Columbia Business

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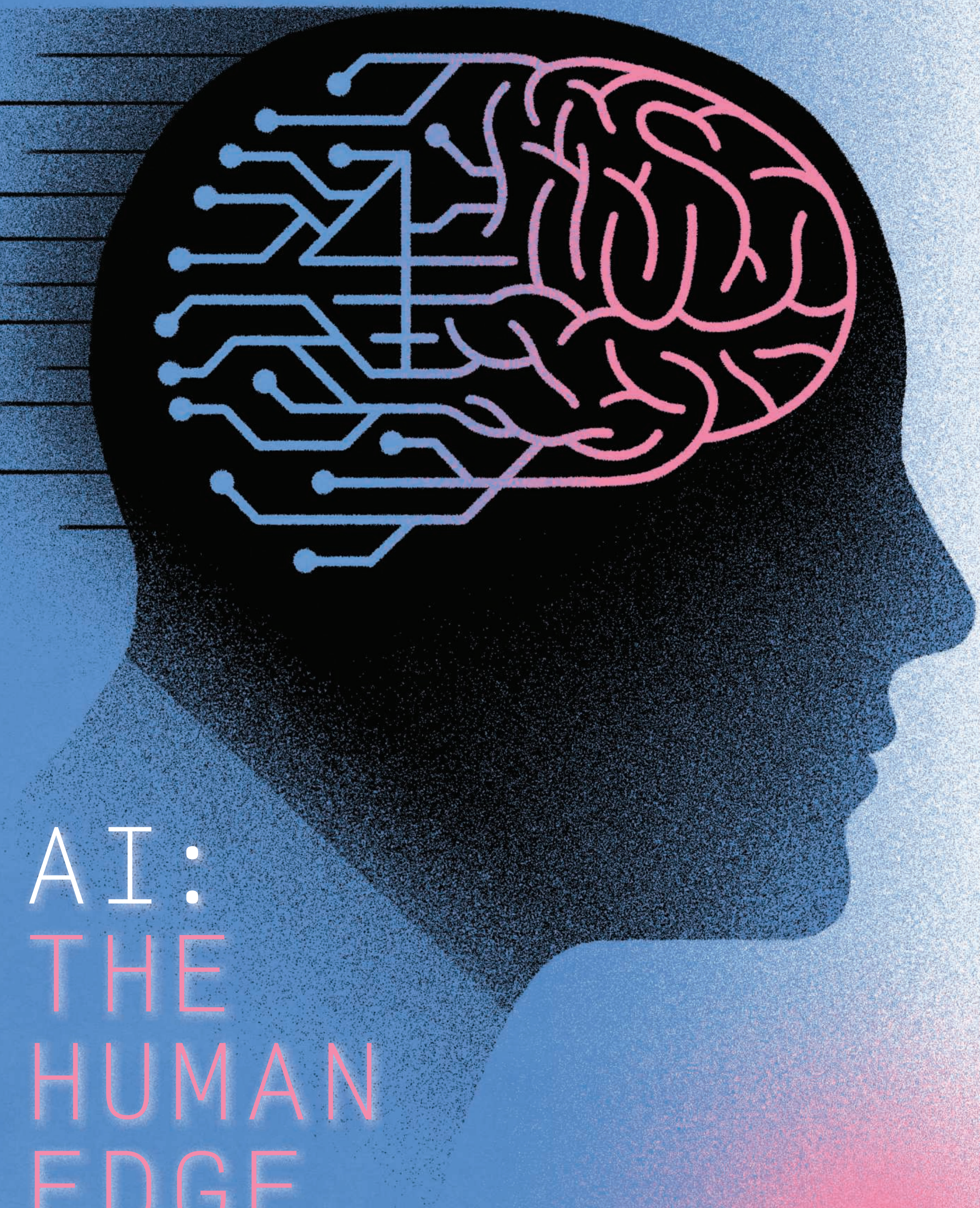

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Winter/Spring 2025

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ColumbiaBusiness

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From the Dean

The Future of Work Begins Now

It is remarkable how far we have come with artificial intelligence in just a few decades. When I began working with AI as a PhD student in the 1990s, tasks like teaching computers to recognize images were painstakingly slow and required immense resources. Fast-forward to today, and those same tasks are performed with incredible efficiency. To illustrate the leap we've made, the cost of computational power has plummeted to the point where a dollar now achieves 1 billion times more calculations than it could 30 years ago. This transformation is nothing short of extraordinary.

AI is no longer just a concept; it has become a practical tool for solving complex problems, enhancing productivity, and creating new opportunities across industries at every organizational level. As we stand at the forefront of this transformative technological change, there has never been a more exciting time to explore the role of AI in transforming the workforce and redefining the way we work.

In this issue of *Columbia Business*, we explore CBS faculty insights on the major transformations impacting the workplace, with a special focus on the role of AI in shaping these changes. Over the past few years, we have introduced a suite of courses on breakthrough technologies, AI applications, and their strategic implications.

Our curriculum equips students with both theoretical knowledge and practical experience with AI models, understanding their potential and limitations, and exploring their ability to disrupt industries like marketing, investment management, accounting, and more. Professors like Dan Wang and Ashli Carter are blazing a trail with innovative AI-based teaching strategies, helping students to build resilience in the workplace and utilize AI as a valuable debate partner.

