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INSIGNIAM QUARTERLY

THE VUCA ISSUE

Volume 9 Issue 2 Summer 2022 [insigniam.com/quarterly-magazine](http://insigniam.com/quarterly-magazine)

# Conquering VUCA

HOW AGILE LEADERS EMBRACE **VOLATILITY, UNCERTAINTY, COMPLEXITY** AND **AMBIGUITY** TO WRITE NEW RULES AND CREATE A WINNING FUTURE. PAGE 18

THE  
**VUCA**  
ISSUE

TRANSFORMATIONAL  
LEADERS KNOW  
THEY MUST INVENT  
THE FUTURE  
BEFORE  
IT GETS HERE."

—Shideh Sedgh Bina



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# AN IMPERFECT STORM

**Although no one here** at Insigniam is a licensed meteorologist, we've been known to accurately gauge the temperature of global business trends with a high degree of success. In fact, our track record might just give your local forecaster a run for their money.

Over the past few years, executives, enterprises and employees have been battered by a nonstop onslaught of volatility, uncertainty, complexity and ambiguity. From climate and financial market instability to social upheavals slamming into our consciousness every day, the world might feel like it's treading water.

My guess is you've overheard someone ask—or perhaps you've asked yourself—when things will get back to “normal.”

The truth is, my friends, there is no going back. This is our new normal.

**VUCA**—the acronym for **Volatility, Uncertainty, Complexity and Ambiguity**—is an essential element all leaders must (and will) face when trying to shepherd an organization toward accomplishing anything significant amid the challenges presented by our current global landscape.

Yet just because VUCA exists doesn't mean we can't prepare for it—much in the same way we might pack a raincoat or umbrella during a downpour. And just like those who forget to check the weather before leaving home, an inability to plan for VUCA is a surefire way to end up soaked. Or in the case of an enterprise, sunk.

In this issue of *IQ*, we'll take a deep dive into the forces driving VUCA and the strategies, tools and tactics leaders can exercise to make a difference. And like driving in a gale, it takes a mix of great vision, fortitude and agility to take the right actions at the right time.

As always, I welcome your thoughts and hope you'll join the conversation in all the ecosystems beyond our print magazine—from our social media platforms to virtual conferences in the coming months. Until then, my best, as always. And pack a raincoat just in case. **IQ**



Shideh Sedgh Bina  
Founding Partner, Insigniam

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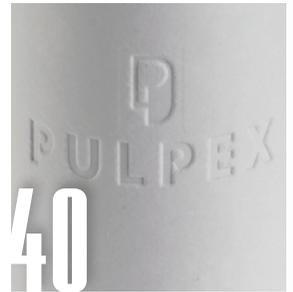


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INSIGNIAM/MICHAEL BENABIB



“We’re in the midst of the Great Resignation. This is a symptom of people needing and wanting to work in much more meaningful and purpose-driven ways.”

—*Insigniam Executive Summit Speaker* **Natalie Nixon**

**Thought leaders discuss how a human approach can help businesses navigate uncertainty and handle crises. Page 58**

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Conquering VUCA

Illustration by

Sean Mosher-Smith



# THE TICKER

# SHOULD I STAY OR SHOULD I GO?

Businesses wrestle with responding to the war in Ukraine.

**A** decades-long tradition of increasingly free trade, with a minimum of barriers, has run into a wall of public indignation over the war in Ukraine, pushing many companies to take another look at their involvement in Russia.

Some businesses with ties to Russia are staying the course, at least for now. Reasons include a reluctance to abandon Russian employees and customers, the fear of losing access to the Russian market, and concerns over the complexities of abruptly shutting down large business operations.

But as of June 2022, almost 1,000 companies have

curtailed operations in Russia, according to the Yale Chief Executive Leadership Institute. **Nestlé** and **Uniqlo**, for example, initially planned to continue operations but reversed course after public pressure, largely through social media.

Other companies have taken a variety of actions, as these examples from consumer goods and retail companies demonstrate.

**Some are scaling back operations.**

- **Kraft Heinz** has suspended new investments in Russia, as well as Russian imports and exports. It also supports relief efforts related to the humanitarian crisis. >>>



# 964

Number of companies that have **withdrawn, suspended or scaled back business** operations in Russia since its invasion of Ukraine, as of June 15, 2022.

CAVEL IMAGES/GETTY IMAGES

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THE  
TICKER

- **Coca-Cola** and **PepsiCo** suspended some, but not all, Russian operations.

#### Some are suspending operations.

- London-based spirits company **Diageo** suspended exports to Russia and the manufacturing of beers brewed locally by third parties.
- In recent years, **Ford** had significantly wound down its Russian operations, but now it has suspended them entirely. It also has supported aid to Ukrainian citizens.

#### Some have withdrawn.

- Germany's **Horst Brandstätter Group** has stopped supplying Playmobil and Lechuza products to Russia.
- After more than 30 years in Russia, **McDonald's** is exiting the Russian market and selling its portfolio of restaurants there.

What factors should an organization consider when deciding whether to boycott a bad national actor? Consider the following.

- If you boycott one nation, how will you respond to moral concerns in other nations?
- Which stakeholders are you addressing through your decision? Owners? Customers? Employees? How will you address their conflicting concerns?
- If you join a boycott, what factors will help you decide when to end it?
- If you decide not to boycott, how will you overcome the logistical and financial challenges if the target of the boycott decouples from the world economy?

As challenging as these decisions can be, getting it right has its rewards. According to the Yale School of Management, markets have rewarded companies that have left Russia, and these equity gains far outweigh the cost of leaving and writing down the value of Russian assets. Indeed, it has paid for companies to leave Russia. **IQ**



# Token Gestures

Brands are trying to harness the latest crypto trend... what could go wrong?



**Most people are happily unfamiliar** with the world of NFTs.

Unfortunately, so are most of the brands attempting to trendjack this latest digital phenomenon.

NFTs, or non-fungible tokens, exploded into crypto-consciousness in 2021. An NFT is essentially a digital asset, such as an image, GIF or music file, with a unique identifying code. Most NFTs are part of the Ethereum blockchain, which requires a large amount of computing power and energy to maintain and perform transactions. NFTs are often bought by collectors, investors and traders. The Bored Ape Yacht Club, for example, is a collection of 10,000 unique digital cartoon portraits of bored-looking primates; the most expensive ape sold in 2021 for more than \$2 million.

Brands naturally wanted to leverage the NFT buzz. Unfortunately, many are discovering the risks of jumping into a volatile space that's evolving by the day. In September 2021, entertainment company Legendary Pictures announced it was releasing a collection of NFT art to promote its film *Dune*. Fans quickly pointed out the disconnect between the film's environmental themes and the high energy cost of



**NFT trading volume has steadily declined from \$1.07 billion in August 2021 to less than \$21 million in June 2022.**

producing NFTs. Legendary Pictures killed the plan.

An English professional football coach launched an NFT collection in January, and within weeks the NFTs were trading for an average of \$656 apiece. By March, however, average prices had dropped by 90 percent. A number of players quickly deleted their social media endorsements of the project, but that move came too late for unhappy fans who'd bought the NFTs based on player hype.

A year ago, Coca-Cola auctioned a collection of "4 dynamic and rare 1-of-1 NFTs," which was sold to an anonymous buyer for a high bid of 217.4541 Ethereum, then worth about \$554,869. If the winning bidder was hoping to flip the NFT for a profit, the deal is likely leaving a bad taste; it's being offered on OpenSea, an NFT marketplace, with a current high bid of less than \$2,000.

The NFT buzz has likely peaked. For the week of August 22, 2021, trading volume of NFTs reached \$1.07 billion, an all-time high. Volume has steadily declined since, and for the week of June 5, 2022, trading wallowed at less than \$21 million. As they become more aware of the complexity inherent in NFT production, and the ambiguity around their value, brands will likely move on to the next trend. **IQ**

**Brands naturally want to leverage the NFT buzz. Unfortunately, many are discovering the risks of jumping into a volatile space that's evolving by the day.**



# PRESENCE OF MIND

Turbulent times inspire investments in employee mental health.

**The world has radically changed** since the COVID-19 pandemic began. A 2021 survey in *The Lancet* concluded that the pandemic contributed to an additional 53 million cases of major depressive disorder and 76 million cases of anxiety disorder worldwide—increases of 28% and 26%, respectively. This extends to the workplace: A 2021 Society for Human Resource Management survey found that more than 40% of employees report feeling burned out at work.

This comes with both human and financial costs. The World Health Organization (WHO) estimates that depression and anxiety disorders cost the global economy US\$1 trillion annually in lost productivity.

One upside to all of the uncertainty caused by the pandemic is that it has exposed the need for mental health awareness, education and resources in the workplace.

Research shows that expanding mental health benefits is not only the right thing to do—it's also smart business. According to the Center for Workplace Mental Health, effective treatment for employees with mental illnesses equals lower medical costs, increased productivity, reduced absenteeism and decreased disability costs. According to the WHO, every dollar invested in treatment for common mental health disorders returns \$4 in productivity.

**Bottom line:** It pays to invest in mental wellness. **IQ**—Annie Ferguson

## MENTAL HEALTH AWARENESS

As crises like the COVID-19 pandemic have exacerbated employees' struggles with mental illness, some companies have responded by offering more access to behavioral and mental health resources.

**1 in 5** **12 BILLION** **53%**  
**WORKING DAYS**

**THE NUMBER OF ADULTS** experiencing a diagnosable mental illness in any given year. More than half of them will go untreated.

were **lost each year to depression and anxiety disorders** worldwide, even before the pandemic.

**OF EMPLOYERS** are providing emotional and mental health programs for employees in the wake of the pandemic.

**ONE** **ADDITIONAL WEEK**  
**OF PAID VACATION**

Extra PTO has been offered by companies such as **LinkedIn, Bumble** and **Hootsuite** to improve employees' mental health.

**25%** **25** **NO-COST** **80% PLUS**  
**SESSIONS**

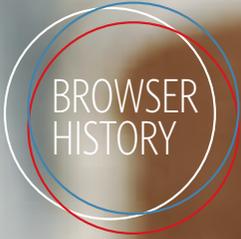
**INCREASE IN PREVALENCE** of depression and anxiety disorders worldwide since beginning of the COVID-19 pandemic.

The number of sessions with a **mental health counselor** offered annually to every EY employee.

**PERCENTAGE OF EMPLOYEES** treated for mental illness who report improved levels of work efficacy and satisfaction.

JUST\_SUPER/ISTOCK

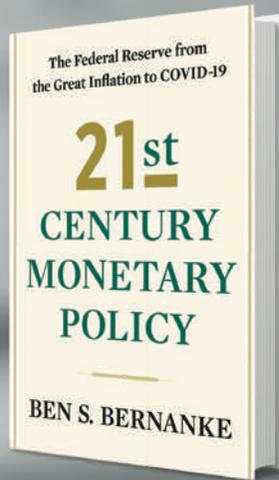
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# MONEY, MIND & SPIRIT

Triangulate your study of business leadership.

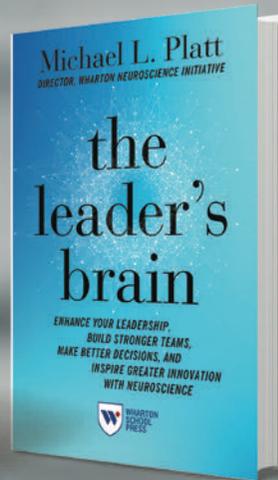
*By SARAH LINDSAY*



**21st Century Monetary Policy: The Federal Reserve from the Great Inflation to COVID-19**  
by Ben S. Bernanke  
W.W. Norton & Company  
May 17, 2022

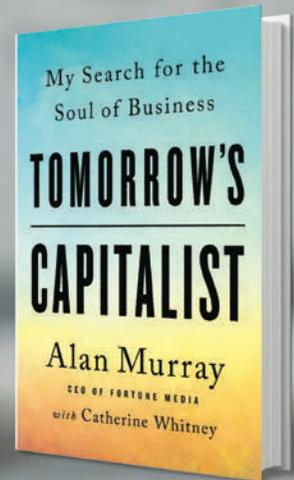
**Ben Bernanke** speaks from experience—experience only 15 other people have had. As chair of the Federal Reserve from 2006 to 2014, he held what's considered one of the most powerful positions in the world.

