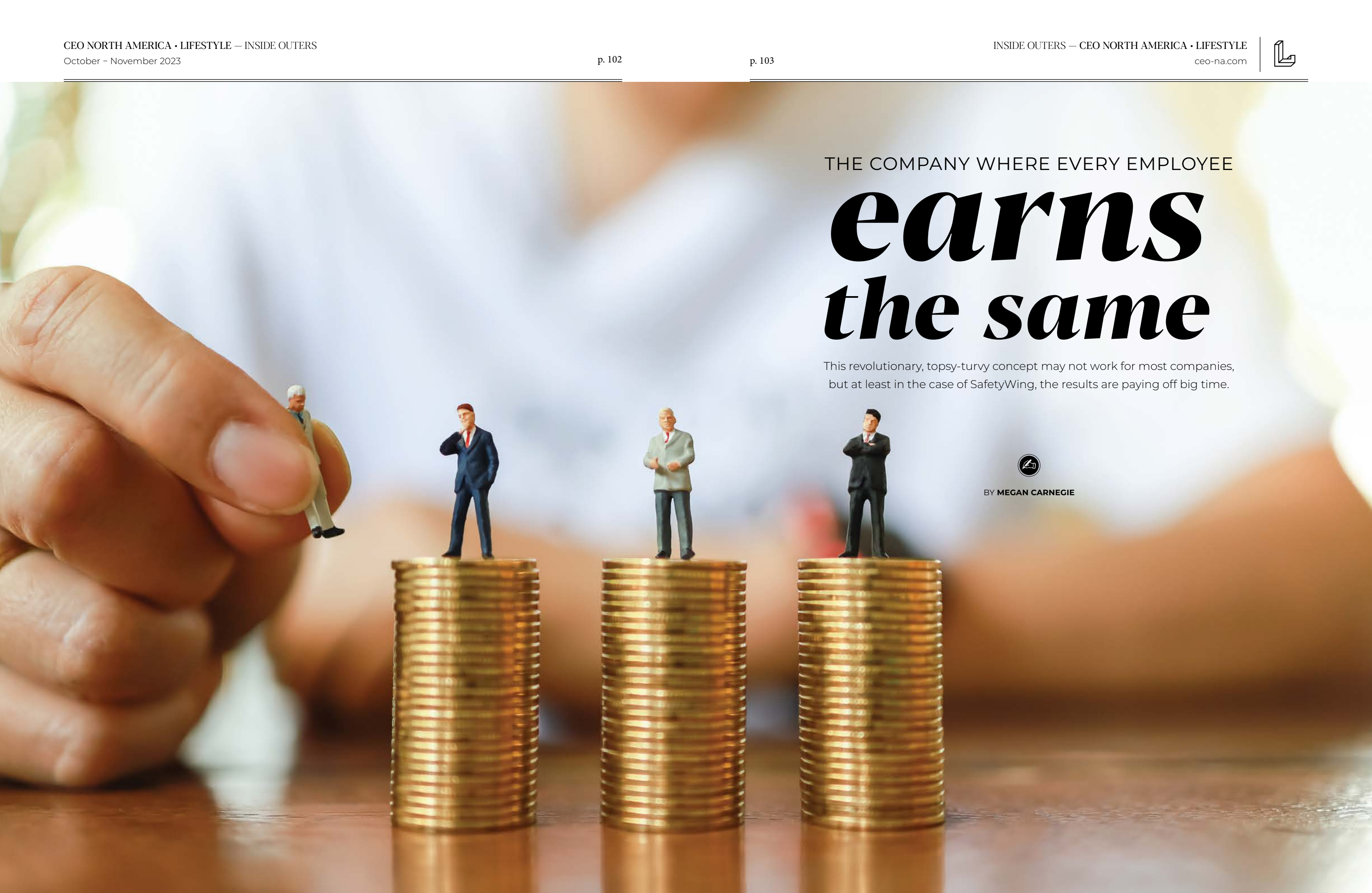


CHIEF EXECUTIVE OFFICER

At the Back

AN EXECUTIVE LIFE

102-107	The company where every employee earns the same
108-113	The many shades of International Work Cultures
114-119	The music industry in an age of digital distribution
120-121	It's white truffle season
122-127	Mexico's Day of the Dead an uncanny celebration of life



THE COMPANY WHERE EVERY EMPLOYEE

earns the same

This revolutionary, topsy-turvy concept may not work for most companies, but at least in the case of SafetyWing, the results are paying off big time.



BY MEGAN CARNEGIE



X **HAVING SPENT A DECADE** working in fashion PR and marketing, Carlota Ganduxe Icart had grown accustomed to painful salary negotiations and a niggling feeling that colleagues at the same level were probably earning more. But then, in 2022, she joined SafetyWing, a start-up that provides travel insurance designed for digital nomads, remote workers and frequent travelers. Not only did Icart's salary double, but she found she was on the same salary as the CEO. And the graphic designer. And the CFO. And the content writer. And the software engineer.

Regardless of location, status, role or longevity, all of SafetyWing's 68 remote, full-time employees, who are scattered across 60 countries, including Indonesia, Thailand, Canada, Switzerland, Mexico, Hungary and Slovenia, earn the same amount. Inspired by its native Norway's flat-salary society, this has been the case since the company was founded in 2018. Salaries have increased considerably since it launched, and according to CEO and cofounder Sondre Rasch, compensation is competitive, even in the context of high-salary locations like Silicon Valley.