Beyond teaching, we are fostering innovation through our research. Our professors and students are delving into the broader implications of AI on management, leadership, and the future of work. For example, Stephan Meier and Todd Jick are researching the best methods for managers to prioritize employees during AI adoption. Others, like Gita Johar, are exploring the role that publishers, platforms, and people are playing in AI-driven misinformation.

Recently, we unveiled our AI@CBS initiative, which introduces even more new courses and research that seamlessly integrate AI into the student experience. From exploring the impact of AI across industries to developing hands-on experience with the latest tools, our MBA, Executive MBA, MS, and PhD students can build confidence in using the latest tech in their chosen fields. The initiative emphasizes the societal and business implications of AI, so that students can fully prepare to lead in this rapidly evolving landscape.

History teaches us that adopting new technologies is often more about human behavior than technical capability. For instance, while online banking was technologically feasible two decades ago, widespread adoption required a cultural shift—one that was accelerated by the pandemic. Similarly, the integration of AI into workplaces will depend on how organizations and individuals embrace change. Leaders will need to manage this transition thoughtfully, addressing resistance and fostering collaboration between humans and intelligent systems.

As we look ahead, the potential for AI to enhance workplaces is vast—as long as we remember the humans that make this enhancement fully possible. AI can empower teams to focus on creative and strategic tasks by automating routine processes. It can also enable leaders to address global challenges, such as sustainability, through innovations like climate modeling and supply chain optimization.

At CBS, we are committed to equipping students with the skills, knowledge, and adaptability to thrive in this evolving landscape. Through partnerships with industry leaders, cutting-edge research, and curricular innovations, we aim to bridge the gap between academia and practice, ensuring our graduates are not only prepared for the future of work but also capable of shaping it.

By doing so, we can create workplaces where technology and human potential work together—and not against one another—to drive progress and create more efficient transformation for decades to come.

Costis Maglaras

Costis Maglaras
Dean, Columbia Business School
David and Lyn Silfen Professor of Business

Creating an AI-Ready Workforce

Professors Stephan Meier and Todd Jick reveal how managers can set up employees for success in the new world of work.

BY JONATHAN SPERLING

As AI continues to reshape the skills and demands of workers, their managers must also contend with the challenge of supervising an AI-augmented workforce. Sparking employee success as a manager in the age of AI starts with the fundamentals: enhancing motivators while also addressing very real fears around AI replacement.

Effective implementation of AI also requires leaders to apply change management principles, including informing, incentivizing, and involving their employees. At the same time, they must contend with the need to create value for their respective organizations.

These needs are challenging and highly varied, but they all require a human-centric approach that leverages AI technology to empower and enhance the work of employees, rather than replace them. It is this key element that makes up the focus of work by Todd Jick, the Reuben Mark Faculty Director of Organizational Character and Leadership at the Bernstein Center for Leadership and Ethics, and Stephan Meier, the James P. Gorman Professor of Business.

Through their research, Jick and Meier have insight into the growing demands of an AI-enhanced workplace and how managers can best set up employees for success. They shared their tips for getting ahead in a conversation with *Columbia Business*.

CBS: What are some ways that AI-human interaction is shaping management?

Meier: AI and how we integrate it into an organization is a big challenge for leaders of any kind. There are three ways in particular that AI integration and human-machine interaction affects leaders, and it has mainly to do with implementation.

The first is that humans are generally very anxious about change. Obviously with AI, where the whole discussion is about replacing humans, they're even more anxious about AI coming for their job and what is actually left for them to do. Leaders need to address this concern in order to make sure that AI reaches its full potential in the organization.

Second, leaders need to make sure that their workforce is ready and has the right skills for their new ways of working. This is challenging and requires them to think really carefully about upscaling on a constant basis.

Third, leaders need to figure out how to use AI not just to reduce costs and make things more efficient but to actually unlock value in the organization, which is a very different way of thinking.

CBS: What should leaders and their employees be most cautious about as AI is further integrated into the workplace?

Jick: Obviously, there has to be a value in what the AI will produce—some deliverable that is valuable. Our concern, however, is that there's been an over-indexing on the technology and the value question and an under-indexing on how this technology gets accepted or implemented.

I used to say very simply that a good idea badly implemented doesn't go anywhere. Obviously, a bad idea beautifully implemented is not a good thing either. But what we're trying to do is emphasize the importance of implementation.

Where's the ability to actually implement AI? We want this to be an important part of the equation—not just the value of AI but also the ability to get it accepted and integrated into the organization.

CBS: In AI's current state, should its use be made mandatory or optional for employees?

Jick: The easy answer to the question would be to say voluntary, because that would give people agency. The more agency people feel, the more they feel like they're in control of some aspect of their destiny. One of the reasons why people resist change is they feel like something is happening to them and they have no control.

The reality is that not all aspects of AI can be simplified or compared in that way. For instance, when implementing a new software system or similar technology you can't customize it to each individual. You can't say, 'Well, one day we'll use one system and another day we'll use another system.' So sometimes the actual nature of the intervention will require this to be mandated or essentially universalized across everyone. But our preference would be to give people agency and some degree of volunteerism involved with making the change, wherever possible.