Some of his moves were daring ones. But *21st Century Monetary Policy: The Federal Reserve from the Great Inflation to COVID-19* is not a memoir—that would be his 2015 bestseller, *The Courage to Act*—it's a history of the Fed. And history helps you make decisions, right? "Well, sometimes it doesn't," Bernanke says, citing the pandemic as a unique event that has scrambled financial signals. On the other hand, when the 2007 crisis struck, he already knew the mistakes of the Great Depression to be avoided. (He acknowledges that he made a few of his own.) Now leaders and readers can turn to his history book, written in plain English, for insight into the Fed's techniques and limits, and why it does what it does.



**The Leader's Brain: Enhance Your Leadership, Build Stronger Teams, Make Better Decisions, and Inspire Greater Innovation With Neuroscience**  
by Michael L. Platt  
Wharton School Press  
Oct 6, 2020

**Leadership skills** include reading other people—their body language, their ability to focus—but what if you could actually read the brains of those you're leading? Not that you'd actually be observing their brain waves: Neuroscientist Michael Platt has done it for you. His book *The Leader's Brain: Enhance Your Leadership, Build Stronger Teams, Make Better Decisions, and Inspire Greater Innovation With Neuroscience* tells how that science "lets us peek under the hood," he says, and learn more about the networks in our brains. And you can read on to find out how to maximize the effects of those networks and the value of shifting from one to another—not to mention how all this applies to your favorite sports, and how you can exercise your social brain the way you exercise your body.



**Tomorrow's Capitalist: My Search for the Soul of Business**  
by Alan Murray  
PublicAffairs  
May 10, 2022

**You may be** thinking the same thing many people have asked him: "Did you find it?" Consider *Tomorrow's Capitalist: My Search for the Soul of Business* his answer.

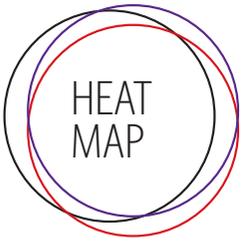
A self-described lifelong journalist, Alan Murray currently serves as president and CEO of Fortune Media and co-host of the podcast *Leadership Next*. He has a way with words, refreshing optimism and a thousand conversations with CEOs to draw on. According to Murray, in the past few decades many Fortune 500 companies' values have shifted from physical assets like equipment and inventory to intangibles like intellectual property—or connections with stakeholders who may want purpose beyond profits. Corporations are becoming more human, Murray says, "and if you have a human set of values, in some sense you have a soul." Our way of doing business is changing, and leaders would do well to believe it. **IQ**

**"An appreciation of the goals of the Federal Reserve, and of the tools and strategies it uses to meet those goals, is essential for understanding the contemporary global economy."**

—**Ben Bernanke**  
14TH CHAIR OF THE  
FEDERAL RESERVE FROM  
2006 TO 2014

**TOPIC OF INTEREST**  
Why does the Federal Reserve do what it does? Ben Bernanke's latest book provides historical context for the Fed's evolution.

BEN BERNANKE COURTESY OF W.W. NORTON & COMPANY / BRITT LECKMAN



# STAYING POWER

Renewable microgrids increasingly keep businesses running.

**H**ospitals can't lose power. Period. Doctors and patients depend on electricity to run the sensors, monitors, infusion devices and other equipment needed to deliver care and save lives.

Traditionally, hospitals relied on their own microgrids for backup power when outages occurred. A microgrid is a source of electricity that serves a specific local area, such as a hospital, campus or business complex, and can be operated independently from the traditional utility electricity grid.

Most microgrids are powered by diesel generators which emit large amounts of carbon dioxide and more than 40 toxic air contaminants, including known carcinogens. That's not the healthiest solution, especially for a healthcare provider.

This is why hospitals have been among the earliest adopters of renewable microgrids, which are based on sources such

as solar, wind, biofuel and fuel cells, often accompanied by battery storage.

In 2017, healthcare provider Kaiser Permanente integrated a microgrid consisting of 250 kilowatts of solar and a one-megawatt battery system to its existing diesel-powered backup system at its Richmond Medical Center in California. Besides ensuring uninterrupted power to the hospital's acute-care facility, the microgrid helps Kaiser Permanente maintain the carbon neutral status it achieved in 2020. It's also projected to save nearly \$400,000 annually by lowering the amount of electricity

**Shock Value:** The war in Ukraine has driven home the volatility of fossil-fuel-based energy.

## THE BIG NUMBERS

**\$343B**

Total in losses from weather disasters in 2021

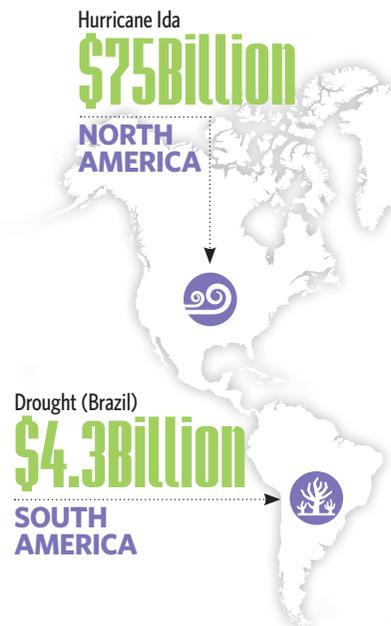
**50**

Number of billion-dollar weather events recorded in 2021

## 2021 COSTLIEST CLIMATE DISASTERS BY REGION

### Climate Change Costs

As climate change fuels more extreme weather events, the human and economic impact becomes greater. Across the world in 2021, there were over 400 natural disasters. Fifty of them exceeded a billion dollars in damage, according to global reinsurer Aon's 2021 Weather, Climate and Catastrophe Report.





BELOW, ???/?/ISTOCK; ABOVE, STEVE PROEHL/GETTY IMAGES

the facility must purchase from the utility.

The need for microgrids is growing as extreme weather events associated with climate change increase the frequency of grid outages that impact business operations. A recent Associated Press analysis of utility data submitted to the U.S. Department of Energy (DOE) found that the annual number of severe weather-related outages have more than doubled since the early 2000s. Across the economy, the DOE estimates that power outages cost businesses \$150 billion each year.

Last year, consultancy Wood Mackenzie

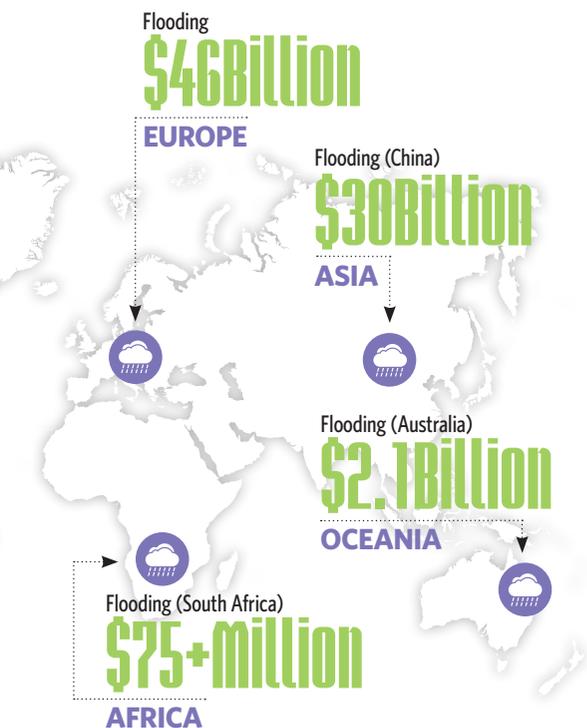
Power and Renewables (WoodMac) reported that 2021 was on track to be a record year for microgrid installations in the U.S. and estimated that 800 megawatts of microgrid projects would be installed by 2024. According to WoodMac, companies that have already installed microgrids include The Home Depot, Whole Foods, GM, Toyota, Stop & Shop and Kaiser Permanente.

Some of these microgrid programs aren't quite so micro: The JFK airport modernization project, for example, will use microgrids as part of an effort to move the airport to 100 percent renewable energy over the coming decade.

For organizations with lesser needs, the "microgrids as a service," or MaaS, model offers a more affordable alternative. Microgrid developers are responsible for designing, financing and installing a microgrid at a company's facility. The company in turn agrees to purchase electricity produced by the microgrid at a set price for a set period of time, usually 25 years, which can help insulate a business from future utility price hikes. Market researcher Knowledge Sourcing Intelligence projects the global MaaS market to grow to \$2.6 billion by 2026, from \$812.5 million in 2019.

Increasingly frequent power outages take a toll on companies' financial performance. Yet traditional fossil fuel backup solutions only contribute to climate-change-fueled extreme weather. Renewable microgrids can help companies make progress towards decarbonization goals while also ensuring they stay open and operating at all times. **IQ**—Chris Warren

**Flight Plan:**  
Microgrids can provide clean power for airports and help them avoid power outages.



## EXECUTIVE MINDSET

### Backup plan:

*"Our stores are **an important community resource for our customers**, particularly when severe weather strikes. Whether customers need to stock up on food, batteries, flashlights, other emergency items, or even their prescription medications, we know how vital the products and services our stores provide are. [Microgrids] will not only reduce our stores' impact on the environment but also ensure our stores can stay open when needed most."*

—Gordon Reid,

President of Stop & Shop, in a 2020 announcement about microgrids being installed at 40 of the company's stores

# THE ELON EFFECT

When the world's richest man made an unwelcome attempt to buy Twitter, its board members faced an existential dilemma.

BY PHIL BRITT AND GORDON BASS

**O**n March 25, 2022, Elon Musk tweeted out a poll to his then 80 million Twitter followers: "Free speech is essential to a functioning democracy. Do you believe Twitter rigorously adheres to this principle?" The tweet, it turned out, was part of an opening salvo in his bid to buy the social networking company.

It was also the beginning of a true VUCA moment for Twitter's board of directors, in a drama that continues to unfold.

Two days after this tweet, Mr. Musk, who leads SpaceX, Tesla, Neuralink and The Boring Company, told Twitter CEO Parag Agrawal and Twitter board chair Bret Taylor that he was interested in joining Twitter's board of directors. To raise the stakes,



Mr. Musk made it clear that he was also considering other options, including taking Twitter private—or launching a competitor.

It turned out that Mr. Musk had quietly been buying shares of Twitter, and by April 4 his stake had climbed to 9.2% of the company's common stock. He had become the company's largest individual shareholder. Mr. Agrawal then offered him a seat on the board. Mr. Musk unexpectedly declined and threw a curveball: He had greater ambitions. He intended to buy the company.

The Twitter board suddenly had a great deal to consider.

### Space(X) Invader

You couldn't ask for a more VUCA event than Mr. Musk's unexpected offer to buy Twitter (or, technically, to merge Twitter with a trio of holding companies he created to facilitate his bid). Indeed, the terms *volatility*, *uncertainty*, *complexity* and *ambiguity* are sprinkled liberally throughout an SEC proxy statement about the possibility of the sale.

Mr. Musk's offer demonstrates how, in an increasingly complex and unpredictable world, boards must prepare for what is possible rather than what is probable.

And with Mr. Musk, almost anything is possible. "I made an offer," he tweeted on April 14. He linked to an SEC filing that named his price: He would acquire all of Twitter's outstanding common stock at \$54.20 per share.

His initial offer represented a significant 54% premium over the closing price of the common stock on January 28. Yet Twitter's directors had to consider more than the takeover offer price. They also had to determine if the offer would be good for the long-term value of the company's equity.

As the Twitter board considered Mr. Musk's offer, it noted a multitude of risks and other potentially negative factors that might follow a sale, including the following:

- **No-shop restrictions** in the merger agreement eliminated Twitter's ability to solicit competing transactions.
- **A merger** would mean that Twitter stockholders would cease to participate in the company's future earnings and growth, and would not benefit from any appreciation in value of the surviving corporation.
- **A potential failure** of the merger could result in an adverse perception among Twitter customers, potential customers, employees and investors about the company's future prospects. >>>

Despite the uncertainty inherent in the sale, the board determined that staying the course was fraught with even greater uncertainty.

SPAWNIS/ISTOCK



**BOARD EXPERTS**  
Tod Perry (left) and Timothy Baldwin (right), professors at Indiana University's Kelley School of Business, warn that the VUCA concerns of today aren't going away.



**“It’s easy for people from the outside to forget the fiduciary responsibility of a board to work on behalf of the shareholder.”**

—**Timothy Baldwin**, professor, Indiana University

- **A potential failure** of the merger could also negatively affect Twitter’s common stock price.
- **The merger announcement** could impact on the company’s ability to attract and retain key personnel.