Although the market for remote jobs is momentarily shrinking, the mass migration of workers during the

Covid-19 pandemic has dramatically weakened the case for location-based pay. Extreme, global rises in the cost of living have meant that everyone is feeling the pinch, wherever they are. And new salary transparency laws across Europe and the United States are making people far more attuned

to pay disparity. That makes it harder than ever to get away with golden hellos and inflated salaries offered to new starters. Gartner research finds that 35 percent of managers report that new hires are making the most money in their organization. At a time when the gap between CEO and worker pay is at the highest recorded level since 1965, perhaps it's finally time for flat salary structures.

Paying employees equally no matter where they live is a reflection of today's internet labor market — a global landscape of suppliers and buyers who connect as if they were on the same street.

"There's a lively debate in big companies about flat salaries across geography, and, of course, I think everyone should do it," says Rasch. "People often counter the policy with points about the different costs of living, but put simply, is it fair to pay someone who lives in a poorer part of town a lower salary? No."

**PAYING EMPLOYEES
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SAME STREET.**



For workers in the global south, where wages are on average one-fifth of those paid to northern workers, the benefits of location-agnostic remuneration are manifold. Living in Peru, Adrian Salazar's jobs had mostly been with U.S.-based tech startups, and in his most recent role, he had peers in New York who were earning twice as much as him. "I was constantly trying to convince employers that it was a good idea to pay me the same as someone from Europe and the United States," says Salazar. "I dropped out of high school, so I always had imposter syndrome, but automatically earning less because of where I lived certainly didn't help."

After joining SafetyWing as head of culture in 2021, Salazar moved to Medellin, Colombia, and he says that earning the same as his counterparts has boosted his confidence. "I know I shouldn't need a salary to feel that way, but it validated my worth," he says. For graphic designer Abril Carli, the package enabled her to move from her hometown in Argentina, where design work was scarce. "I was doing three jobs to pay the bills and rent a place by myself," says Carli, who has since made a base in Andorra, with plenty of nomadic working in between.

SafetyWing isn't the only remote tech company to offer elements of location-agnostic pay — Basecamp, Gumroad, Daily, Sourcegraph, HelpScout, RevenueCat and Wildbit have all removed geography as a consideration when determining a salary, with all employees who do the same job earning the same amount. However, an entirely flat salary hierarchy like SafetyWing's also deals with gender parity issues that most businesses have been unable to make progress on. Gender pay equity in almost every country has been depressingly slow — and in some cases, even regressed. In the UK, for example, the gender pay gap has stagnated at 9.4 percent since 2017, with opaque pay structures only serving to bake this in.

At one stage, Icart worked at the same company as her then boyfriend and discovered he was earning more than her, despite being on the same level. “He had the guts to ask for much more, even though he was working less than me,” says Icart. “But the reality is, lots of people aren’t comfortable asking for more, even though they’re equally capable of commanding that kind of salary.” Indeed, there are discrepancies in how women and men negotiate, with women fearing it will hinder, rather than help, their careers. They do so when given the chance, while men tend to negotiate even when the rules of wage determination are ambiguous.

Without having to agonize over whether they’re being paid fairly, and how to get there, employees have more headspace to do their actual jobs. “In traditional companies, you need this elaborate plan for negotiating a raise, and sometimes you spend more time making that than actually doing the work,” says Icart. Instead, employees focus on reviewing and adjusting personal and company goals regularly. When SafetyWing hits a pre-agreed revenue milestone, all employees see the same pay increase hit their bank account.

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Salazar, who hates pay negotiation and would rather leave a company than try to drive up his salary, has experienced several company-wide raises at SafetyWing. “It’s been a considerable amount — something like 10 percent each time,” he says. “Celebrating that success with other colleagues, rather than behind closed doors with people outside the company, is very motivating.”

Based on interviews with several of SafetyWing’s staff members, at both the most senior and junior levels, it’s clear that the flat salary hierarchy boosts harmony, motivation and freedom, in a geographical and professional sense. None of these effects should come as a surprise — countless studies have shown that pay transparency and equity improves employee engagement, motivation and productivity. It helps keep employees too. SafetyWing has seen a 97 percent retention rate over the past five years.

Despite the clear business incentives for greater pay equity, many companies are still only tinkering at the sidelines — while 71 percent of executives think pay equity is important, only 14 percent have allocated budget and staff to address the challenge. And admittedly, it’s not realistic to assume that all companies could adopt its flat pay hierarchy — or



“A POLICY LIKE THIS SHOWS WHAT’S POSSIBLE — AND WE NEED MORE OF THAT IF WE WANT TO MOVE FORWARD.”

even keep it once it’s been introduced. Rasch often comes up against pushback from investors about whether it can really deliver on its promises. Mostly though, these concerns are quelled by concrete proof that it works.

“SafetyWing’s principle is fantastically disruptive, but extremely difficult to copy and paste into other contexts,” says Antonio Giangreco, a professor at IÉSEG School of Management in Paris, who researches pay equity, pay structure in companies and location-based pay. “It’s not a fit for every business, but companies can start with small steps.” That might be introducing greater salary transparency, abolishing location-based pay or working to narrow the exorbitant gaps between C-suite and entry-level pay bands. According to the Economic Policy Institute, in 2021 a CEO at one of the top 350 U.S. firms was paid \$15.6 million on average, up 9.6 percent since 2020. The ratio of CEO-to-typical-worker compensation was 399 to 1, up from 366 to 1 in 2020, and from 20 to 1 in 1965.

“This kind of inequality has grown to an extreme level, and it’s not acceptable,” says Giangreco. “A policy like this shows what’s possible — and we need more of that if we want to move forward.”