CBS: How can managers help employees who might be hesitant to embrace AI or those who are simply ill-equipped to use new AI technologies?

Jick: We have a checkered history around organizations taking in changes. In fact, most studies show about a 75 percent failure rate of introducing organizational changes. AI is a broad scale organizational change, and this is going to take work to get into the 25 percent category.

We have been unsuccessful in dealing with two main reasons why people resist change. One, they're unwilling to change. Two, they're unable to change. Those are two very different reasons. They're unwilling to change because they fear for their jobs, because they fear their loss of status or identity, because they haven't been included in the process, and because they haven't been informed well enough and communicated to.

Ironically, when you talk to leaders about the actual occasions in which they explain the benefits of change, only 61 percent are reputed to actually explain the benefits of change. Only about 45 percent speak to employees on a one-on-one basis. But, in fact, 75 percent think simple enthusiasm will win the day. Employees want more than that.

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Building **Trust** in AI

A case study from Morgan Stanley shows the key to successful AI implementation.

Understanding how to successfully implement AI in your organization is one thing, but actually doing so can be a different challenge. In a case study of Morgan Stanley, Columbia Business School professors Stephan Meier and Jeffrey Schwartz found that setting up employees for success while working with AI requires strong leadership, extensive employee engagement, and a human-centric approach.

Ahead of introducing an innovative new AI-based wealth management system, Morgan Stanley took a highly collaborative approach, holding hundreds of meetings with advisors to understand their concerns and incorporate their feedback.

The system, known as Next Best Action (NBA), uses an AI engine to give investment and wealth management recommendations to financial advisors to share with their clients. The system does much to increase engagement between Morgan Stanley advisors and their clients, but that's not the only reason the company's employees have embraced it so readily and at such a high rate.

The key, according to Meier, was in Morgan Stanley's method of implementation.

"It's about assuring employees that [managers are not] taking your job. They simply want you to make your job better," Meier says.

Morgan Stanley managers communicated clearly that the goal of the new system was to augment the advisors' work, not replace them. They also provided research showing how the AI could free up time for more valuable client interactions.

Morgan Stanley also focused on building trust in NBA by allowing advisors to override the recommendations if needed. And they never made it mandatory, in order to give agency to the advisors. In the end, buy-in was widespread and over 90 percent of financial advisors are now using NBA in their daily work. And learning from its experience with NBA, the company added more AI tools in collaboration with OpenAI, the San Francisco start-up behind ChatGPT.

Jeff McMillan, head of AI at Morgan Stanley, who worked with Meier and Schwartz on the case study, said OpenAI is "perhaps the best example to date of empowering Morgan Stanley with the marriage of human advice and technology—something to which we are completely committed. The buy-in and engagement across the organization has been impressive."

"It's about **assuring** employees that [managers are not] **taking** your job. They simply want you to make your job **better**."

Stephan Meier
Gorman Professor of Business

Scan to watch Professors Meier and Jick discuss the Morgan Stanley case.

CBS: So what would make employees more willing to embrace such a change?

Jick: Employees' unwillingness to take in something like AI comes from reasons that have to do with their motivation, incentives, the degree of inclusion, and their actual ability to be able to use the tool. We need to find ways in which there's more transparency. We need to find ways in which there is more involvement of employees in a much more fundamental way earlier and often. We need to find ways to deal with one of the sensitive issues, which is people's fears of losing their jobs.

"We need to understand the oldest processor in the world, which is the human brain, and figure out what actually motivates people at work and how we can use technology to enhance those motivators."

Stephan Meier, Gorman Professor of Business

CBS: How can managers assuage employees' fears that AI is going to take their jobs?

Meier: It's very important for leaders to assure their employees that what they actually want to do is augment and not replace their employees. Now this is not so easy to do, but one way of doing that concretely is to move away from jobs and think about tasks. What AI really does is that it does certain tasks really well in order to free up capacity for the humans to concentrate on something else.

I've spoken to managers at Morgan Stanley, for example, where they figured out there are certain tasks that the financial advisor does that the machine can actually do better. That allows the financial advisor to spend less time on those activities and more time on those that are actually value enhancing, which turns out to be talking to clients and having meetings. Figuring out what is really the human need of their clients is very value enhancing.

But before AI came into the picture, they were not able to spend as much time on it. Morgan Stanley was very, very deliberate in making sure that everybody understands that we don't want AI to take your job. We want to make you better by automating some of the tasks in order to make sure you spend more time on the tasks that are value enhancing, more meaningful, and more purposeful. We do a lot of tasks in our jobs that are mindless, and AI can actually automate those tasks in order for us to concentrate and focus more on the activities that are more human-centric.

CBS: Surely, some jobs will still be lost to AI. How do managers handle that reality?

Jick: As much as we'd like circumstances in which there are upgrades and reskilling, the reality is sometimes jobs will be lost. I think there, change management again rears its very clear head about how to deal with this. Management does not have a very good track record of handling layoffs and job insecurity. It tends to be secretive, it tends to be preemptive, and it tends to be very noninclusive. At this point, when we think about the fears that people have, transparency is extremely important. So having people be aware of what the likelihood is of this happening and, second of all, providing some protections for people and some transitional support.