And then there was the elephant in the room: Mr. Musk himself.

Mr. Musk has long been a polarizing and volatile figure, notes Timothy Baldwin, Tobias Distinguished Chair of Leadership and professor of management at the Kelley School of Business at Indiana University. “Some people look at him as the next Thomas Edison—a visionary—and some people look at him as an unhinged lunatic.”

For the board, Mr. Musk was an integral part of the VUCA they had to consider. Since his first filing, he has mentioned ideas that could fundamentally change Twitter, says Tod Perry, associate professor of finance at the Kelley School of Business at Indiana University. Some of these ideas may or may not be in shareholders’ best interest. As a new owner, “you’re not going to let him go completely unfiltered,” Mr. Perry says.

Yet Mr. Musk is famously unfiltered. “If I acquire Twitter and something goes wrong, it’s my fault, 100 percent. I think there will be quite a few errors,” he said during a TED conference interview.

#### **Poison Pill**

For the Twitter board, there was simply too much uncertainty in a sale. On April 15, the board opted for a poison pill defense to make it harder for Mr. Musk to buy the company. This tactic gives existing shareholders the right to purchase additional shares at a discount, diluting the ownership interest of a new, potentially hostile party.

The poison pill reflects a belief that the board, and not short-term speculators or other actors, should determine if and when a company should be sold.

Yet the fact remained that Mr. Musk’s offer represented a huge premium over the current stock price.

“With a publicly traded board, you have a fiduciary responsibility,” says Mr. Baldwin. “It’s easy for people from the outside to forget the fiduciary responsibility to work on behalf of the shareholder.”

The Twitter board took this responsibility seriously. It engaged Goldman Sachs and JPMorgan to evaluate the offer. On April 25, both investment banks offered the opinion that the price was fair from a financial point of view. That day the Twitter board changed course and unanimously agreed to sell the company to Mr. Musk.

As part of its conclusion that selling to him was advisable and in the best interests of Twitter and its stockholders, the board noted several risks to maintaining the status quo if they didn’t agree to a sale. Among them were:

- **Challenges to Twitter’s ability** to grow its advertising revenue and the impact that this could have on its future revenue, profitability and stock price.
- **Challenges in increasing market share** and the impact this could have on Twitter’s ability to achieve stable and consistent revenue, business and operating results.
- **Continued economic uncertainty** related to the COVID-19 pandemic, the conflict in Ukraine and related sanctions against Russia and Belarus, and inflationary pressures.
- **Challenges to a public company** of making investments, and of making operational changes and improvements to achieve long-term growth and profitability.



### The Devil You Know

In short, despite the uncertainty inherent in the sale, the Twitter board determined that staying the course as a public company was fraught with even greater uncertainty.

Ironically, at this point Mr. Musk had VUCA concerns of his own. In May, he asked Twitter to provide data that would help him evaluate the number of fake accounts on the platform. By June 6 he had not yet received this information. He claimed that Twitter was “actively resisting and thwarting his information rights” and threatened to walk away from the deal. As of June 22, he has said that the deal is on hold until he secures the information, which the Twitter board plans to provide.

The ongoing saga of Mr. Musk’s Twitter bid highlights the importance of understanding and being prepared for VUCA for today’s directors. Uncertainty and ambiguity have been amplified by government scrutiny of Twitter and other social media companies. Complexity has arisen from Mr. Musk’s pronouncements about what commentary to allow and what to ban.

“This is bigger than financial, this is a societal move,” Mr. Baldwin says of Mr. Musk’s offer.

While Mr. Musk’s bid to buy Twitter has a number of unique factors, many are being faced by boards around the world, from the continued effects of COVID-19 to rapid interest rate changes, inflation, supply chain disruptions and social concerns. “I don’t think a lot of these issues are going to go away anytime soon,” Mr. Perry says. “These are not easy positions. Directors are spending more time today than they did 10 to 20 years ago to fulfill their responsibilities. That will still be the case in the future.” **IQ**

## An Offer You Can’t Refuse

**On April 13, 2022**, Elon Musk sent Bret Taylor, Twitter chairman of the board of directors, a nonbinding proposal to acquire the company. Mr. Musk made clear that it represented his best and final offer. It’s a model of brevity and exemplifies the hubris that makes him such a controversial figure. Its full text follows.

### Bret Taylor

Chairman of the Board,

I invested in Twitter as I believe in its potential to be the platform for free speech around the globe, and I believe free speech is a societal imperative for a functioning democracy.

However, since making my investment I now realize the company will neither thrive nor serve this societal imperative in its current form. Twitter needs to be transformed as a private company.

As a result, I am offering to buy 100% of Twitter for \$54.20 per share in cash, a 54% premium over the day before I began investing in Twitter and a 38% premium over the day before my investment was publicly announced. My offer is my best and final offer and if it is not accepted, I would need to reconsider my position as a shareholder.

Twitter has extraordinary potential. I will unlock it.

### Elon Musk



ABOVE, THE TRUSTEES OF INDIANA UNIVERSITY; RIGHT, SPAWNS/ISTOCK



**A**mid a pandemic, global conflicts, spiraling inflation, high energy costs and supply chain disruptions, finding a compass and navigating to success is more challenging than ever. Toss in the radical pace of change driven by digital technology and it's clear that a company's outlook can get cloudy very quickly.

It's against this backdrop that the notion of **VUCA** has become omnipresent. We are looking at each of the four elements, exploring what they mean in today's business environment and how companies have transformed risk into opportunity—and gains.

By keeping a laser focus on the four elements of VUCA, successful companies manage to find ways to turn them into a competitive advantage. >>>



THE  
**VUCA**  
ISSUE



**VOLATILITY** | Before the internet and more advanced digital technologies took hold, the barriers to entry for any given industry or line of business were extraordinarily high. It took huge amounts of capital and human brawn to get a business off the ground, manufacture products and distribute them to customers.

No longer. Amazon, Uber, Airbnb and many other companies have disrupted entire industries. They have rewired the way consumers think and act—and the ripples impact every company. The task is further complicated by a lingering pandemic and geopolitical issues, including climate change, supply chain disruptions, rampant inflation, cybercrime and conflicts around the world. Risk and insurance services provider Marsh, in its Political Risk Report 2022, pointed out that there's no end in sight.

Navigating rough times requires an operating model that's agile and flexible. It may be necessary to rapidly enter new markets and exit existing ones, add and subtract products and services, adapt to new labor models such as hybrid and remote work, and rethink sourcing and outsourcing as a way to trim short-term costs. For example, during the pandemic, many tech companies witnessed manufacturing constraints due to pandemic-related lockdowns in China.

How can business leaders manage

volatility? A first step is to adopt a more modular and dynamic business framework that allows a business to change direction quickly—and scale dynamically. This requires nimbler thinking along with a digital fabric, including a cloud architecture, that supports rapid change. Yet it's also critical to look for talent everywhere and broaden sourcing and manufacturing across multiple countries to minimize the risk of a significant disruption. Alliances, joint ventures, incubators and strategic partnerships can also play a role.

Organizations must also rethink decision-making. Within some organizations, particularly those attempting to act in a more entrepreneurial way, units and departments make decisions fast, but they lack critical information along with a big-picture view. As a result, their decisions may benefit the group but hurt the company. Conversely, many organizations are mired in bureaucracy. Leaders ponder and debate issues endlessly, and by the time they act the problem is out of control. The sweet spot is a management team that can grab appropriate information on the fly and make critical decisions quickly, while simultaneously allowing managers to manage.

For example, Frontier Airlines tackled pandemic-related volatility by focusing on five key issues. [See Uncertain Paths on page 32.] A management team, including Steve

ABOVE, COURTESY FRONTIER AIRLINES

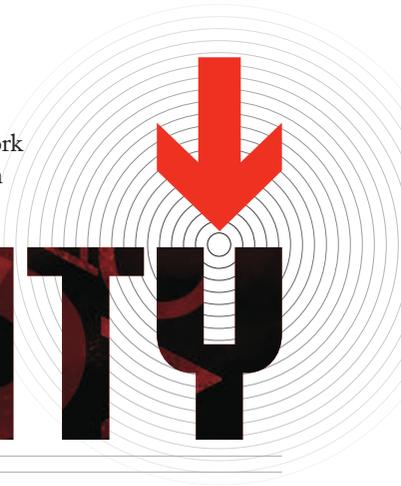
# It's critical to build a framework for solving problems rather than focusing on every possible scenario.



**Frontier Airlines** built trust in an uncertain time by offering transparent video updates throughout the pandemic.

**UNCERTAINTY** | When business is humming along, it's easy to fall into a complacent mindset and assume that the good times will continue to roll. Yet if the pandemic proved anything, it's that uncertainty is a constant—and when it rears its head it often does so with a vengeance. Although contingency planning is vital for organizations, it's critical to build a framework for solving problems rather than focusing on

# UNCERTAINTY



Schuller, vice president of human resources, adopted zero-hour schedules so employees could stay employed and keep benefits—even when they weren't working shifts. There also was a focus on communicating honestly with employees. During the pandemic, as daily twists and turns became the norm, the management team often met online several times daily, and CEO **Barry L. Biffle** delivered honest and at times raw video updates. The resulting framework forged a climate of trust and has helped the airline soar through turbulent times. >

every possible scenario that nature or humans might toss in your direction. Events do not unfold in linear or predictable ways.

When uncertainty takes hold, survival-like behaviors explode. This includes a lack of focus, anxiety that leads to conflicts, paralysis from overanalysis, and turf battles that pit internal factions against one another. While it's impossible to completely eradicate these behaviors—humans are human, after all—it is entirely possible to keep >>>

# Over time, layers of technology and accompanying processes contribute to breathtaking complexity.



**Corie Barry**  
The Best Buy CEO says the company is testing out a model that reduces its sales floor area and commits more space to online order fulfillment.

counterproductive behaviors in check and reduce the tension level with the right thinking and actions.

Successful business leaders recognize that they can't make uncertainty go away—whether it's a pandemic or global climate change—but they can shift resources and thinking toward new ideas, business models and products. They can also amp up communication. RHR international reports that the best efforts inform, connect, guide and unite. When uncertainty arises, these organizations communicate early and frequently, give people space to express their emotions, focus on concrete steps that align the culture, and reinforce core messaging.

Reacting quickly and courageously to the pandemic paid dividends for electronics giant Best Buy, which continued to generate strong financial results through the pandemic. It immediately turned to contactless curbside pickup. CEO **Corie Barry** has also

introduced a business model that focuses on hybrid e-commerce. The company has experimented with smaller stores with reduced sales areas while adding store space for online order fulfillment. "We're testing our hypothesis that stores might act a little bit more as primary fulfillment hubs," Ms. Barry has noted.

Canadian e-commerce platform Shopify is another firm that has turned uncertainty into an advantage. Early on, CEO Tobias Lütke noted that Shopify clients were increasingly taking orders from within 15 miles of their stores—a segment that generally falls below the radar for Amazon and others. Shopify responded by providing services that boosted marketing support, local pickups and various other services to help these small businesses manage expenses, pay bills and optimize local deliveries and curb pickups. The result was an uptick in sales. >

**C**OMPLEXITY | A widely accepted tenet of digital technology is that it streamlines and simplifies business operations. Although this may be true for any given project or initiative at any given moment, it's also clear that over time layers of technology and accompanying processes contribute to breathtaking complexity. At some point, all the products and solutions that today's technology make possible coalesce into far greater complexity.

This irony wasn't lost on Coca-Cola. For decades, its product lines and profits grew while its sourcing requirements and supply chain expanded. It seemed like a successful formula for revenues—until it wasn't. So, in 2019, the company axed 275 products and then eliminated 200 other products in

ABOVE LEFT, COURTESY BEST BUY; ABOVE RIGHT, COURTESY COCA-COLA



Mondelez eliminated 25% of its SKUs that reached across 126 manufacturing facilities and 110 distribution warehouses worldwide. In April 2020, Procter & Gamble also trimmed its product lines. Complexity can also ransack IT systems, R&D efforts, marketing and other areas.

Although it's generally wise to explore opportunities and test new products, it's critical to monitor metrics and performance closely. For example, a greater number of SKUs doesn't necessarily translate into higher profits, even if products are somewhat successful. Simon Croom, a professor of supply chain management at the University of San Diego, has pointed out that modern supply chains often display inverse "physics." Adding SKUs adversely affects response times, inventories and performance.