THE MANY SHADES OF

International Work Cultures





BY MARTHA MAZNEVSKI

How workers around the globe perceive their jobs
and responsibilities.



AS GLOBALIZATION advances, it's becoming increasingly important to understand how different types of work culture differ.

These cultural differences are as large as they ever were and, as the world becomes increasingly “flat,” their importance is growing.

With globalization leading to more interactions among cultures, it's crucial to be familiar with the preferences and behavioral patterns of colleagues who come from a different continent.

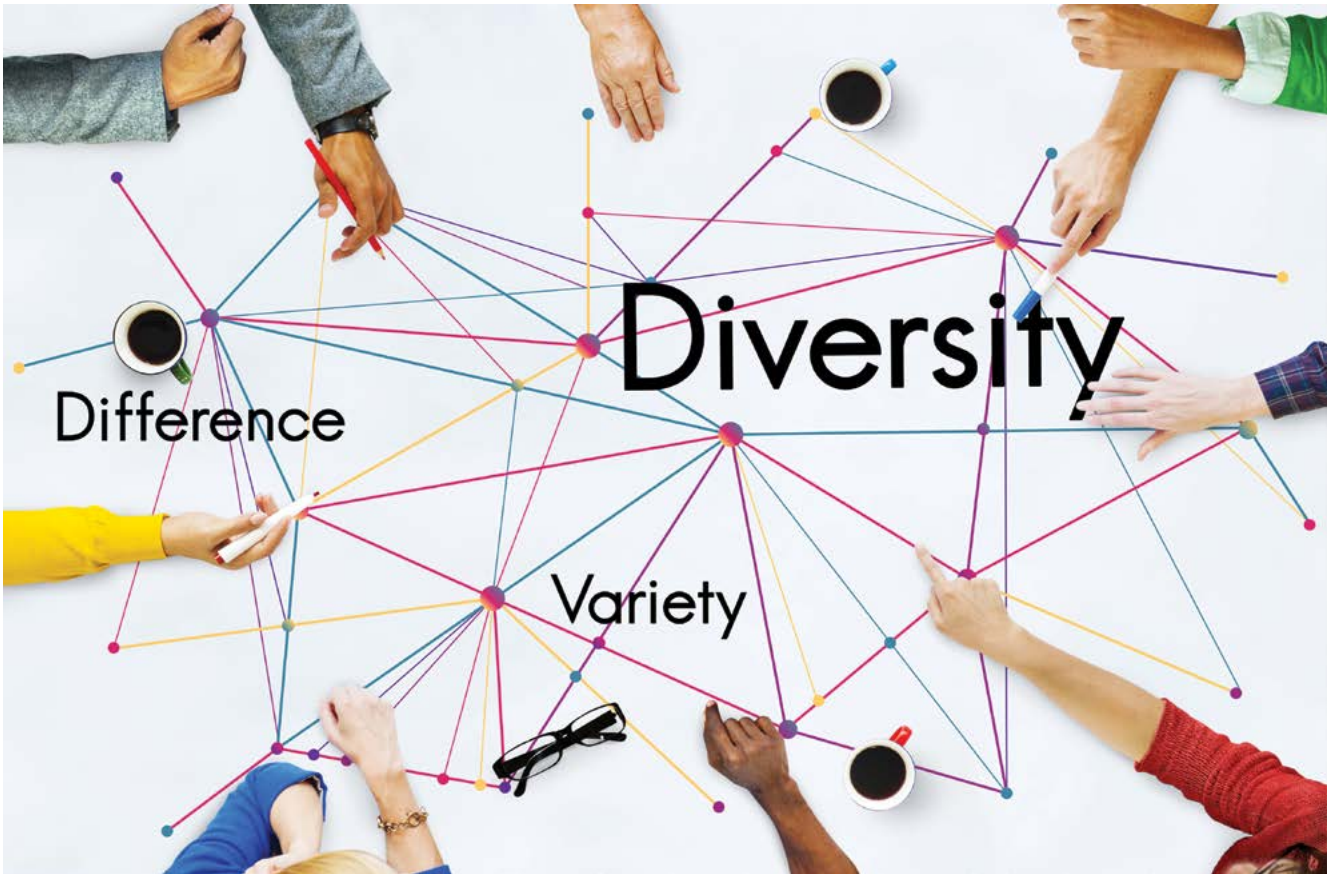
It's even more crucial when considering how to optimize your organization for flexible work.

What might be effective in the United States may not be so welcome in the United Kingdom.

Giving people control over their working lives, the ability to collaborate and the capacity to make the most of resources available could require a careful balance of cultural nuances.

Here is a brief look at the work cultures of some major economies.

Of course, this is a general guide as every company is different and every employee has different expectations from their job, but this is still well worth bearing in mind.



THE UNITED STATES



Americans tend to emphasize control and mastery in the work culture. For example, meetings are for making decisions and, if there's a problem to solve, all relevant arguments are put on the table and a decision is made.

Having effective time management is a key criteria to achieving meeting success and will require careful scheduling to ensure the right people are in the room for the right amount of time.

Technology is available that makes this simpler for those following a hybrid work model.

THE UNITED KINGDOM



Due to a common tongue, British and American office cultures tend to look similar.

But there are key differences.

Most notably, Brits, much like other Europeans, tend to work a set number of hours, whereas Americans are more likely to clock well over 40 hours a week.

British office workers also frequently socialize with each other, with co-workers drinking together at nearby pubs on a weekly basis.