Companies are not always very good at this, though I've seen exceptions to this rule where companies have invested in helping people with those transitions. On one hand, the idea of upgrading or reskilling is far more appealing. However, in situations where that isn't possible, we need to focus on finding ways to support and guide people through the transition.

We are doing that so that we help the "victims" of AI, to the extent we call them that, but also to help those that are survivors that are remaining in the organization, to see how people are treated when there are changes. The more they see fairness, the more they see a process in which they have some involvement, the more likely they are to support future changes. Everything about change management is about both making the current change occur but also ensuring a good attitude towards future changes. I would stress the importance of that process.

CBS: **How do managers ensure that humans are centered in the workplace as AI continues to evolve and take on a greater role?**

Meier: As Todd and I argue, I think we are over-indexed on technology and not as much on the human side. I'm arguing really strongly that we need to understand the oldest processor in the world, which is the human brain, and figure out what actually motivates people at work and how we can use technology to enhance those motivators.

Think about one of the basic motivators, which is autonomy or trust. You can obviously use AI technology in particular to control your employees much better than Frederick Taylor, the father of scientific management, ever envisioned back in the day. Surveillance technologies that control our workers at home or in the office just destroy autonomy and the feeling of trust. Instead, we should think about how we can use technology and AI in particular to empower our employees to actually make autonomy and empowerment more successful. That mainly works when people have feedback.

In my book, *The Employee Advantage*, I talk about four basic motivators that are important for engagement for humans at work. The first one is purpose and meaning. The second one is autonomy, and the flip side is trust. The third one is competence or the right skills. And the fourth one is relatedness, or what I call "working together works." You can think about those four motivators and how AI can enhance and not destroy them. And if you implement them with humans in mind, I think you are creating a very effective human-centric future of work.

"Employees' unwillingness to take in something like AI comes from reasons that have to do with their motivation, incentives, the degree of inclusion, and their actual ability to be able to use the tool."

Todd Jick, Mark Faculty Director

CBS: **How is AI informing your research?**

Meier: When the AI hype came to the forefront, Todd and I met and both figured out that what really interests us is the human side of human-machine interaction. So we started to think more about how can we actually create a human-centric future of work? How can we really deeply think about change management tools and human motivation and about how to implement AI in a way that really lets it succeed in an organizational context?

Jick: The research that has to come out of all this must inform how we can go about introducing change most effectively. AI being the current, most topical area, the reality is we might be seen as Luddites in that we're expressing caution and saying go slower.

But what we're really saying is in order to get to the finish line, we must accelerate. We're finding examples in which companies are able to accelerate to the finish line by investing in the process, by involving people in the change. And we're trying to put together some sort of a playlist for managers to think about how to go about doing that.

Key Takeaways for Business Leaders

1. Address AI-related concerns by involving employees early in the implementation process.
2. Communicate transparently and emphasize the role of AI in augmenting rather than replacing jobs.
3. Foster continuous upskilling and promote core motivators like purpose, autonomy, and collaboration.

Federico Marchetti ’99

Creating the Next Generation of Leaders in Sustainable Marketing

Columbia Business School's Sustainable Marketing course recently connected students with Federico Marchetti '99, a trailblazer in the sustainable fashion industry.

BY JONATHAN SPERLING

Sustainability is at the heart of any responsible business. Not only is the practice good for society, it's also good for a business's bottom line. Decades ago, however, thinking was different. As famed economist Milton Friedman argued in his 1970 *New York Times* essay outlining his theory of shareholder primacy, the single point of social responsibility for any business is to "increase its profits so long as it stays within the rules of the game."

The idea that corporate managers owed a duty only to shareholders, not to any social initiatives, took root, although shareholders could pursue social issues on their own if they liked. In the years since Friedman's essay, however, attitudes have changed, thanks in part to new research and insights from economists.

Today, the ultimate responsibility of corporations is complex. As companies are held increasingly accountable for their societal and environmental impact, business leaders must balance the creation and delivery of value to shareholders and customers while respecting the environment and society. That balance is a focus of Columbia Business School's Sustainable Marketing course, which helps students explore how businesses can create value while simultaneously benefiting the environment and society.

Taught by Silvia Bellezza, an associate professor in the School's Marketing Division, the class teaches students the core principles of sustainable marketing while also equipping the next generation of business leaders with a deep understanding of sustainability-minded consumers. Students tackle the subject through three main course modules: Defining Sustainable Marketing, Understanding the Sustainable Consumer, and Developing a Sustainable Marketing Plan.

As Bellezza explains, the course's success is driven by two core features: the inclusion of accomplished guest speakers and highly engaged students.

"The students are very inspired, and they really want to do great things," Bellezza says. "They want to change the world by being sustainable entrepreneurs and sustainable managers."

Firsthand Experience

In April 2024, students heard from guest speaker Federico Marchetti '99, founder of YOOX and former CEO of YOOX Net-a-Porter Group. In 2000, soon after graduating with an MBA from CBS, Marchetti led the way on selling luxury brands online by launching YOOX, an online fashion retailer based in Milan. Years later, he oversaw the merger of YOOX with Net-a-Porter, a tremendous undertaking between one of the foremost fashion retailers in Italy and its counterpart in the United Kingdom.