Yet there's such a thing as positive

**James Quincey**  
The Coca-Cola CEO says the decision to eliminate hundreds of products since 2019 is part of an effort to "ruthlessly prioritize core brands."

# COMPLEXITY

December 2020. Coca-Cola CEO **James Quincey** described the initiative as a way to "ruthlessly prioritize core brands."

The change allowed Coca-Cola to focus on higher-growth brands that contribute to the bulk of its revenue—and eliminate those that made up only about 2% of revenues. "We are shifting to prioritizing fewer but bigger and stronger brands across various consumer needs," Mr. Quincey said during a conference call in December 2020. "At the same time, we need to do a better job nurturing and growing smaller, more enduring propositions and exiting some zombie brands," he added.

Coca-Cola isn't the only company looking to streamline business. In December 2020, consumer goods giant

complexity. This may include new and improved products or services that meet unmet demand, such as in an emerging food category like dairy-free or organic. These can raise brand visibility and boost margins and profits.

The takeaway? Organizations must maintain a big-picture view of complexity but also have tools such as analytics and machine learning (ML) that allow it to understand each product, service, IT system and business element in a granular way. It's critical to identify the actual cost and value of each and every SKU—including how they change over time. Reducing complexity can free up money and staff resources. It can unshackle an organization and open a door to new innovation and even disruption. >>>



# AMBIGUITY

**A**MBIGUITY | Even armed with sophisticated business intelligence (BI), analytics and machine learning tools, it's incredibly difficult to sort through all the ambiguity in today's business environment. It's one thing to recognize that volatility, uncertainty, complexity and ambiguity exist, it's another to transform data and information into insight and knowledge—and act wisely. Adding to this challenge, strategies that once seemed foolproof are no longer dependable.

History is littered with the debris of companies that couldn't manage ambiguity and adapt to change. One of the most glaring examples is Sears, an American icon founded in 1893. The company—the equivalent of a brick-and-mortar Amazon in its heyday—once operated thousands of department stores and a phenomenally successful catalog and mail-order business. However, after an unsuccessful merger with Kmart and an inability to modernize its

stores and product lines, the company landed in bankruptcy in 2018. Today, only about 200 Sears stores remain in the U.S.

Plenty of other well-known companies have also been blindsided by ambiguity. These include RadioShack, Blockbuster, Kodak, Toys R Us, Nokia and The Limited. Confronted with critical decisions about how to navigate chaotic business conditions, CEOs and other business leaders at these firms made decisions based on past experience, without commitment to a designed future.

What makes ambiguity so difficult is that there's seemingly no clear course—and any decision could be the wrong decision. But that's the whole point. If an organization establishes the right framework for decision-making—while not moving too fast and hastily or too slowly and methodically—it's possible to make small mistakes and learn from them. It's also possible to test ideas and new products and see what works. Today's

ABOVE, NESPRESSO BOUTIQUE SYDNEY COURTESY NESPRESSO

# History is littered with the debris of companies that couldn't manage ambiguity and adapt to change.



Nespresso's leadership recognized that the company needed to tread into ambiguous territory to forge a new way forward.

digital technology allows this type of rapid iteration and testing. Simply hoping that an ambiguous situation will somehow become crystal clear or align with a company's direction is a recipe for disaster.

A starting point for navigating ambiguity is to construct an internal framework to deal with the challenge. This includes a way to evaluate and analyze information as it streams in—zooming in and out as needed and looking for ways to separate knowns from unknowns. In order to gain this level of insight, there's also a need for input across groups and disciplines. Ultimately, there's a need to act on data while accepting that risks exist and changing direction will be necessary at times. Successful organizations recognize they will make some wrong decisions, but they also allow escape routes. This requires flexible thinking at the highest levels of the organization, and technology—such as a cloud-based infrastructure—that supports fast pivots.

A good example of a company that turned ambiguity into an advantage is Nespresso. It built a brand around the concept of delivering the “ultimate coffee experience.” For decades, its high-end products were only available in selected stores, restaurants and the firm's own coffee boutiques. But former CEO **Jean-Paul Gaillard** recognized that the future was murky—and it required a new course. While the desire for a high-end experience wasn't going away, consumer preferences were changing. After carefully analyzing the market and trends, Nespresso took its capsules to hotels, restaurants and homes—and embraced a framework built on sustainability. The pivot didn't dilute the brand, it enhanced it.

When organizations succumb to ambiguity, it's often because senior level executives are clouded by past experiences and unable to see future possibilities. These past experiences may prevent them from being open to hearing new perspectives or trying new things.

Best practice organizations, on the other hand, solicit ideas from anywhere and everywhere. They anticipate issues, understand the consequences of actions, appreciate the interdependence of variables, explore alternative paths, and interpret and address relevant opportunities. This approach isn't a guarantee for success, but it's about the best possible inoculation against failure. **IQ**

# NAVI- GATING

THE  
**VUCA**  
ISSUE

# A



Insigniam Partner  
**Jon Kleinman** offers  
insights on how leaders  
can effectively helm  
organizations  
in stormy waters.

# VUCA

BY **ANNIE FERGUSON**  
ILLUSTRATION BY **SEAN MOSHER-SMITH**

# WORLD



FORMATION

VOLATILITY  
COMPLEXITY  
UNCERTAINTY

AMERICAN  
INFORMATION

CONSTANT UNPREDICTABLE CHANGE  
WAR  
CHANGE

AMBIGUITY  
VOLATILITY  
UNCERTAINTY  
COMPLEXITY

USA

CONSTANT UNPREDICTABLE  
CHANGE HAPPENING FASTER THAN EVER  
WAR  
CLIMATE CHANGE

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# VUCA IS MORE THAN THE

**latest business buzzword.** It's the perfect term to describe a world increasingly roiled by the pandemic, social unrest, war, violence and economic instability.

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The term was coined at the U.S. Army War College in the 1980s to describe the global volatility, uncertainty, complexity and ambiguity—i.e., VUCA—that followed the twilight of the Cold War. Soon after, the term was adopted by the business world as shorthand for the myriad shifting factors in a dynamic, increasingly interconnected world.

While the Cold War was a period of sustained tension, the actors and the broad balance of global power were well understood, explains Insigniam partner Jon Kleinman, who has more than 20 years of experience in consulting Fortune 500 companies and leads the Learning & Development team. But that balance ended with the dissolution of the Soviet Union on December 26, 1991.

“This is very similar to what we’ve got

today,” says Mr. Kleinman. “We’re trying to understand and anticipate issues that are shaping current conditions, and we’re trying to understand the consequences of these issues and the consequences of the actions we might take to deal with them.

“If you think about the complexities of the massively interconnected world in which we operate, things get really complex really fast. Every connection adds complexity. Every connection is a possible point of failure, which can lead to vulnerability.”

Which means, he says, that understanding VUCA is now an essential element of leading any organization that is trying to do something significant.

## Leading Through VUCA

In a VUCA world, Mr. Kleinman says, it’s a mistake to assume that events will unfold in a linear fashion. That means it’s also a mistake to attempt to lead in a linear way through complex and unpredictable events ranging







“What Delta got good at was looking not just at things that would probably happen, but also at things that could happen,” says Mr. Kleinman. “Whether bad weather comes in February, March or April, it’s going to happen and it’s going to disrupt their planning. Having their powder dry, so to speak, and having money and capital on hand have been key.”

Noted for his focus on demonstrable results, Mr. Kleinman is an expert at showing companies how to be prepared for anything. He gives an example of a train of thought in the recent past: “If you look at the world, you might ask, ‘Will we have another pandemic?’ Well, I don’t know,” he says. “Will we have another big recession? I don’t know. Will we have another global conflict? I don’t know. But will we probably have one of those things? Probably so.”

#### **A Broader Vision**

When considering volatility, uncertainty,

complexity and ambiguity, Mr. Kleinman says, it’s essential to think about your objectives. But beyond that, he says, be courageous and adaptable and think about all the things that could get in the way of those objectives. How would you pivot if these things happened?

When leaders don’t have the courage to look beyond the expected, Mr. Kleinman says, that’s when they are “lulled to sleep.”

As an example, he cites the impact of mobility as a service (MaaS) companies such as Uber and Lyft on the taxi business.

“How did the taxi industry deal with Uber and Lyft for the first 10 years?” he asks. “Well, they tried to squeeze city councils and county commissions to ban them.” That didn’t work. As a result, startups like these nearly crushed a once-dominant industry with something that simply worked better.

This is what happens, Mr. Kleinman says, when leaders are guided by the myopic perspective that there’s only one way to do



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**When considering volatility, uncertainty, complexity and ambiguity, it's essential to think about your objectives. But beyond that, be courageous and adaptable and think about all the things that could get in the way of those objectives. How would you pivot if these things happened? —Jon Kleinman**

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things, and ignore the reality of a VUCA world rife with potential change. The taxi industry should have more readily prepared itself for competition, even if it didn't know what form that competition might take.

Mr. Kleinman gives another example of failing to prepare for a VUCA world: a global consumer goods company that had not changed its supply chain approach in decades, despite increasing known and unknown changes taking place in the world around it. It had a single big distribution center that could be devastated by a single climate event such as a tornado, and relied on suppliers in China that could one day say they no longer have access to a certain part. "And that would be the end of that," says Mr. Kleinman. "Holy smokes."

**Risk and Reward**

Failure to prepare for VUCA is human nature, says Mr. Kleinman.

"As human beings, we tend to experience

life as patterns. We get used to things. We are creatures of habit. But if you're not telling yourself that things are in constant change, you're basically lying to yourself. It takes courage to look beyond what's already working. This is what lulls us to sleep. We have to ask, 'How would we adapt to this? How would we shift to that? If a critical client leaves us, how will we adapt to that?' These are all the kind of conversations that forward-thinking leaders must have."

And there's one more critical aspect to leading in a VUCA world: Staying agile and taking action as soon as necessary.

"Action is the only thing that makes a difference. Just seeing and understanding isn't enough," says Mr. Kleinman. "You must have a vision. You must be on your toes. Having agility and the ability to respond to change is the most important thing." Nothing ventured, nothing gained. Amid all the variables, it's at once that simple and that complex. **IQ**



THE  
**VUCA**  
ISSUE

**UN-**

How **two travel companies** are navigating global disruption.

BY **SAMUEL GREENGARD**

# CERTAIN PATHS

lechatonir/GETTY IMAGES



**N**o industry has managed to escape global disruption. A lingering pandemic, war in Ukraine, global supply chain interruptions and high fuel costs continue to take a toll on companies large and small. But few industries have confronted more challenges than the travel sector.

When the pandemic arrived in early 2020, global tourism dropped by a whopping 74%, according to the World Tourism Organization. By April of that year, 100% of global destinations had some form of COVID-19 travel restrictions, and 30% had suspended some or all flights. Although travel is once again picking up, volatility, ambiguity, complexity and uncertainty (VUCA) have become the new normal.

Navigating today's turbulent world requires different thinking. It isn't enough to simply react to events. Over the last few years, successful travel companies have focused on five key factors to combat VUCA: fast decision-making, creative thinking, greater transparency, a nimbler IT framework and a focus on ongoing change.

**IQ** spoke with executives from two leading companies, **Frontier Airlines** and **Travelport**, to discuss how they are applying these principles to not only manage uncertainty, but transform it into a long-term strategic advantage.



**CULTURE CHECK**  
Executives **Phil Donnelly** from Travelport (top) and **Steve Schuller** from Frontier Airlines (bottom) explain how culture change helped their companies become stronger and more resilient as the travel industry recovers.

ABOVE FROM TOP, COURTESY TRAVELPORT, COURTESY FRONTIER AIRLINES

Lesson

#1

1

# FOCUS ON Becoming Fast and Smart

**Even before the pandemic**, U.K.-based **Travelport**, a worldwide travel retail platform that connects buyers and sellers to deliver travel experiences, found itself staring down the barrel of VUCA. In 2019, what had been a publicly traded company went private, and a recognition that the business had to modernize and become far more agile bubbled to the surface. The first step was to create a new leadership team that was equipped to drive a transformational agenda.

*"We recognized that we had to build a more agile and dynamic company that would be more responsive to the marketplace. Our previous company persona had been slightly slow and somewhat ponderous," says Phil Donnelly, chief people officer at Travelport. "That meant that we had to change our culture and our mindset to create a different type of organizational identity."*

Travelport began by benchmarking its culture and producing an assessment report that identified gaps and opportunities. With this, CEO Greg Webb and the leadership team established a vision for where the company should be in three to five years. "This compelling north star has provided a clear marker to help us navigate through transformational change and the uncertain global environment," says Donnelly. One key element centered on empowering employees to make decisions faster. "We wanted to build a culture that revolves around trust and respect. With the appropriate guardrails, that's possible."