Many businesses in the UK have adopted hybrid working or working from home, but this has changed considerably as the pandemic has lifted.

At the moment, it looks like there has been a permanent shift to the expectation that employers should provide flexible work opportunities.

CHINA



Like in many countries in Asia, the Chinese often work long hours, but two-hour lunch breaks are typical.

DENMARK



Flexible working has long been an accepted part of Denmark's working culture.

There is a short working week of 37 hours with many people leaving at 4 p.m. to attend to child-care needs. Employees are discouraged from working more hours and, in addition to flexible hours, Danes are legally entitled to five weeks' paid vacation per year.

For those moving to a hybrid work model, this makes the cultural change simpler, but needs to be merged successfully with other international mindsets, even when it comes to something as simple as emails.

SWEDEN



Swedes value their time outside of work. People in the country typically take summer vacations, and they have

breaks during the workday to have a coffee and chat with colleagues.

Swedish offices have flat hierarchies and promote decision-making at every level. Individual wellbeing is very important as well.

BELGIUM



In Belgium, it's important to note that employers also need to clearly separate working time from non-working time. This is a challenge for employers when employees work from home and there needs to be a clear signal that computers should be switched off at the end of the working day.

Yearlong “career breaks” are also the norm in Belgium, as are mandatory vacations, paid time off and both maternal and paternal leave.

IRELAND



The Irish government has taken a clear stance on the need to disconnect. Employees have the right to be offline after work hours, and employers may be penalized for not separating work and home life.

Make sure you've established your Irish flexible working rules and that your workers understand that they're expected to stick to them.

JAPAN



Japan is a country of rules, especially when it comes to work. Some rules, which are also found in other Asian nations, include conference room seating based on rank and allowing guests and superiors to enter and exit the elevator first.

Office workers are also expected to go out with their colleagues for dinner and drinks. One of the more fascinating Japanese rituals is the daily recitation of a company mantra at the start of the workday. This ritual aims to pump up employees for a good day of work, which can last a while since Japanese workers tend to clock long hours.

The working culture of Japan has traditionally been very work-focused.

The Covid pandemic saw more companies start to bring in more flexible working options. Telecommuting became more popular during the 2019 Olympics to reduce traffic in the cities.

For international businesses, this will make the introduction of flexible work easier but deep-seated attitudes will be more difficult to change.

FRANCE



The biggest difference in French office culture can be summed up in one word: booze.

Office cafeterias in the country have wine and beer available to enjoy during meals.

Speaking of meals, French workers will take breaks to eat, sometimes for up to two hours.

French colleagues are usually reserved with each other and they do not discuss their personal lives or even keep photos of family members of their desks.

French employees also have a right to disconnect after work.

A short 35-hour work week and a minimum of five weeks of vacation also need to be taken into consideration. Your French workforce is likely to embrace flexible working.

GERMANY



Germans may be even more reserved at work than the French, to the point where small talk barely exists.

Workplaces in the country are very structured, and in many cases if someone wants to visit a different department, they need the permission of their supervisor.

Germans put in an average of 35 hours of work per week.



WITH GLOBALIZATION LEADING TO MORE INTERACTIONS AMONG CULTURES, IT'S CRUCIAL TO BE FAMILIAR WITH THE PREFERENCES AND BEHAVIORAL PATTERNS OF COLLEAGUES WHO COME FROM A DIFFERENT CONTINENT.



SOUTH KOREA



"Industrious" is perhaps the best word to describe the South Koreans.

South Korea is the country with the most working hours per week in the world.

When working with colleagues in other countries, it will be important to ensure that this ethos does not end up influencing your entire organization's culture.

Hard work leads to profit, but smart work can be more productive.

SPAIN



If you think Spain is all about siestas, you are wrong. Siestas really aren't that common nowadays. In fact, less than 40 percent of Spaniards ever take a siesta.

Spaniards often clock in the most hours in Europe, some not leaving until 8 p.m.

But friendships in the workplace are important in Spain and the ability to meet up in a communal space is an important consideration.

SWITZERLAND



Switzerland is both politically neutral and culturally neutral (but not without culture).

Perhaps this is why the Swiss are the world's bankers, and why – beyond attractive tax regulations – so many international companies have decided to locate there.

However, Swiss businesspeople who work in other countries find it difficult to accept that other places have less neutral – and no doubt equally appropriate – cultural configurations.



INDIA



It seems like there are no set working hours in India.

People come in late, spend hours in the office, take long breaks and sometimes are still working after midnight.

Essentially, a work-life balance is not really a concept in India.

Once trust is earned, relationships between colleagues can develop into friendships in India.

The power structure is very hierarchical, but that doesn't mean that discussions don't get heated, as Indians tend to be emotionally engaged in their work.

BRAZIL



Office culture in Brazil, as in most of Latin America, depends on the region, but it generally leans toward more laid-back.

People may be a little late coming to meetings, which can run late.

Appearance and attire are important factors, with better clothing usually denoting higher status.

Workplaces are hierarchical, and Brazilians tend to be physical with one another, with back-slapping common among men and cheek-kissing among women.

It is also acceptable to interrupt someone while they are talking.

VARIETY GIVES STRENGTH

Having a multicultural workforce can be an immense strength to any business. However, different work cultures in countries around the world can have conflicting views on what is appropriate and what is not.

To connect these cultures across international organizations, technology can help to harmonize projects so a unified culture of collaboration is created that respects national nuances.