Marchetti had initially begun his business career in the investment banking industry, though he told students that he did so "not because I loved finance" but because "I wanted to learn as much as possible and as fast as possible." It was through that training and his time at CBS that Marchetti built the skills to be a successful entrepreneur.

"Before finding the right idea, I had to learn," Marchetti says.

In a 2022 interview, Marchetti cited the combination of his CBS coursework and New York City's vibrant culture as the fuel for his YOOX venture. "This great alchemy between the education and the environment helped me formalize the business idea of YOOX," he said.

While leading YOOX in 2008, he built YOOXYGEN, which sold sustainable clothing and embraced environmentally friendly retail practices. He then aligned the entire YOOX Net-a-Porter Group operations with his green mission, including a sustainably designed tech hub in London and distribution center in Milan.

Marchetti stepped down from serving as YOOX Net-a-Porter Group CEO in 2021 to embark on a new role with King Charles III, then the Prince of Wales, who tasked Marchetti with leading the Sustainable Markets Initiative's Fashion Task Force, which includes brands like Chloe, Armani, Burberry,


Silvia Bellezza, associate professor in the School's Marketing Division

Cucinelli, Stella McCartney, and Prada. Among other initiatives, the task force was responsible for launching the industry's Digital Passport, which conveys the history of every item sold by companies in the coalition. By scanning a QR code, consumers can easily learn the materials used, where the piece was made, the ethical and social conditions under which it was made, and how to repair, resell, or recycle the item.

> “This great alchemy between the education and the environment helped me formalize the business idea of YOOX.”
>
> **Federico Marchetti ’99**

Marchetti explains the goal behind the Sustainable Markets Initiative is to encourage unity among more than a dozen industries – agriculture, fashion, and banking, to name a few – in the push for sustainability. The fashion industry, according to Marchetti, is responsible for as much as 8 percent of global emissions, an issue intrinsically linked with shipping and manufacturing processes. However, Marchetti has argued against the stereotype that sustainability and fashion are not compatible – if the right circumstances come into play.

Marchetti also stresses the importance of marketing leaders finding a balance between consumer perception, sustainability, and profit. “It is all about culture and finding the right balance at the right time,” he says. “You cannot be too radical because it takes time [for consumers] to digest and be informed.” He notes that appealing to younger generations who are more climate-focused is especially important.

During his conversation with students, Marchetti praised the School's coursework when he was a student, noting how a class on retailing leadership, taught by Professor Alan Kane, was especially valuable thanks in part to its many guest speakers. Kane himself led a successful career in the retail industry and founded the School's retailing program in 1997. During a Q&A with students, Marchetti encouraged current and aspiring entrepreneurs to take calculated risks, especially when in a professional rut.

He noted, “You're not taking any risk if you are happy.”

Connecting to the Curriculum

In the first part of Bellezza's course, students receive an overview of sustainability at the corporate level, learning the different models for embracing sustainability and the role it plays within capitalism. The second part of the course takes students through the psychology of sustainability – what drives sustainable consumers and how businesses can target and segment them. The latter module introduces students to one of the most challenging aspects of sustainable marketing: the fact that many consumers want to support sustainability, but few want to put their money where their mouth is.

Raising awareness of this intention-behavior gap is critical, according to Bellezza. Equally important is equipping students with the tools needed to close the gap, encouraging consumers who wish to be sustainable to actually act sustainably. Studying the theory of sustainable marketing is only a fraction of the course's curriculum, however. Reviewing actual case studies, as well as hearing from industry practitioners, helps students learn firsthand what it means to be a sustainable manager or sustainable entrepreneur.

In the third and final part of the course, which addresses go-to-market strategy, students learn best practices for positioning sustainable products in the market, pricing and distribution, and communication. It is in this section that the importance of practitioner insight comes into play, says Bellezza, who notes that many students who take the course are in the latter end of their studies at CBS and therefore closer to graduation.

“It becomes very important for them to have firsthand knowledge of what it means to be a sustainable manager or sustainable entrepreneur,” Bellezza says.

The class's guest speakers culminate and synthesize what's taught throughout the semester. Bellezza says her students learn to become sustainable marketers through exposure to their perspectives: “There's no substitute for the knowledge of the people who actually did [sustainable marketing] in the field or the people who work on this on a daily basis.”

Political Debates Aren't as Bleak as You Might Think

But common misperceptions about how debate takes place can make Americans less likely to participate in democracy.

BY JONATHAN SPERLING

Heightened political polarization has made Americans frustrated at the mere thought of debate. Many see it as unproductive—what is the point of two people with different points of view trying to find consensus when both sides are often left feeling like they engaged in a conflict, rather than a conversation? Social media platforms like X, TikTok, and Facebook seem to have only exacerbated this feeling.

While such sentiment might be common, the truth is a bit more optimistic: Most debate takes place in person between close friends, family members, and co-workers. Additionally, this in-person debate has the added benefit of leaving participants with a more positive outlook. This misperception is the subject of new research from Modupe Akinola, the Barbara and David Zalaznick Professor of Business, and Sheena Iyengar, the S. T. Lee Professor of Business, at Columbia Business School.