The initiative has extended from technical areas such as DevOps to business decisions. The leadership team established a framework that promotes innovation, creativity, agile thinking and responsive decision-making without fear of punitive results. "We have been able to respond to a marketplace recovery and outpace our competitors," Mr. Donnelly says. >>>

Lesson

# #2

# Embrace a Mindset of Creative Thinking

**Even before the pandemic**, digital technology had radically transformed the travel industry. Yet, almost overnight, everything changed. It wasn't only that demand for travel went into a tailspin; maintaining a viable labor force became an enormous challenge.

**Frontier Airlines** witnessed a precipitous drop in sales within a period of two weeks. "There was a tremendous amount of uncertainty. We didn't know where the bottom was," says Steve Schuller, vice president of human resources at Frontier. Like others in the travel industry, Frontier Airlines trimmed flight capacity and schedules, yet it still found itself faced with an enormous challenge: how to reduce its cost basis without losing employees.

*"We asked a basic question: How do we protect the health and well-being of our employees but keep them gainfully employed?" Mr. Schuller says.* The company's management team huddled and searched for a creative way to address this potential crisis. The result? It constructed a framework that allowed employees to work fewer hours during the pandemic but retain all their benefits. This included zero-hour schedules and shifting employees to other functions within the company.

Mr. Schuller says that getting to a more creative place requires a willingness to toss conventionality aside and consider new and sometimes frightening ideas. There's a need for constant and brutally honest conversations at every level of the organization. Yet, armed with information and a willingness to think in new and bold ways, it's possible to take much of the bite out of VUCA and build a framework that delivers a smoother ride.

Lesson

# #3

# Make

# Transparency Your Friend

**Change introduces uncertainty**, which accelerates fear. As **Travelport** worked to reinvent itself during ambiguous times, one thing that stood out was the need for total transparency. The company moved from a once-a-quarter all-company calls led by Webb to biweekly calls for its top 80 leaders and biweekly calls with the entire company. In addition, teams worked to revamp processes shaped by the pandemic as well as broader changes in digital technology and issues such as sustainability.

*"We kept people informed throughout the management transition and the pandemic. We wanted to build a culture that would not only allow us to survive the pandemic but also strengthen the company," Mr. Donnelly says.*

Today, 91% of Travelport's employees approve of its direction and framework, up from 69% pre-pandemic.

At **Frontier Airlines**, communication and transparency have also played a critical role. Crisis management and contingency plans have at times been tossed out the window as staffing challenges and volatile fuel prices have racked the airline industry. During the pandemic, "The executive team has had to meet several times per day online to address all the events in a fluid way. As situations changed, we made it a point to keep employees in the loop," Mr. Schuller says.

Video updates from CEO Barry L. Biffle have been part of the picture. "These are not overly produced marketing pieces. They're organic and authentic," Mr. Schuller notes. Open communication throughout the company has also been a focus. "This approach has been extremely effective in establishing trust, and a strong bond, between senior leaders and the workforce. It has helped us retain employees and build a stronger, more resilient culture." >>>

Lesson

# #4

# Strive for a Nimble IT Frame- work

**When Travelport launched** its initiative to reshape management and the company, leadership never imagined that it would face a pandemic that essentially ended global travel for a couple of years.

*“Like everyone else, we had to hunker down,” Mr. Donnelly says. Yet instead of withdrawing and chasing conventional wisdom about slashing costs, the company opted to accelerate digital transformation.*

*“We decided that we didn’t want to waste a crisis.”*

Travelport invested in improved digital systems and processes, making it possible to introduce innovative features and capabilities that outpaced competitors. Among other things, Travelport rewired its back-end systems, introduced a DevOps framework and enhanced its API framework to better connect airlines, hotels, train companies, tour providers and others. “We wanted our retailers to view us like Amazon,” Mr. Donnelly says.

For example, international rail provider Trainline now delivers hyper-personalized content and services to agencies that book tickets. A luxury boutique hotel in London U.K., Edwardian Hotels, now has the data and tools to target agencies and deliver personalized promotions and links to various products and services. Other Travelport innovations have focused on data aggregation across business partners and one-click upgrades for airline seats, car rentals and more.

Today, Travelport is outpacing its competitors. Sales and profits are soaring; in the first quarter of 2022, bookings were up 58% versus the same period in 2019. “We have an infrastructure and a culture that’s equipped to act quickly, efficiently and intelligently,” Mr. Donnelly says. “We view ourselves as a tech company that operates in the travel industry.”

Lesson

# #5

Make

# Change a Long-Term Ally

**Establishing a framework** that's equipped to deal with VUCA requires a big-picture view and an ability to respond in the moment—whatever the immediate problem or crisis is and whatever repercussions it unleashes. “You have to have a way to constantly crack the code amid different and often unexpected factors, conditions and situations,” Mr. Schuller says.

It's crucial for everyone—employees, customers and business partners—to connect to the mission and vision of a company, he says. Decisions, actions and communications must all support the central focus. Yet, when all the pieces come together, it's possible to pivot quickly and address VUCA issues in innovative ways. For instance, a focus on being green has paid off dramatically for **Frontier** as fuel prices have skyrocketed. “We burn 43% less fuel than the other airlines,” Mr. Schuller says.

At **Travelport**, business disruption isn't viewed as a hindrance or roadblock, but rather as an opportunity.

*“The reality is that we live in a VUCA world, and this isn't going to change,” says Mr. Donnelly.*

*“If you focus on agility, flexibility and building a more dynamic business framework, you are going to be nimbler in the way you operate and you are equipped to deal with surprises. In this way, you build a culture that is engaged and responsive. You build a foundation for long-term success.” IQ*

# Charting a Course to a Culture of

# Inno- vation

A few simple **changes in strategy and mindset can help your organization** set the stage for breakthrough advancements—and promote ongoing growth and reinvention.

BY **SCOTT STEINBERG**

COURTESY PULPEX

**Paper Route**

Through a partnership with **Pulpex, PepsiCo** developed a prototype for the world's first fully recyclable paper bottle, made with sustainable, renewable wood pulp.



**F**lashes of insight, strokes of genius, and sudden bolts of inspiration often spring to mind when we envision the practice of delivering game-changing business advancements. But while ideation is a critical component of innovation, by itself it's not enough to drive transformative breakthroughs for today's enterprise, given the speed, scale and level of complexity at which the commercial world now operates. Rather, as Harvard professor Gary P. Pisano notes, modern organizations need to adopt a well-planned innovation strategy: a set of systemized actions, behaviors, policies and procedures that work toward achieving a specific competitive goal and lay the groundwork for ongoing corporate evolution and advancement.

In other words, if you want to achieve breakthrough results in business, it's not simply enough to "Think different," as Apple co-founder Steve Jobs famously challenged the world to do. You've also got to implement forward-thinking and systemic changes in culture and mindset.

And you have to put in place actionable methodologies that can help you proactively disrupt your organization and its core offerings before competitors, unforeseen events or unexpected market shifts invariably force your hand.

An overly myopic focus on delivering today's most in-demand solutions may come at the expense of your ability to deliver tomorrow's winners. Focusing purely on short-term gains and failing to set aside the time and resources needed to make long-term investments in your firm's future in a rapidly changing business world may prove a

costlier choice for your organization.

However, risks need to come in the form of smart and cost-effective bets that lay the groundwork for future success. That means institutionalizing formal innovation and R&D processes across your enterprise, encouraging workers to think like intrapreneurs (entrepreneurs within the organization), and committing to a mindset of continuous learning and organizational improvement.

It also means investing in two forms of growth-minded initiatives: Core innovations (the kind that reestablish the uniqueness or relevancy of your core products and/or solutions) and leap innovations (the kind that deliver transformative breakthroughs).

### Planning for Tomorrow

Instituting future-focused mindsets and processes in your organization is critical to laying the groundwork for game-changing innovation, says **Cuong H. Duong**, CEO of global microconnector and RFID antenna manufacturing leader **Linxens**. "For innovation to happen, basic building blocks have to be in place," he says. "It's crucial to streamline time-consuming processes and activities that are currently eating up your firm's schedule to free up more of staffers' time to concentrate on brainstorming and developing forward-looking advancements and ideas. If you can't move fast, you can't innovate."

Mr. Duong suggests that one of the first, best investments an enterprise can make is automating routine processes from accounting to data and order entries and customer relationship management (CRM) functions. Offloading time-consuming tasks can free up more time to think about where your industry and organization should be heading rather than just focusing on meeting today's needs. Mind you, "These systems can take a couple of years to put in place," Mr. Duong says. "But does it change the game because [your company's gains] become exponential at some point in time?"

Like many firms, Linxens has been faced with challenges due to the onset of the global pandemic, supply chain disruption and sudden shifts in customer preference, all while growing from 700 to more than 3,200 employees. But by making a point of decentralizing operations and decision-

COURTESY LINXENS

**“For innovation to happen, basic building blocks have to be in place. It’s crucial to streamline time-consuming processes and activities that are currently eating up your firm’s schedule to free up more of staffers’ time to concentrate on brainstorming and developing forward-looking advancements and ideas.”** —Cuong H. Duong, CEO, Linxens



making processes as it grew, Linxens has been able to become faster and nimbler about responding to rapid changes in the marketplace.

Equally important, Mr. Duong says, is driving an organizationwide culture in which innovation and creativity are valued at the highest executive level. “Innovation is nothing more or less than people being more at ease with brainstorming and generating ideas and trying something new,” Mr. Duong says.

Under Mr. Duong, Linxens has laid the groundwork for future innovations in myriad ways. The company has moved away from a linear process of research and development to a model that focuses on running multiple pilot projects in parallel, using these test programs to grow capabilities, boost insights, quickly source partner/market feedback, and adapt its business strategies.

The company moves fast and fails fast, exploring different opportunities, market tactics and ways of thinking on a regular basis. “This gets you in the mood where no

matter what happens in the market, you’re already more agile and proactive and less mentally fragile,” says Mr. Duong.

It has shifted internal communications efforts from a system of town halls to one of fireside chats in which employees can ask questions, get direct face time with Mr. Duong, and make their voices and suggestions heard. And it has built closer relationships with customers, partners and suppliers to stay attuned to emerging trends and shifts in consumer sentiment, so it can develop forward-looking solutions more quickly and cost-effectively.

As it develops these solutions, it focuses on smaller, faster projects that deliver iterative changes in strategy rather than costly, large-scale developments that can take so long to craft and deploy that they’re outdated by the time they arrive.

“Our model for the past two years has been ‘faster, further, stronger,’” says Mr. Duong. “It’s not that we need to be number one—just be better than we were yesterday. And by having this mindset where you constantly focus on self-improvement, it helps you be more [adaptable] and agile. Innovation itself is largely a byproduct of people who are willing to do a little bit more, give a little bit more and be a little bit more creative.”

#### Shifting Strategic Direction

Today competition can come from anywhere. Operating environments and customer tastes can shift faster than ever. That’s especially relevant for category leaders like global multinational food, snack and beverage giant **PepsiCo**, a mainstay of store shelves since 1898. >>>

#### Smarter Cards

Appointed president and CEO of Linxens in 2020, **Cuong H. Duong** brought more than 15 years of smart card experience to the company.

**Package Deal**  
Ron Khan, vice president of R&D Beverages Packaging at PepsiCo, leads the entire packaging program, including innovation, sustainability and long-term research.

In the wake of rising consumer interest in green and sustainable business practices, PepsiCo has begun investing heavily in sustainability and ESG-driven efforts, says **Ron Khan**, global vice president of packaging for PepsiCo Beverages. Its initiatives focus on driving change in three areas: reducing the amount of plastic the company uses by leveraging new “lightweighting” technologies; minimizing the need for single-use plastics; investing in infrastructure upgrades and advanced technologies that support greater recycling opportunities; and reinventing packaging solutions to benefit customers, the planet and its partners.

“We’re striving to build a more circular, inclusive and sustainable supply chain,” Mr. Khan says. As one example, all Pepsi-branded drinks in North America are expected to move to 100% recycled plastic (rPET) bottles by 2030. The company has also partnered in developing recyclable paper bottles and plastics derived from plant-based sources.