In the end, we are all human and can find a point where everyone feels comfortable with work environment arrangements, backed up by the infrastructure to make it work. ✍



The *music* industry

IN AN AGE OF DIGITAL DISTRIBUTION



BY PATRIK WIKSTRÖM

X IN 1999, THE GLOBAL recorded music industry had experienced a period of growth that had lasted for almost a quarter of a century. Approximately one billion records were sold worldwide in 1974, and by the end of the century, the number of records sold was more than three times as high. At the end of the 1990s, spirits among record label executives were high and few music industry executives at this time expected that a team of teenage Internet hackers, led by Shawn Fanning (at the time a student at Northeastern University in Boston) would ignite the turbulent process that eventually would undermine the foundations of the entire industry.

Fanning created and launched a file-sharing service called Napster that allowed users to download and share music without compensating the rec-

ognized rights holders. Napster was fairly quickly sued by the music industry establishment and was eventually forced to shut down the service. However, a string of other, increasingly sophisticated services immediately followed suit. Even though the traditional music industry used very aggressive methods, both legal and technical, to stop the explosion of online-piracy services such as Napster, Kazaa, Limewire, Grokster, DC++ and The Pirate Bay, it was to no avail. As soon as one file-sharing service was brought to justice and required to cease its operations, new services emerged and took its place. By the end of 2013, the sales of physically distributed recorded music (e.g., cassettes, CD, vinyl) measured in unit sales, were back at the same relatively low levels of the early 1970s.

THREE MUSIC INDUSTRIES

In order to understand the dynamics of the music industry, it is first of all necessary to recognize that the music industry is not one, but a number of different industries that are all closely related, but which at the same time are based on different logics and structures.

The overall music industry is based on the creation and exploitation of music-based intellectual properties. Composers and songwriters create songs, lyrics and arrangements that are performed live on stage; recorded and distributed to consumers; or licensed for some other kind of use, for instance sheet music or as background music for other media (advertising, television, etc.). This basic structure has given rise to three core music industries: the recorded music industry — focused on recording and distribution of music to consumers; the music licensing industry — primarily licensing compositions and arrangements to businesses; and live music — focused on producing and promoting live entertainment, such as concerts, tours, etc.

In the pre-Internet music industry, recorded music was the biggest of the three and the one that generated the most revenues. Most aspiring art-

THIS RAPID TRANSFORMATION OF THE MUSIC INDUSTRY IS A CLASSIC EXAMPLE OF HOW AN INNOVATION IS ABLE TO DISRUPT AN ENTIRE INDUSTRY AND MAKE EXISTING INDUSTRY COMPETENCIES OBSOLETE.

ists and bands in the traditional music industry dreamt about being able to sign a contract with a record label. A contract meant that the record label bankrolled a professional studio recording and allowed the artist entry into the record labels' international distribution system, something which otherwise was beyond reach of most unsigned bands.

The second music industry sector — music licensing — was much smaller and more mundane than the recorded music industry sector. Music publishers, who were operating in this business, were largely a business-to-business industry without any direct interaction with the audience. Their main responsibility was to ensure that license fees were collected when a song was used in whatever context and that these fees subsequently were fairly distributed among the composers and lyricists.

The third music industry sector — live music — generated its revenues from sales of concert tickets. Although live music has a long and proud history, it came to play second fiddle to the recording industry during the 20th century. Record sales was undoubtedly the most important revenue stream and record labels generally considered concert tours as a way to promote a studio album, and were not really concerned whether the tour was profitable or not. Sometimes the record label even paid tour support, which would enable bands to go on tour and promote the album even though the actual tour was running with a loss.

A GROWING DIGITAL MUSIC MARKET

The first company that was able to create a successful online service for legal sales and distribution of music was not a music industry player at all — it was Apple Computer (as it



was called at the time). In 2003, Apple was able to convince the major labels that music consumers would buy music legally if they were offered an extremely simple service that allowed them to buy and download music for less than a dollar per track. The service was called iTunes Music Store. In one sense, iTunes was a radical change for the music industry. It was the first online retailer that was able to offer the music catalogs from all the major music companies, it used

IN THE PRE-INTERNET

MUSIC INDUSTRY, RECORDED MUSIC WAS THE BIGGEST OF THE THREE AND THE ONE THAT GENERATED THE MOST REVENUES.

an entirely novel pricing model and it allowed consumers to de-bundle the music album and only buy the tracks that they actually liked

On the other hand, iTunes can also be considered as a very careful and incremental innovation, as the major labels' positions and power structures remained largely unscathed. The rights holders still controlled their properties and the structures that guided the royalties paid per every track that was sold was predictable and transparent.

This may sound like an appealing proposition, but these legal access-based music services have struggled both to convince record labels to

license their catalogs to the services as well as to convince users that it is possible to enjoy music without actually buying and owning a copy of the track or album.

There is a considerable entrepreneurial activity in this segment of the music business, and services go live and bust on a weekly basis. Many service providers are still desperately looking for the business model that can attract music listeners and satisfy rights holders. The challenges are certainly considerable but the music service that so far has received the most attention of the international music industry and the one that could possibly have found the right path is a service called Spotify. Spotify is a useful vehicle for explaining the logic of the music industry in the age of digital distribution, and this section will present how service drives the music indus-

THE FIRST COMPANY THAT WAS ABLE TO CREATE A SUCCESSFUL ONLINE SERVICE FOR LEGAL SALES AND DISTRIBUTION OF MUSIC WAS NOT A MUSIC INDUSTRY PLAYER AT ALL — IT WAS APPLE COMPUTER.