**Modupe Akinola,
Barbara and
David Zalaznick
Professor of Business**

Along with their co-authors, UC Berkeley Professor Erica Bailey and CBS PhD candidate Mike White, the researchers found that Americans often misperceive both the frequency and format of political debate. Their findings were published in the journal *Nature*.

"We have a misperception of the landscape of debate in the United States," says Akinola. "When we overestimate how much debate happens, we feel more helpless, more hopeless about the future."

Across three studies of nearly 3,000 Americans, the researchers found that people most commonly debate with their close friends and family members, in addition to co-workers and acquaintances. Their research also showed that people often report positive feelings after engaging in debate.

They presented participants with a list of 20 high-profile debate topics, from reproductive rights and animal testing to climate change and gun control, and asked them to indicate whether they have had a debate on that topic in the past year. Participants were also given the option of "other" with an open text box to capture debate topics not featured in the list.

In another survey of nearly 2,000 Americans, the researchers discovered that people systematically overestimate how often others debate, especially in terms of context—Americans often believe the majority of debate takes place online, when in reality it takes place in person.

Akinola shared the findings from her and her co-authors' research, shedding light on how, where, and what Americans are debating.

Columbia Business School: Through your study, how did you come to understand that many Americans misperceive the frequency and format of debate?

Modupe Akinola: In our study, we had people recall the last debate that they were aware of and whether it was online or in person, and how they felt. We found that most people recalled an online debate and they felt negative, so in our next set of studies we wanted to better understand the true types of debates that people have.

Interestingly, we found that, yes, some of the debate topics were high profile; however, people weren't always debating those. They were debating other, low-profile topics. Not only that, they were typically debating with family members or close friends, not necessarily debating online. When we asked them how they felt, they felt positive after having these debates, counter to this idea that we think negatively about our debates and that we're always debating online.

“Not all debates are negative or leave you feeling negative. If you keep reminding people of the truth, then they won’t have these false realities, which might shape more productive dialogue.”

Modupe Akinola, Zalaznick Professor of Business

CBS: How exactly are Americans misperceiving the state of political debate, and how does that fit into our recent elections?

Akinola: In one of our final studies that we ran, we looked at whether people predict or mispredict how much people are debating. We had two categories of people: those who had actually experienced debates and those who were predicting the number of debates people actually experienced.

We found that people overpredicted the number of debates that people actually have. Plus, when people overpredicted, they felt more hopeless about the future. This is an important factor, because one of the key elements in recent elections is that people often feel very hopeless.

So, if we’re overestimating the extent to which people debate, and that overestimation makes us feel more hopeless, then when we have greater clarity on the reality that people aren’t always debating online or on social media, then maybe that helps restore hope in this idea of elections in general. That might shape election behavior and voting going forward.

CBS: How do your findings contribute to healing political division?

Akinola: Our studies are preliminary, and the findings are correlational. But the one thing we can start doing is reminding people of the reality, which is that not all debates are negative or leave you feeling negative.

If you keep reminding people of the truth, then they won’t have these false realities, which might shape more productive dialogue. Over time, more productive debates do indeed lead to people feeling more positive, which was the case with the participants.

Adapted from the paper “Americans misperceive the frequency and format of political debate.”

Key Takeaways for Business Leaders

1. Promote clarity by encouraging employees to base their judgments on direct experiences rather than external narratives, fostering a more constructive organizational environment.
2. Create safe spaces for dialogue in teams, where differences can be addressed in a collaborative and noncontentious way.

Why Employees Leave and What Leaders Can Do to Keep Them

New research from Professor Adina Sterling finds that employees leave jobs at similar rates but for different reasons.

BY JONATHAN SPERLING

Voluntary turnover—that is, quitting—can hit businesses hard. Not only is there the potential for the loss of valuable institutional knowledge but also the cost of a replacement. According to data released by the Society for Human Resource Management in 2022, the estimated average cost per new hire was nearly $4,700, but some companies can spend as much as three to four times the position's posted salary in recruitment costs.

As such, retaining employees is important, but so is understanding why they decide to leave in the first place. A new study by Adina Sterling, the Katherine W. Phillips Associate Professor of Business at Columbia Business School, found that an employee's decision to leave can be tied to their race—and

“You could work a lot on the company’s culture; you could have done a lot to make people feel psychologically safe. But if there are broader external forces in society affecting the way that people can be engaged at work, then we’re only addressing part of the problem.”

Adina Sterling, Phillips Professor of Business

their access to resources. While previous studies suggest that racial minorities in the United States are more likely to quit due to workplace discrimination, Sterling takes a unique approach, opting to analyze how the availability of resources may lead to differences in voluntary departure.

Using 22 years of data from the National Longitudinal Survey of Youth’s 1997 cohort, Sterling discovered that while White workers quit jobs slightly more often than Black workers, the latter were more likely to voluntarily leave due to resource constraints, such as lack of reliable transportation or access to healthcare. On the other hand, White workers were more likely to leave a job for resource-enabled reasons, such as to return to school, start their own business, or take a different job.

The study’s cohort was made up of approximately 9,000 individuals living in the United States who were age 16 or 17 by the end of 1996, when the survey began. In addition to gathering detailed demographic data, the researchers asked study participants which jobs they held and, if not employed, the reason for their unemployment. While some of those surveyed were involuntarily terminated, Sterling focused on those who left a job voluntarily—and the reasons why.