Responding to fast-moving changes in the industry landscape and consumer preference requires the company to put a premium on investing in research and development efforts that drive transformation and accelerate business growth.

“Our team is consistently exploring and tracking how consumers’ everyday experiences and preferences are changing,” Mr. Khan says. “Advances in digitization, AI and data are also key drivers in how we respond to a fast-moving environment and deliver game-changing innovations.” For instance, PepsiCo uses digital simulation technologies to model new business efforts and initiatives, and to simulate how dozens of variables might enable or inhibit new efforts and their speed to market.

Breakthrough innovations such as PepsiCo’s new advancements in packaging don’t just happen in a vacuum. The company actively seeks to collaborate with a broad range of partners, customers and nonprofit organizations up and down the supply chain to identify new areas for growth and development, as well as innovative solutions.

Similarly, the company leverages data mining and analytics solutions to keep up with shifts in customer preference and sentiment and to look for clever and creative ways to apply both new and preexisting



resources to address these needs.

“To be successful, our teams must have a flexible and agile mindset to drive change and adapt quickly,” Mr. Khan says.

### **Finding Success Amid Uncertainty**

Corporate leaders must focus on concepts such as incentivization if they want to fuel consistent innovation. In tomorrow’s business world, growth and success won’t just be about envisioning great ideas, but also about empowering, rewarding and recognizing others for applying more elements of creativity and entrepreneurship throughout their work. In effect, promoting successful change in your enterprise starts less with research, more with rewards.

For leaders, this means having to craft and put in place systems and processes that encourage working professionals to regularly reconsider their approaches, recalibrate perspectives and step outside of their comfort zones. Risk-takers must be actively rewarded for having the guts to build things where they see voids in the marketplace, and for challenging the status quo. This means working to give employees more platforms and opportunities to connect, share ideas, and pilot new program and service trials, learning from each successive effort.

In essence, this equates to promoting leadership at every level of the business, giving employees latitude to think like entrepreneurs and giving them the tools and platforms that they need to share information and execute in changing environments.

“Decentralized companies operate and innovate much faster than those

ABOVE: COURTESY PEPSICO

**“Our team is consistently exploring and tracking how consumers’ everyday experiences and preferences are changing. Advances in digitization, AI and data are also key drivers in how we respond to a fast-moving environment and deliver game-changing innovations.”** —Ron Khan, global vice president of packaging, PepsiCo

operating using top-down decision-making systems,” says Linxens’ Mr. Duong. “But for decentralized teams to work, you need to give people a clear vision of where they’re headed strategically, and where you want them to go. What they do during the day, that’s their business. It’s your job to give them direction and feedback along the way.”

Giving employees more runway and room to work creatively, and championing a corporate culture that’s willing to think several steps ahead, learn from mistakes, and constantly readjust and adapt its strategies, can help you be more successful. The bottom

line: Delivering breakthrough innovation becomes far simpler when you’ve structured your enterprise to be a powerhouse of imaginative thinking.

“While [companies] must remain agile and reactive, ultimately whatever we do must be rooted in vision and strategy,” says PepsiCo’s Mr. Khan. “This brings purpose to the work we do. With purpose established and through the use of data, knowledge and insights, we can develop the right program of short-term opportunities [to pursue] as well as longer-term game-changing innovations.” **IQ**

## Instilling Innovation

**Creating a culture of innovation** doesn’t have to be expensive or complicated. Here are some time-tested solutions employed by Fortune 500 leaders to spark game-changing innovation and creativity.

- **Running Shark Tank-style** entrepreneurship contests in which employees are invited to submit novel and innovative concepts
- **Hosting “hackathon” events** that challenge staffers to develop product prototypes or solutions in less than 48 hours
- **Creating open innovation portals**

where employees can suggest creative ideas, and where companies can source ideas from startups, universities and the general public

- **Building innovation labs** whose staffers aren’t held to the deadlines and demands of the rest of the organization
- **Forming expert and advisory committees**

tasked with exploring emerging topics and trends

- **Routinely inviting junior staffers and new hires to sit down** at breakfast or lunch meetings and share their ideas for innovative new strategies and solutions with senior leaders
- **Pairing employees with partners** from different backgrounds and

experience levels and switching partnerships regularly to expose them to fresh tactical approaches and ways of doing business

- **Launching new product or service prototypes** for \$20,000 or less every six weeks running, all year round, learning from each effort and adapting

future solutions in turn as they go

- **Hosting internal conferences,** webinars and educational salons on rising topics of interest
- **Inviting customers and industry thought leaders** to share thoughts on new trends, disruptions and innovations at panels, workshops and fireside chats



# BALL OF CONFUSION

A geopolitical perspective  
on VUCA through a **Q&A**  
with Todd Chapman  
and David Shedd.

BY **SAMUEL GREENGARD**  
PHOTOGRAPHY BY  
**MICHAEL BENABIB & JOSH RITCHIE**

**VUCA VIEWS**  
How do businesses build resiliency despite uncertainty? A retired high-ranking intelligence official and a former U.S. ambassador share their advice on doing business in an increasingly unstable economic and geopolitical environment.

THE  
**VUCA**  
ISSUE



**It's an incredibly** challenging moment for businesses of all shapes and sizes. As the pandemic lingers, the war between Russia and Ukraine drags on, energy prices spike and supply chain disruptions fester, there's a need to make tough choices about everything from investments and labor to materials sourcing and where to locate production. Moreover, all of this is taking place amid climate disruption and growing political instability worldwide.

**IQ** spoke with two preeminent experts about the current state of the world—and how it impacts businesses. **Todd C. Chapman** has served as **United States ambassador to Ecuador and Brazil**. He also held numerous positions within the U.S. State Department. He now is an international business consultant and serves on four advisory and corporate boards in Brazil and the U.S. **David R. Shedd** is a retired **Central Intelligence Agency (CIA)** officer who most recently served as acting director of the U.S. Defense Intelligence Agency. He is on the board of directors for eight companies.

Together, they offer views on how business leaders can address today's geopolitical instability—and build stronger and more resilient organizations. >>>

**“The global pandemic has upset so many things. Beyond the obvious humanitarian tragedy, it has completely disrupted the world economy. It highlighted how interconnected we have become. I think we all knew this intellectually, but now we’re seeing the fallout.”** —Todd Chapman

**IQ:** *How does today’s geopolitical picture stack up with the past? How has it changed?*

**Todd Chapman:** Like other times of great global tension in world history, an aggressive world power, in this case Russia, has invaded a neighboring country and disrupted the world with the end result still uncertain. Yet unlike earlier periods of conflict, the world is also still recovering from the effects of the COVID pandemic, as well as the disruption of global supply chains. The convergence of these factors is bringing new levels of stress and risk in international relations.

**David Shedd:** We are faced with a challenge to the international order. It isn’t only what Russia is doing in Ukraine. You have North Korea and Iran feeling empowered, and China challenging for global dominance. We haven’t seen anything like this since World War II. There are increasing complexities in alliances. A silver lining is that there has been much closer unification of countries within NATO.

**IQ:** *What is the ongoing impact of the pandemic and supply chain disruptions?*

**Mr. Shedd:** We’re seeing a level of disruption that most of us have never witnessed before. Some of these problems are unavoidable because companies and countries are so interdependent and interlinked, but others could have been avoided through better planning and preparation.

**Mr. Chapman:** The global pandemic has upset so many things. Beyond the obvious humanitarian tragedy, it has completely

disrupted the world economy. It highlighted how interconnected we have become. I think we all knew this intellectually, but now we’re seeing the fallout. This experience has underscored the importance of understanding the political, social and health risks that impact global business operations.

The economic dislocations resulting from the pandemic also highlighted the importance of sourcing and producing goods in countries in which you can have confidence. Some companies end up overly concentrating their business in problematic countries simply because of pricing advantages without fully assessing the risks of doing so.

**Mr. Shedd:** China, for example, has been an extraordinarily attractive partner for the last couple of decades. Not only is it a 1.3 billion-person market, but it’s also been a lot less expensive to locate and manage operations there. But now, with growing trade conflicts and the country in almost absolute lockdown due to COVID, it suddenly doesn’t look so cheap. Companies are finding production is constrained and they can’t meet demands for products.

**IQ:** *What are some of the common mistakes business leaders make when dealing with geopolitical turmoil?*

**Mr. Chapman:** There has been a tendency to make choices based almost solely on economic factors. We recently saw what happened in Russia. Company after company withdrew from the market—some due to their stance and others due to political pressure. One of the things to keep an eye on is how consumers >>>



**BIO:**  
**Todd Chapman**  
**Former U.S. Ambassador to Ecuador and Brazil**

**Todd Chapman** is a career diplomat who has served as a **U.S. ambassador to Ecuador and Brazil**. Prior to that, he held positions at the U.S. embassies in **Mozambique** and **Afghanistan**. Chapman resigned as ambassador to Brazil in 2021 and now sits on the boards of various American and Brazilian companies. He also serves in an advisory role for the **Center for Strategic and International Studies** and **Krach Institute for Tech Diplomacy at Purdue**, and as a nonresident fellow at the **Payne Institute for Public Policy**.



respond to events. Businesses are increasingly under the magnifying glass. Consumers apply economic pressure that companies must respond to and act on.

**Mr. Shedd:** Some business leaders make choices based almost solely on economic factors, without a full assessment of political risk. Meanwhile, shareholders, consumers and employees are increasingly evaluating companies using metrics that extend beyond economics. Consider the decision by many companies to abandon operations in Russia at a significant cost. These decisions are not being made at the insistence of governments, but rather in response to the expectations of these multiple constituencies.

**IQ:** *How can businesses defuse this geopolitical risk?*

**Mr. Chapman:** One way is to spread sourcing and operations around the world. It's a bit ironic, because this used to be fairly normal, but many companies have become enamored of—perhaps addicted to—low-cost providers.

Latin America, for example, represents an enormous opportunity that will likely extend over the next few decades. Many of these

countries are climbing the economic ladder and they are fairly stable and peaceful—even if there are tensions. There are also strong cultural ties. For U.S. companies, there's also the advantage of having a shorter supply chain. But other countries like Vietnam, Philippines and Malaysia also represent opportunities.

The C-suite and boards should be focused on obtaining a geographic breakdown of the business in terms of good and services—and understanding how to simplify supply chains and reduce geopolitical risk.

**IQ:** *How can business leaders deal with political polarization in the U.S. and internationally?*

**Mr. Chapman:** Governments and corporations, both here and abroad, are finding themselves in new areas of conflict. Shareholders, employees and customers are increasingly asking companies to speak out on political and social issues that many find polemical. Companies are getting caught in the crossfire. A U.S. state governor once told me that “principles unify and policies divide.” I see it increasingly challenging for business leaders to discern when to move from

**Uncertainty translates into business risks. In China, for example, what happens with the Uyghurs and the human rights issues? What happens with tariffs? What happens with manufacturing as the pandemic continues? It's a good time to reassess things and possibly make changes.”** —David Shedd

making pronouncements about principles versus addressing specific policy issues, particularly in areas less directly related to their businesses.

**IQ:** *What can businesses do about the growing risk of cybersecurity threats, particularly originating from rogue governments?*

**Mr. Shedd:** Today, there isn't a board meeting where cyber isn't a central topic. There has been an enormous investment from the corporate sector in cybersecurity. I think we're moving in the right direction—although risks continue. But, at the same time, I don't think we're seeing the same commitment in regard to cybersecurity threats emanating from North Korea, Iran and Russia. The bottom line is that despite progress we need to do more because adversaries are constantly upping their capabilities.

**IQ:** *How can business leaders build a framework for good decision-making in today's environment, particularly with the volume and velocity of information streaming in?*

**Mr. Chapman:** Leaders need structures to help sort through the deluge of information, verify the authenticity and quality of the sources, and distill and summarize the meaningful and valuable insights quickly. You're only as good as the intelligence framework you develop. Bringing different perspectives to the table is also important when reviewing macro trends.

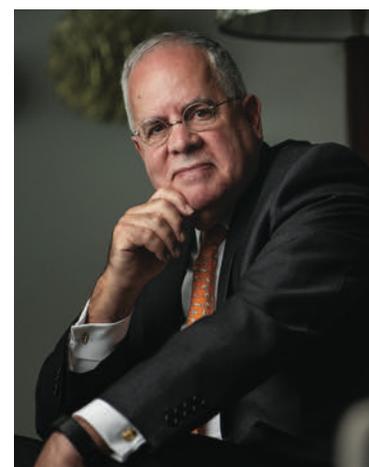
One thing I learned briefing senior people in the U.S. government is to be willing to discuss the difficult things—and sometimes

respectfully disagree. One CEO of a large engineering company put it to me this way: "I don't need another smart engineer. I need a smart non-engineer to provide me with a reality check and to reveal blind spots."