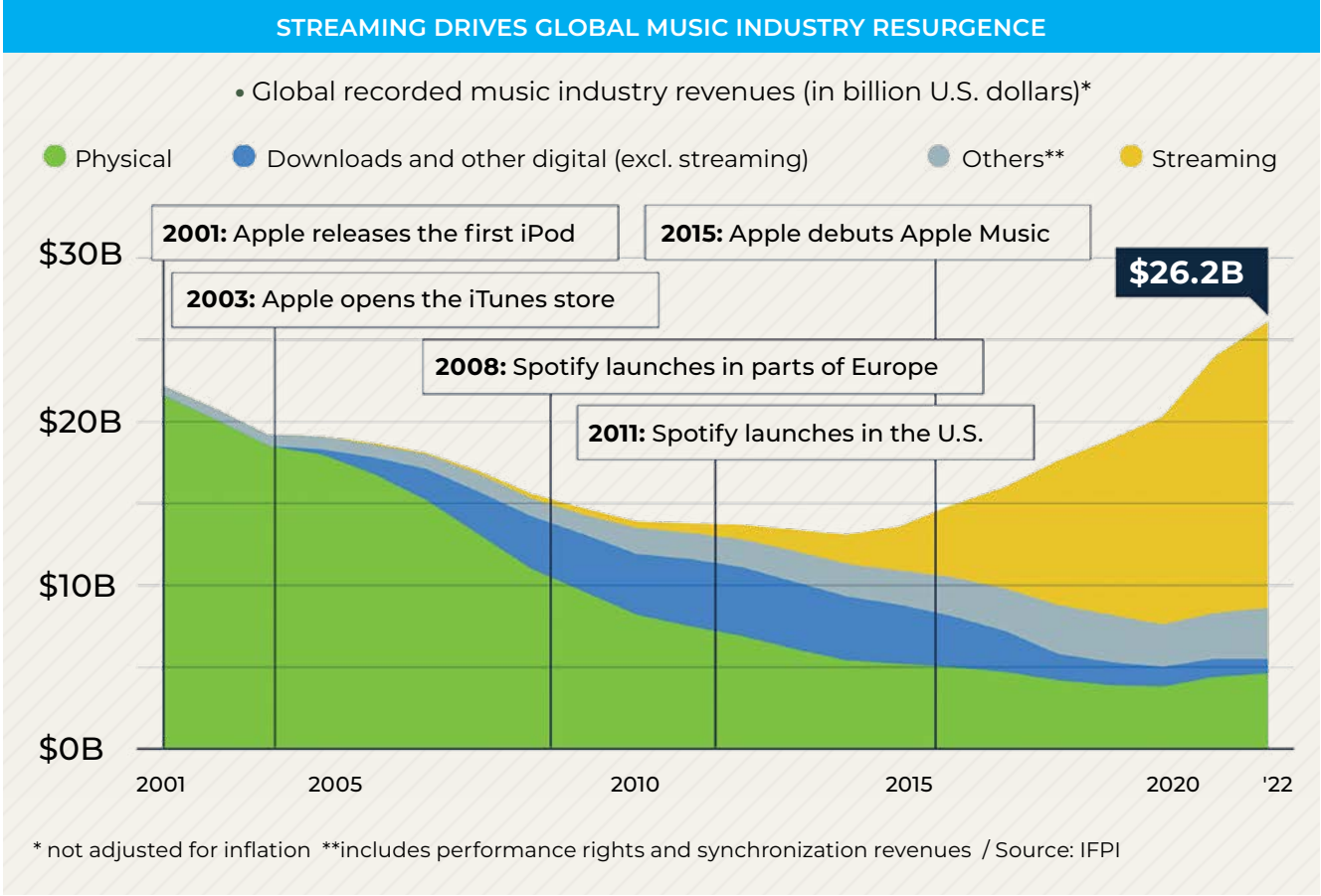
trial transformation forward. Even if it eventually turns out that

THE EMERGENCE OF ACCESS-BASED MUSIC SERVICES

Spotify was founded in 2006 by Daniel Ek and Martin Lorentzon with the ambition to create a legal ad-supported music service that was free for the music listener but that generated licensing revenues to copyright holders. Spotify

was by no means the first attempt to create a legal service that could compete with illegal file sharing. Most predecessors had for various reasons failed miserably with their projects, which may be one reasonable explanation why the rights holders that Spotify was negotiating with were not particularly enthusiastic about engaging in another risky online music project.

At the end of 2013, Spotify reported that 70 percent of their revenues from ads and subscriptions has been paid in royalties to rights holders. The company has generated more than a billion dollars for rights holders around the world, which according to Spotify is proof that their model does work. However, even though it seems possible to generate revenues from access-based music services, the new contract structure is a radical change in the music business attitude toward distributors.



THE REAL-TIME LISTENING EXPERIENCE

While revenues from recorded music have fallen dramatically during the past 15 years, people across the world do not listen less to music — rather they listen to more recorded music than ever before. Recorded music permeates every aspect of our daily lives and legal access-based music services combined with illegal online file sharing services means that more or less every song is available everywhere, all the time. This access explosion has transformed the way people use and relate to recorded music.

The access-based services are still in their early days and they still actively search for the optimal service and pricing structure that will allow them to compete and survive. Currently, the competition between the services is largely based on the size of their music catalogs, availability in different territories and different mobile platforms. However, it is reasonable to assume that eventually all these services will asymptotically converge toward a similar music offering and will be available on all platforms and include more or less every song that has ever been recorded. According to basic economic theory, the competition between similar services or products will be based on price, profit margins will eventually shrink, and a few large players will eventually survive and compete in an oligopolistic market. Access-based music services will in other words become a commodity market and behave in a similar way as the markets for sugar or oil.