She also found that White workers were more likely to leave a job to take a new one or already had a new job lined up, whereas Black workers were more likely to leave a job to search for another. One reason for this discrepancy might be that there are differences in social ties across racial groups, with some studies finding that White workers have an easier time finding jobs through their social ties than Black workers.

In some of Sterling’s statistical models, she found that Hispanic workers were less likely to voluntarily leave a job than their White counterparts, as were Asian workers. Hispanic workers were also less likely than White workers to voluntarily leave for resource-advantaged reasons.

Sterling’s findings suggest that to address racial disparities in voluntary turnover, organizational leaders need to look beyond just internal policies and culture and consider how external societal forces and resource constraints can impact employee retention.

“You could work a lot on the company’s culture; you could have done a lot to make people feel psychologically safe,” Sterling says. “But if there are broader external forces in society affecting the way that people can be engaged at work, then we’re only addressing part of the problem.”

Racial differences in voluntary turnover reasons persist even after accounting for socioeconomic status, suggesting societal factors beyond just organizational culture play a role, according to Sterling.

She notes that a lot of conversations around employee well-being, especially for minority employees,

Adina Sterling, Phillips Professor of Business

have revolved around improving internal workplace culture through diversity, equity, and inclusion efforts. That's a great way to create anti-racist organizations, she adds, but there's more to creating a company culture that retains minority employees.

"More attention to these broader, external constraints could help leaders understand turnover more generally and also maybe be more empathetic," Sterling says. "If it's health disparities that are a reason my employees are turning over, what can we do about that? Maybe we need to expand our healthcare options. It's about moving away from those intraorganizational points of focus and saying, 'Can we figure out ways to look beyond that?'"

Policymakers can also do some of the heavy lifting when it comes to supporting workers. Sterling points to policies that expand healthcare access, like the Affordable Care Act, as an example. However, she says organizations can play a role in policy by looking at government investment in social services as a boon to corporate profitability rather than a drag.

That's because conversations around employee productivity often ignore the fact that companies need a healthy and engaged workforce to successfully and skillfully accomplish tasks, according to Sterling.

"Some organizational leaders can look at investments in social services as a drag on corporate profitability because it might cost companies more in taxes," she says. "But investing in good healthcare organizations like hospitals and public transportation, in public safety initiatives, etc., those things go hand in hand to have a fully productive workforce. Those are not anti-business initiatives."

Adapted from the paper "This is Why I Leave: Race and Voluntary Departure."

Key Takeaways for Business Leaders

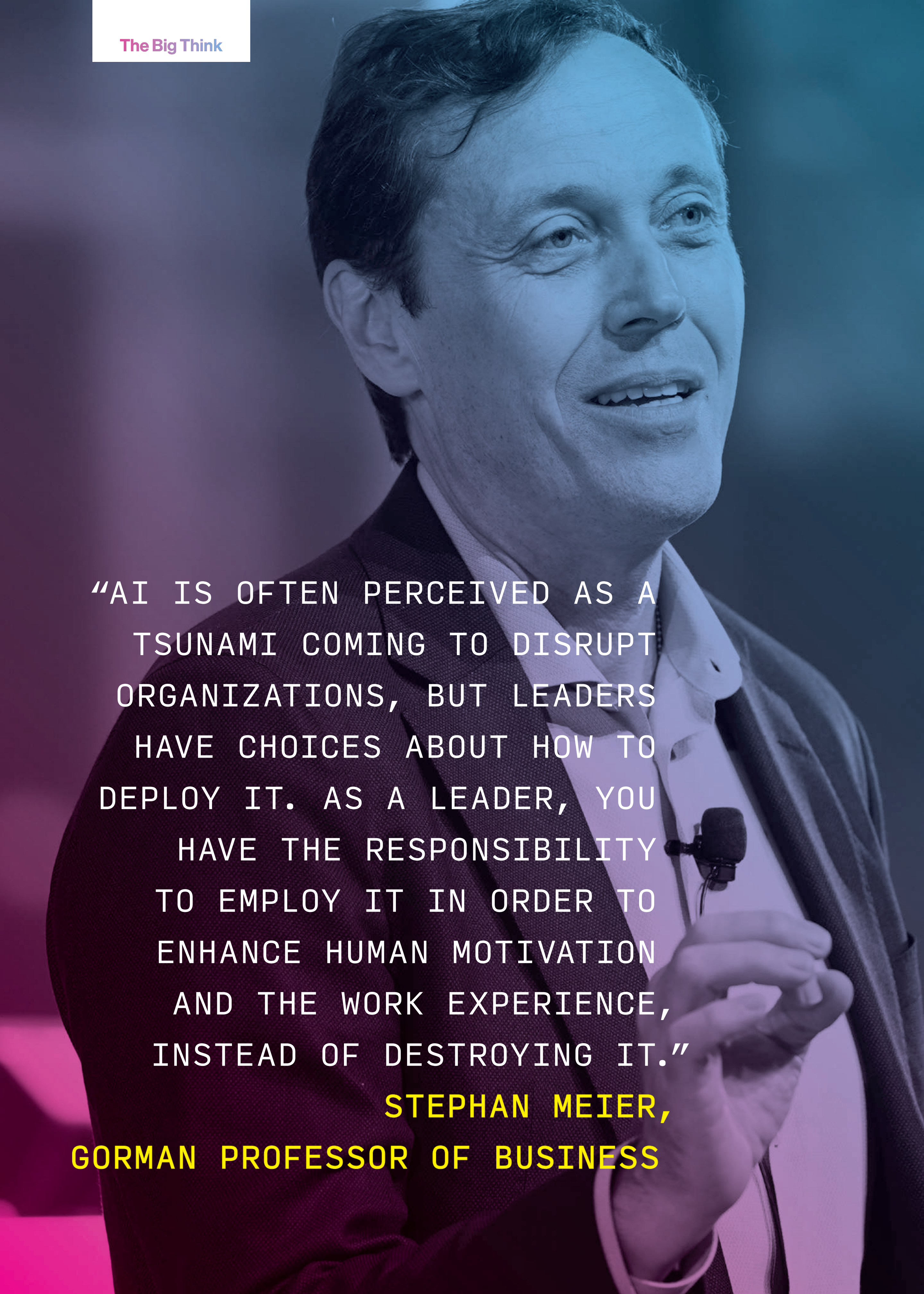
1. Look beyond workplace culture and consider how broader constraints impact retention, particularly for minority employees.
2. Employees from different backgrounds may leave for vastly different reasons, with resource limitations disproportionately affecting certain groups.
3. Mitigate these challenges by expanding healthcare benefits, improving access to resources, and tailoring policies to support employees' external needs.