**Mr. Shedd:** It's absolutely critical to think about black swan events. These are the unexpected and even unlikely things that can wreak havoc with a company, a government and the entire world. What happens if oil goes to \$200 a barrel? What happens if a war breaks out in the Middle East and oil production is shut off? What happens if we have an even worse pandemic or inflation spirals out of control?

These shouldn't be things that keep you up at night, but they are worth thinking about, and having a framework and plan for dealing with, if they occur. For example, we all knew a pandemic was possible five years ago. Health experts had previously warned us about it, and it was definitely on the radar for the intelligence community. But virtually no one was adequately prepared. Today, a board of directors and those involved with business planning cannot operate in business-as-usual mode in a radically and rapidly changing world.

**Mr. Chapman:** Black swan event planning indeed is so valuable. That is why the U.S. military performs exercises and U.S. embassies conduct disaster drills. You hope you never have to act and that disaster never strikes, but you want to be as prepared as you possibly can be. There is no way to avoid geopolitical problems—they will certainly come—but there are ways to better navigate these challenges and to achieve more favorable outcomes. **IQ**



**BIO:**  
**David Shedd**  
**Former Director,**  
**U.S. Defense**  
**Intelligence**  
**Agency**

**David Shedd** is a retired CIA officer and former acting director of the U.S. Defense Intelligence Agency. After retiring from government work, Shedd joined the Heritage Foundation as a distinguished visiting fellow and served as an adjunct professor at Patrick Henry College. Now he sits on the boards of directors for several companies and nonprofits operating at the intersection of global security, finance, technology and innovation.

BY GEOFF WILLIAMS

# Neil Archer Leads Through Disruption

A keen focus on culture kept one of the **world's biggest pharmaceutical acquisitions** on course during the pandemic.

THE  
**VUCA**  
ISSUE



**ACQUISITION MGMT**

While most people were waiting to see how COVID-19 would affect their lives, Neil Archer was helping to manage a \$74 billion acquisition.

#### HUMBLE HELPS

A “high degree of humility from both sides” helped the two companies come together to forge a new culture, says Archer.



## In 2019, **Bristol-Myers Squibb Company**

and Celgene

Corporation announced to the world that they had entered into a definitive acquisition agreement. Bristol-Myers Squibb would acquire Celgene in a cash and stock transaction with an equity value of approximately \$74 billion. It was the largest pharmaceutical acquisition in history.

And Neil Archer was in the midst of it. Archer was then the general manager for Germany at Celgene and is now the general manager at Bristol Myers Squibb Germany.

As part of the acquisition, Bristol-Myers Squibb and Celgene planned a three-day meeting with approximately 1,000 employees from the two then-separate organizations. On the agenda was a discussion in detail of how the two corporate cultures would become one, and how this new biopharma company would improve the health of the world, particularly patients with cancer, blood disorders, inflammatory and immunologic disease, and cardiovascular disease.

The meeting was scheduled for early 2020. But one week before that chosen date,

news about something called a coronavirus began to make increasingly urgent headlines.

“Monday, a week before the world went into lockdown, some people were joking about the pandemic, almost ridiculing it,” Archer recalls. “By midweek, new questions were starting to be asked about the meeting. Friday, it was decision time.”

The meeting was scrubbed, mostly. Archer and his management team still attended what became a crisis planning meeting on dealing with the first lockdown instead of a jubilant meeting about an acquisition.

How does one help two distinct corporate cultures become one—particularly when everybody’s working remotely and nobody feels connected? Insigniam spoke to Neil Archer to find out.

**IQ:** *During any merger or acquisition, pandemic or not, so much could go wrong. What were your chief concerns?*

**Neil Archer:** Distractions were a huge concern. So was attrition. When you’re going through an acquisition there are a lot of distractions, and many people get



**“When any company is acquired, one potential fear is that it’s a pipeline plunder. The leadership of both companies made it very clear from the beginning that this was not the case. We were building a new company.”**

—Neil Archer, Bristol Myers Squibb

worried, and they leave, and meanwhile you have a business to run. So for many months, while you’re waiting for the acquisition to go through, you really have to be a traditional leader but also a very empathetic psychologist, listener and coach.

**IQ:** *What kind of encouragement did you give your employees?*

**Mr. Archer:** When any company is acquired, one potential fear is that it’s a pipeline plunder: We’re buying you for your pipeline, your products, thank you very much, there’s the door. The senior leadership of both companies made it very clear from the beginning that this was not the case. We were building a new company, and this was going to be an exciting, positive development for everybody. This was a chance to create a new company.

There was a high degree of humility from both sides, where we made it clear we could all learn something from each other. I think that diluted much of the fear. Still, there was some attrition, and of course people leave. And I took it very hard when people decided to leave. But I came to realize that

my job wasn’t to get people to stay. It was to try and convince people to make decisions with objective criteria and leave emotions at the door, particularly in those early months when there were few concrete facts about what life on the other side of the acquisition would actually look and feel like. I tried to teach people about emotional bias, and about making decisions based on reality. It pains me to see people make decisions based on an emotional storm when I know they could have, and would have had, a great opportunity in the organization.

**IQ:** *Why was this a successful acquisition? What went right?*

**Mr. Archer:** Firstly, the people were remarkably similar. The people in both companies all had what I like to call a true north star that guided us, a genuine desire to help many thousands of patients with some of humanity’s most deadly diseases. It always helps when you have shared values and a common goal.

But I also think the humility shown by both organizations was really helpful. I remember the first time I had a meeting >>>

ALL PHOTOGRAPHY COURTESY BRISTOL MYERS SQUIBB COMPANY

## BIO: Neil Archer General Manager, Bristol Myers Squibb Company

**Neil Archer** is a general manager at Bristol Myers Squibb (BMS) based in Munich, Germany. Prior to the merger, he served as a regional and general manager for Celgene. Before that, he worked in various roles for Eli Lilly and Company, including senior director of marketing for its neuroscience and Alzheimer's division, as well as managing director over its Scandinavian region.

with colleagues at BMS. The company was interested in learning from and adopting best practices from Celgene, which was perceived to be younger, agile and dynamic. At the same time, there was much to learn from BMS with respect to its processes and resources. We had a lot to learn from each other.

**IQ:** *That's a great story. It sounds like you all had the right attitude.*

**Mr. Archer:** The lack of any sense of being the dominant partner on both sides was healthy. There was an acceptance that we'd all learn a lot from each other.

**IQ:** *The acquisition was formally completed in November 2019. Lockdowns soon followed. How did you and your team bring the two companies and their cultures together at a time when nobody was together?*

**Mr. Archer:** Whether you work remotely or not, when two companies come together, we will all be introduced to new bosses, new peers, new subordinates. In our case, we were just going through this with people we

weren't actually meeting in person. If you choose the right people, with a clear view of what they need to achieve, and you share this common true north, the human connection is going to work.

You do have to make an effort to make the human connection when you're all working separately. When I was working out of my office, for instance, I would walk to the corner shop to pick up lunch, and I always made a point to call somebody on my team on the way there and back.

**IQ:** *When you look back at the early days of the acquisition, is there anything you would do differently?*

**Mr. Archer:** Well, one way to look at it is with the metaphor of wartime leadership and peacetime leadership, and going through all of this in the midst of the pandemic, we were certainly engaged in wartime leadership. As focused as we were on the business, there was a little thinking about what life would be like once we were back to business as usual, after the stress of the acquisition and the lockdown were both in the past. We may be playing a little bit of

## Culture Club

In 2019, when the Bristol-Myers Squibb Company acquired the Celgene Corporation, **Catherine Owen** had just joined BMS as a **senior vice president and head of major markets** (Europe, Canada and Japan). Having served at Johnson & Johnson for over 20 years, including a recent stint as president of its subsidiary, Janssen Biotech Inc., Owen was well suited for the tumult that comes with any acquisition.

And this wasn't just any acquisition. It was one of the biggest in history.

The acquisition naturally entailed complexities around HR, IT systems, drug distribution processes, marketing authorities and the financial side of the business, says Owen. "But this is the backdrop to merging people and cultures." No matter how much logistical complexity an acquisition entails, she says, culture trumps everything. "Cultures are created over time. They are the main reason people stay on at a



catch-up now, in getting the organization to compete in the new world.

I probably would have spent more time than we did, maybe 15% to 20% of the time, looking forward to 2023, to what people and mindset we would need, rather than focusing on the here and now of the stressful situation we were in.

**IQ:** *What advice can you give an executive going through an acquisition?*

**Mr. Archer:** During any merger, or acquisition, irrespective of a global pandemic or not, the most valuable thing you can have is a great team around you. You can't do everything yourself, and so you need to select your team for a number of things. Obviously, to run their part of the business at the highest possible standards in a very competitive environment. They also need excellent judgment and the bandwidth to exercise their unique skills. They should be very good listeners and reliable conduits of information, particularly when forced to work remotely. You need to be able to take the pulse of what's going on. It can be very difficult to get a sense of context when good or bad things happen without

proximity to a representative sample of employees to provide a balanced viewpoint. We coined a phrase during that time—are we hearing the view of five or 500?

**IQ:** *That's excellent advice.*

**Mr. Archer:** Well, it's very easy to lose proportionality when you can't sit with somebody and have a coffee and really get context. I'd also tell anyone going through a merger or acquisition that while it might feel like the end, especially if you're on the side that's being acquired, it's really a beginning. We had great help from Insigniam with this.

People would be well advised to find and engineer a process that involves all corners and levels of the organization to help determine how a company is going to operate after an acquisition. You want guardrails and lines, but you want to democratize things as much as possible and involve as many people as you can. You want them to give you the answer, instead of you giving them the answer. You're not as smart as you think you are if you're only huddled in an ivory tower with your leadership team. **IQ**

**“No matter how much logistical complexity an acquisition entails, culture trumps everything.”** —Catherine Owen, Bristol Myers Squibb

company after an acquisition.”

The compatible cultures of both companies helped ensure the successful acquisition. “I joined BMS about eight weeks prior to the official acquisition date, but teams had been planning for a good year already,” Owen says. “All of the central and cross-functional teams were resourced from the start, and there was a central office of integration, which literally managed all the spokes of the wheel, so it felt like it was under control.”

Owen notes that Giovanni Caforio, chairman and CEO of BMS, made a deliberate choice to truly integrate the companies and take the best of each. “The tone came from the top—from Caforio and his leadership team, which included people from heritage Celgene and BMS,” Owen says. “Together, they co-created a new company mission and vision, along with new core values.”

All of this had to be communicated quickly throughout the newly integrated companies. “At every level of the organization we were educated as to why these new values were important,” Owen says. “We had grassroots sets of change champions across all countries and all functions. It was very well done. And it's not over.”

In addition to culture, of course, thorough planning was essential. “The secret was an understanding of staging—what to integrate, when, how, the importance of change sequence,” Owen says. “It certainly doesn't all happen overnight. It's a series of simultaneous actions that are orchestrated and coordinated. You need real specialists who can direct and coordinate.

“This is a journey. It has been an amazing experience, one that has taught a lot of lessons in leadership, communication, the importance of clarity and the overwhelming impact of culture on a company's success.”





How **creativity, intuition and stakeholder capitalism** are changing the corporate landscape— for better or for worse.

BY **COLLEEN MARBLE** PHOTOGRAPHY BY **MICHAEL BENABIB**

# The Human Side of Business



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## Is Neuroscience the Key to Better Business?

Few C-level executives would say neuroscience is one of their top business tools. But they should, according to **Moran Cerf, Ph.D.**

"Our brain does a lot of things that drive our thinking and behavior, and we're not fully aware of them," said Mr. Cerf, neuroscientist and business professor at the Kellogg School of Management at Northwestern University.

"Neuroscientists are looking to explain not only how the brain works, but also the real-world applications."

**Mr. Cerf said these three discoveries could alter the future of business:**

### 1 | Memories are more malleable than we thought.

Every time the brain accesses a memory, that memory is permanently modified. This helps protect us from trauma by making bad memories less painful over time.