When the market has reached this gloomy state and the room for innovation and differentiation based on the pure access model is more or less exhausted, online music service providers will most likely look for other ways to differentiate their services and to keep up their profitability. ✂



It's *white* truffle season



BY **THÉRÈSE MARGOLIS**

X **THERE IS NOTHING** quite like the taste and aroma—especially the aroma—of a white truffle. The pungently earthy flavor of a tiny plate of paper-thin slices of the prized and pricy fungus are a favored delicacy around the globe.

Certified tartufai – master truffle hunters and connoisseurs, of which there are only a few in the world – will tell you that it is almost impossible to explain the taste of truffles, but they are so unique and rare that wars have actually been fought over them.

It is said that the notorious Borgias – known for their cloudy but powerful ecclesiastical and political affairs and bon vivant lifestyles in the 15th and 16th centuries – considered the musky bulb both a status symbol and the rightful property of the papistry.

So when some northern Italian producers refused to offer up their harvests

to the Roman Catholic Church, Rodrigo Lanzol Borgia (Pope Alexander VI) was known to send out troops to punish the offenders by burning down their homes, leading to numerous skirmishes that collectively were known as the Truffles War.

And Pope Alexander's daughter, Lucrezia Borgia, allegedly used truffles to both seduce (they were believed to have

aphrodisiacal qualities) and poison her long line of lovers.

Even in recent years, there are cases of Italian farmers who have resorted to violence to defend their claims to the illusive tumors.

Unlike black truffles – which are far more readily available and affordable (but much less aromatic) – white truffles can only be found in the Piedmont region in northwestern Italy, buried along the roots of the lush oak and hazelnut trees.

Also called trufa de Alba, they cannot be cultivated.

THE WHITE TRUFFLE SEASON USUALLY BEGINS IN OCTOBER AND ENDS IN DECEMBER OR EARLY JANUARY (WHEN THE GROUND FREEZES OVER).



Instead, they have to be foraged by specially bred and trained dogs which sniff out their scent under the earth.

White truffles only grow during the fall months.

The white truffle season usually begins in October and ends in December or early January (when the ground freezes over), and since the capricious white truffle does not age well, if you want to savor this extraordinary delicacy, you have to do it during the white truffle season window.

All of which explains why white truffles are so costly and rare.

Just 100 grams of white truffles can cost as much as \$500, and true aficionados will reserve stashes months in advance of the season.

Those who have never tasted a white truffle, will probably never understand their magnificent, and those who have, will almost always want to come back for more.

White truffles are considered to be the king of truffles, and they are always served fresh.

You don't cook with them. Instead you crown your dishes with them. To truly appreciate the flavor and perfume

of a white truffle, master chefs recommend serving them over an unobtrusive dish, such as a white risotto or buttered pasta, both of which let the truffle take the starring role.

Shredded truffles can also be blanketed over a delicious beef carpaccio or fish filet.

Even a few slivers can completely transform a simple dish into a gourmet masterpiece

The truth of the matter is that white truffles are very versatile, and can be used as the crowning glory of practically any dish. ✓





Mexico's Day of the Dead

AN UNCANNY CELEBRATION OF LIFE



BY THÉRÈSE MARGOLIS

X IF THE THOUGHT OF NIGHTTIME EXCURSIONS to the cemetery, public altars to the dead on practically every street corner and sugar skulls with your name written on them in icing gives you the creeps, Mexico is probably the wrong place for you to be this time of year.

But if the reaffirmation of life through the celebration and mocking of death, flamboyantly dressed skeletons on parade and all-night and drunken revelries on the graves of the dearly beloved intrigues you, then you are in store for an exciting quintessential Mexican holiday starting on Nov. 1, the Día de Muertos (Day of the Dead).

Made internationally famous in the James Bond film “Spectre” and drawing in thousands of tourists from around the globe each year, the two-day festivities – which include Nov. 1 (All Saints’ Day) and Nov. 2 (All Souls’ Day) – is the result of a harmonious combination of ancient indigenous beliefs and Spanish colonial Catholic traditions, which makes for a truly original Mexican holiday.

Unlike Halloween, which is celebrated on Oct. 31 in the United States, the Day of the Dead sees death not as something to be feared, but rather as a time to celebrate the memory of those who have passed on to the afterlife.

ELABORATE ALTARS WITH BRIGHT ORANGE MARIGOLD FLOWERS, PLATES OF FOOD, BOTTLES OF TEQUILA, COPAL INCENSE AND PHOTOGRAPHS OF DECEASED RELATIVES ARE ALSO OMNIPRESENT.

Scholars trace the origins of the modern holiday to indigenous observances dating back thousands of years and to an pre-Hispanic festival dedicated to Mictēcacihuātl, the Aztec goddess of death.

When they first arrived in Mexico, the Spanish missionaries tried to abolish the local practice of the celebration of death, but they soon realized that it is hard to wipe out a tradition that dated back over 3,000 years, so instead, they decided to embrace the holiday.

By tweaking the date on the Aztec solar calendar to accommodate the Christian calendar, the missionaries were able to adjust the Día de Muertos to coincide with the Catholic All Saints’ Day holiday.

Considered a major holiday in Mexico – most offices give their workers at least one of the two days off – the celebration of the Día de Muertos today usually begins long before the start of November.

By mid-October, bakeries and markets through the country are filled with sweets and toys created with death as their theme. Bake shops are piled high with pan de muerto (an anise-based sweet cake), and there are sugar skulls and ghoulish papier-mâché skeletons on display practically everywhere.



Elaborate altars with bright orange marigold flowers, plates of food, bottles of tequila, copal incense and photographs of deceased relatives are also omnipresent.

On the actual dates of Nov. 1 and 2, families gather in graveyards to spend the day at the tombstones of their lost loved ones. The observance usually begins with solemn prayers and chants for the dead, but by the wee hours of the morning, most participants are happily toasting the health of the departed with a strong shot of tequila.

In some villages, entire populations dress up in masks and costumes to resemble their long-lost relatives and parade about the streets to give the deceased a moment of symbolic reanimation and life.

In others, all-night vigils are carried out in the local cemeteries, with lavish meals of the dead person’s favor foods served to the survivors in tribute to their immortal memory.



JANITZIO ISLAND

One of the most moving rituals is held on Janitzio Island on Lake Patzcuaro in the central Mexican state of Michoacán.

The ceremony begins with the local Tarascan indigenous community gathering at dusk by the lake for a symbolic duck hunt with primitive spears.

After the hunt, the Tarascan women appear, bearing baskets of food and brightly lit candles to guide the hunters to the cemetery.

Even in Mexico City, where many seasonal practices and customs have fallen to the wayside, overshadowed in great part by European and U.S. imports such as Halloween and Santa Claus, you can still find places where the Day of the Dead holiday is observed and celebrated in much the same way as it was in colonial times.

FLOWERS OF THE DEAD

And while the ubiquitous images of painted skeletons and sugar skulls that abound across Mexico this time of year might be a bit off-putting for visitors from other countries,



the golden orange color of thousands of marigold flowers that line the streets and decorate the omnipresent ofrendas (altars to the deceased) give a cheery note to the festivities.

Dating back to pre-Columbian times, the saffron-hued Mexican marigold has been closely associated with maintaining contact with the dearly departed spirits of loved ones.

The Aztec people believed that it was the favorite flower of the goddess Mictēcacihuātl, who guarded the underworld and protected dead spirits.

Consequently, the zempasúchitl, as they called it, was associated with sacred powers and used for medicinal purposes.

The Aztec also believed that it’s sharp scent could serve as an olfactory-based trail to help guide their spirits back to the physical world for occasional visits.

Like many elements of the pre-Hispanic traditions of the native Mexicans, the practice of incorporating marigolds into Day of the Dead observances was preserved and is still practiced throughout Mexico to this day.

PROCESSION OF SKELETONS

Back in the 1910, the popular Mexican printmaker, engraver and newspaper cartoonist José Guadalupe Posada frequently used images of human skulls and bareboned skeletons to make po-





litical and cultural critiques of what he perceived of as the absurdities of Mexican society.

One of his most famous skeletal images was that of Catrina, an elegant skull dressed only in an oversized plumed hat – her chapeau en attente – which was intended as a sarcastic reference to early 20th century European fashion.

Posada's message with the portraits of the dapper young Catrina was clear: He felt that too many Mexicans were desperately trying to emulate European aristocratic traditions in the pre-revolution era, which was supposed to be focused on equality and an end of the elitist class system.

Over the last 100 years, Posada's prolific collection of engraved skeletal figures have become a pervasive element of Mexican art and culture, especially during the Day of the Dead celebrations, but none quite so much as the debonair Catrina.

For the last decade, the Mexico City Tourism Secretariat has been organizing an annual Catrina Parade down the capital's main avenue, Paseo de la Reforma, in the days leading up to the Día de Muertos. The procession has become a treasured tradition and major tourist draw.

This year, on Sunday, Oct. 22, more than 1,000 men, women and children – all decked out in formal garb with whitened faces and dark-

ened eye pits – will participate in the procession that will begin at the capital's iconic Angel of Independence Monument and end in the downtown Palace of Fine Arts.

BEHEMOTHS ON PARADE

Yet another relatively recent addition to Mexico's Day of the Dead celebrations is an annual parade of "alebrijes," which this year is slated to take place on Saturday, Oct. 21, and will follow roughly the same route as the Catrina procession.

This colorful pageant of hundreds of oversized winged dragons, gargantuan multihued insects and superhuman-sized skeletal walking-dead dolls has become a pre-Day of the Dead Mexico City tradition, and entails a colorful onslaught of colossal monsters, outrageous beasts and ambivalent creatures.

The king-size alebrijes are modern-day interpretations of brightly colored paper maché figures of fantastical creatures first conceived by a Mixe Indian from Oaxaca in the 1930s after a horrible nightmare.

Alebrijes, which can come in any shape and size, are credited to being the creation of Pedro Linares, a poor artisan in the remote Oaxacan village of San Martín Tilcajete, after recovering from a bout with severe dysentery.

He later crafted the bizarre creatures to show his family what he had dreamt during his illness.

Today, the picturesque monsters are produced throughout Oaxaca and in surrounding states and are a beloved addition to the Day of the Dead agenda. ✓



THIS YEAR, ON SUNDAY, OCT. 22, MORE THAN 1,000 MEN, WOMEN AND CHILDREN – ALL DECKED OUT IN FORMAL GARB WITH WHITENED FACES AND DARKENED EYE PITS – WILL PARTICIPATE IN THE PROCESSION THAT WILL BEGIN AT THE CAPITAL'S ICONIC ANGEL OF INDEPENDENCE MONUMENT AND END IN THE DOWNTOWN PALACE OF FINE ARTS.



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