But it also makes us susceptible to outside influences (good or bad) that can change how >>>



**he pandemic.** Inflation. Supply chain disruptions. Social unrest. Wars. Any of these events would be enough to create a sense of vulnerability, uncertainty, complexity and ambiguity for business leaders. But all of them together? That feels more like chaos.

How do you navigate the uncertainty? How can you insulate your business from crises? How do you chart a path when the future is unclear? And how do you bring order to chaos when the old way of doing business no longer works?

Those questions are disrupting the practice of leadership, and they set the stage for the 2022 Insigniam Executive Summit. On June 7, thought leaders from nearly every sector met to explore how they can—and must—meet the challenges ahead. Here's what they learned.

### The Rise of Stakeholder Capitalism

Today, a successful company is one that is doing well by doing good for all of its stakeholders, not just those controlling

the purse strings.

But navigating the new landscape can be difficult. Gone are the days of hard data, when balance sheets were made up of physical assets and the bottom line was all that mattered. Today, much of a company's value is made up of intangible items, like intellectual property, brand equity and digital assets, and reputation trumps profit.

Also gone are the days when executives sat in ivory towers and managed from the relative safety and anonymity of the executive suite. Today's executives are visible, vulnerable and, whether they like it or not, expected to take a stand on the issues of the day. For these executives, the success or failure of their company is sometimes just one tweet or viral video away.

"The biggest problem with this movement toward stakeholder capitalism is this: If we're human organizations with values ... how can we be values-based and also stay out of counterproductive, destructive and polarized political battles?" said Alan Murray, CEO of Fortune Media



**SUMMIT**  
2022 Insigniam  
Executive Summit  
attendees and guest  
speakers in action  
(previous page).

Insigniam Quarterly  
Editor-in-Chief  
Shideh Sedgh Bina  
onstage at the  
Summit (left).

and one of the keynote speakers at the Summit. “There is no easy answer.”

Mr. Murray, who has spent more than 40 years covering business and politics in the media, has seen a seismic shift over the last decade from the traditional, hierarchical form of leadership to a more transparent, relational leadership style. The new style requires executives to balance their attention between the interests of their shareholders and those of their stakeholders—customers, employees and even social media.

### Raising the Bar for Leadership

Enter the reluctant activist CEO, someone who feels pressured into “taking public positions on environmental, social and political issues not directly related to their business.”

Human organizations are required to be more human. Therefore, today’s CEOs need to have values and opinions, and they need to stand for something besides profit and commerce.

“As an example, look at what McDonald’s

did in Russia,” said Mr. Murray. “They spent three decades trying to break into that market, and they voluntarily chose to pull out, not because of sanctions but because it was the right thing to do. To see McDonald’s give up that business and lose substantial amounts of money because of principles is pretty extraordinary.”

The stakes are high, but then they’ve always been high. You can only put company first for so long before you realize that what benefits society benefits business, and vice versa.

“The best companies have always had a strong sense of purpose beyond profit and focused on a broad array of stakeholders,” Mr. Murray said. “The difference about the current environment is it’s not a choice anymore. You have to do this, and the economic forces in place mean you won’t succeed if you don’t.”

Success, whether globally or in your own backyard, depends on having an infrastructure that empowers everyone within the organization, from the >>>

we think and act.

Researchers have seen some success with erasing memories in animals, or even transporting them from one brain to another. “Everyone believes we can choose what we do and don’t want to put into our brain, but our memories and perceptions are just as vulnerable as other things,” Mr. Cerf said.

### 2 | Brains can find meaning in complex data.

Humans experience the world through five senses, but there’s more to the world than we can sense. That doesn’t mean we can’t develop new ways of interacting with the world. For example, people can be trained to better understand and act on data through a series of vibrations than with a paper chart or graph.

“The brain has the ability to find meaning in data in a fast, remarkable way that could solve problems for us in a way machine learning can’t,” Mr. Cerf said.

### 3 | Our brains can solve problems while we sleep.

While you sleep, your brain is still actively processing information. That’s not news. >>>

The breakthrough is that neuroscientists are learning how to read and write the contents of your dreams while you sleep, which could possibly influence behaviors or aid in problem-solving.

“One of the theories of dreams is that it’s a mechanism for simulating potential futures to see how we feel about them,” Mr. Cerf said. “When you make a choice, you may be bolder because you already have a feeling what the outcome will be.”

## Insigniam Summit Guest BIOS



### Alan Murray

Alan Murray has spent more than four decades covering business and politics for CNBC, *The Wall Street Journal* and *Fortune Magazine*. Today, he serves as CEO of Fortune Media, overseeing business and editorial operations. Murray also writes The Fortune CEO Daily blog and co-hosts the Leadership Next podcast. His latest book, *Tomorrow's Capitalist: My Search for the Soul of Business*, was published in May. [See Browser History, page 10.]

### Natalie Nixon

Creative strategist Natalie Nixon, Ph.D., has been named one of the top 50 keynote speakers >>>

C-suite to the back room, to follow through on the corporate commitment.

“There’s a big disconnect between the intentions of many people running large corporations and what happens down on the ground,” Mr. Murray said. “The world moves too fast. You can’t wait for someone up at the top to tell you what to do. People have to be empowered at the edges.”

Chantal Sarmanoukian, head of Strategic Sourcing and Procurement at the Bill and Melinda Gates Medical Research Institute, agreed. “CEOs and senior leaders are learning to listen to individuals who may not necessarily have the experience, but they have the forethought or insights to consider all of the voices—the customer as well as the organization itself.”

#### A Return to Meaningful Work

Empowerment brings meaning, purpose and a voice to all—job qualities that many rank-and-file workers crave.

“We’re in the midst of the Great Resignation,” said Summit speaker Natalie

Nixon, Ph.D., founder and president of Figure 8 Thinking, a strategy advisory firm. “This is a symptom of people needing and wanting to work in much more meaningful and purpose-driven ways.”

That aligns with the idea of stakeholder capitalism and CEO activism. After all, people who want to make a difference choose to work with companies that make a difference. But how do you create meaning and purpose within an organization that is struggling to embrace the new normal?

Start by allowing time for invisible work. These are tasks that don’t produce tangible metrics but do increase productivity. Ms. Nixon called them the Three I’s—*inquiry, improvisation and intuition*. Together, they deliver valuable insight that can point the company in the right direction.

“Tweak your organizational design to allow time and space for more prototyping, pattern recognition, curiosity and inquiry. Normalize mistakes, and reward creativity,” said Ms. Nixon.



### SEEKING FORTUNE

Summit attendees posed questions for Fortune Media President and CEO Alan Murray (left) and wrote down advice (right).

### Make Room for Creativity

The World Economic Forum says creativity will rank as the No. 3 job skill for the next decade. In fact, Ms. Nixon believes it's at the center of productivity, technology and meaningful experience.

"Most of my clients have two out of three," Ms. Nixon said. "Maybe they're trying to figure out what tech platform to use, or how to bake meaningful experience into the organization. Creativity is the through line that will help us connect all three of those domains."

The idea of stepping away from the safety of a rigid business structure into something more creative can be scary. But Ms. Nixon believes creativity loves constraints.

Colleen Flesher is president and general manager USA of LimaCorporate, an orthopedic device company. She said her industry requires a lot of structure. "But when there are restrictions, it almost heightens the need for creativity. There do need to be expectations and guardrails, but you also have to encourage people to take

risks and fail. If you're not failing, you're not learning."

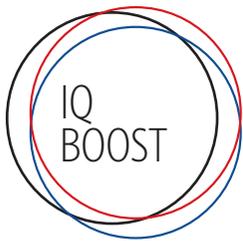
### Ms. Nixon offered four ways companies can hardwire creativity into their culture.

- **Value soft skills** in order to attract and retain the best talent. "This is an opportunity to bring more of what makes us fully human to work."
- **Create an environment** where creativity and inventiveness are rewarded. "What if we tied them to our performance reviews? This type of systems thinking sparks curiosity."
- **Design time and space** for wonder and rigor. "Wonder is found in the midst of rigor, and rigor can't be sustained without wonder. Creativity is our ability to toggle between the two. You need space for both."
- **Learn to sit with ambiguity.** "You can't go around it, you can't go under it, you can't Gantt chart your way out of it. You have to be OK with not knowing all the answers." **IQ**

in the world. She's the founder and president of Figure 8 Thinking, a Philadelphia-based strategy advisory firm, and a thought leader on creativity, innovation and the future of work. Ms. Nixon contributes to *Inc.*, *Fast Company* and other business publications. Her most recent book is *The Creativity Leap: Unleash Curiosity, Improvisation and Intuition at Work*.

### Moran Cerf

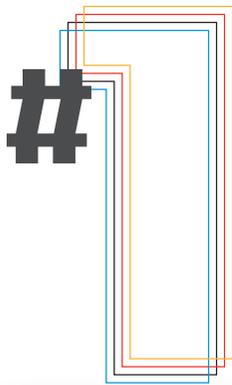
**Moran Cerf, Ph.D.**, is a neuroscientist and business professor at the Northwestern University's neuroscience program and Kellogg School of Management. He is also a member of the Northwestern Institute on Complex Systems and the Alfred P. Sloan professor at the American Film Institute. Mr. Cerf studies the underlying mechanisms of psychology, emotion and decision-making. He holds multiple patents, is a Hollywood consultant, and has contributed to *Wired*, *Time*, *Forbes*, *CNN*, *NPR* and the *BBC*, among others.



## VUCA 101 *By Marie-Caroline Chauvet*

**Volatility, uncertainty, complexity and ambiguity:**

Each of the four elements of VUCA has a specific definition and represents a specific kind of challenge. **Here's how it breaks down.**



### Volatility

**What it is ...**

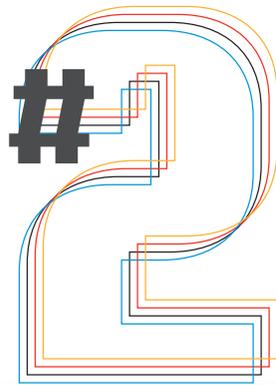
A situation that is unstable or unpredictable, yet not necessarily complex or hard to understand. **Change is likely.**

**Example ...**

Fossil fuel prices are quite volatile, especially today. While the basic forces that affect fuel prices are easy to understand, they are often beyond control and/or difficult to predict.

**Being prepared ...**

When facing volatility, an organization must focus on developing agility—by, for example, stockpiling key resources, from raw materials to talent, in order to prepare for a “long winter.”



### Uncertainty

**What it is ...**

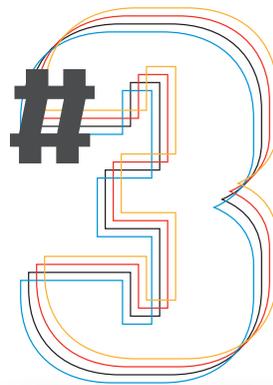
A situation characterized by a lack of knowledge that hinders the ability to forecast future events. **Change is possible but not certain.**

**Example ...**

The two decades following the terror attacks of September 11, 2001, have been a period of sustained uncertainty. There has been little information with which to determine if, when and where subsequent attacks will occur.

**Being prepared ...**

An organization must redouble its efforts to gather and interpret information to make uncertain situations more certain and more manageable.



### Complexity

**What it is ...**

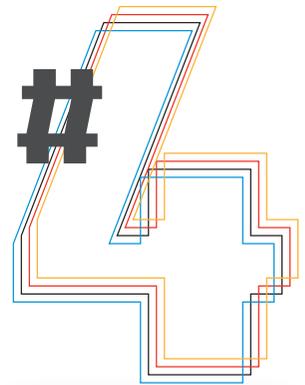
A situation characterized by multiple factors that must all be considered and analyzed in order to understand it. **Change requires processing a great deal of relevant information.**

**Example ...**

Expanding a business into a new country is complex because of a multitude of new regulations, tariffs, consumer habits, supply chain challenges and so on.

**Being prepared ...**

Organizations must be prepared to adapt to new environments rather than holding on to existing structures and processes; this allows them to take advantage of complexity rather than fighting against it.



### Ambiguity

**What it is ...**

A situation in which there is doubt around the relationship between cause and effect. **There is little historical context, and there are many unknown unknowns.**

**Example ...**

The future value of cryptocurrency is difficult to forecast; while some pundits believe crypto is a hedge against inflation, others believe it has no intrinsic value and will decline in value in times of inflation.

**Being prepared ...**

When faced with a situation for which there is little historical precedent, the key to success is experimentation. An organization must be willing to test multiple strategies to discover which is best suited to a new environment. **IQ**



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