WORKING SMARTER

HOW TO UNLOCK THE POWER OF AI IN THE MODERN WORKPLACE

BY ELAINE POFELDT

ILLUSTRATIONS BY ALEX NABAUM



"AI IS OFTEN PERCEIVED AS A TSUNAMI COMING TO DISRUPT ORGANIZATIONS, BUT LEADERS HAVE CHOICES ABOUT HOW TO DEPLOY IT. AS A LEADER, YOU HAVE THE RESPONSIBILITY TO EMPLOY IT IN ORDER TO ENHANCE HUMAN MOTIVATION AND THE WORK EXPERIENCE, INSTEAD OF DESTROYING IT."

STEPHAN MEIER,
GORMAN PROFESSOR OF BUSINESS

COLUMBIA BUSINESS SCHOOL FACULTY SHARE GROUNDBREAKING RESEARCH ON HOW ARTIFICIAL INTELLIGENCE IS RESHAPING THE WORKPLACE AND TRANSFORMING THE FUTURE OF WORK.

After using artificial intelligence for more than a decade to fight fraud, the global credit card giant Mastercard is now putting AI to a new use: creating a better workplace.

The company's HR team, for instance, is leveraging AI and automation to eliminate tedious manual processes and data entry, freeing up team members to focus on more meaningful work. The group's talent acquisition team has adopted an automated scheduler that seamlessly books job interviews into hiring managers' available time slots. This simple yet effective solution has accelerated the interview scheduling process by 90 percent.

AI is proving invaluable in other ways. To help create more career mobility for its team, Mastercard is using Unlocked, an AI-based platform that matches employees with short-term projects they can do with colleagues, as well as with mentors, based on their past experiences and desired areas of growth. One goal is to make it easier for the company's leaders to break out of relying on the same employees for high-priority projects.

So far, the experiment has brought promising results: Ninety percent of employees in the department have joined the platform, and one-third of employees who take part in these short-term opportunities have ended up making an internal career move of some sort, says Michael Fraccaro, chief people officer at the 33,400-employee company, headquartered in Purchase, New York.

"We're seeing great response from employees on the value the platform brings for networking and personalized paths for ongoing growth and development," says Fraccaro. "It's a great tool for supporting our people. And it does just that—supports them."

While Mastercard is leading the way in harnessing AI to improve workplace operations and employee development, it remains part of a pioneering minority: Despite the growing buzz around AI, only 3.9 percent of companies report actively using it, according to the US Census Bureau, illustrating just how early we are in this transformative journey.

With significantly higher adoption rates in industries like tech—where 13.8 percent of companies report using AI regularly—the technology's growth is poised to accelerate across other sectors. The rapid rollout of OpenAI's ChatGPT in November 2022, which reached 1 million users in just four days, has further fueled this trend, notes Jeffrey Schwartz, an adjunct assistant professor of business in the Marketing Division at CBS.

"It happened 'gradually, then suddenly,'" says Schwartz, borrowing a phrase from a Hemingway character who describes how he went bankrupt. "AI has been coming at us for many decades, but especially the last decade."

Schwartz should know, having had a front-row seat on AI's development. He founded the future-of-work practice at Deloitte and has since cofounded and now serves as vice president of talent marketplace Gloat, which made the software

Mastercard is using. He is also the author of two books on the future of work: *Work Disrupted* and *Workforce Ecosystems*, which he coauthored.

To understand what is ahead in the workplace of the future, Schwartz and other CBS professors have been focusing their research on early adopters like Mastercard. They're looking at what these companies' experiences may predict about the workplace of the future, how it will augment and enhance team members' performance, how AI will influence job design and career evolution, and what questions about responsible use will need to be addressed.

BETTER JOBS FOR SOME, RESKILLING FOR OTHERS

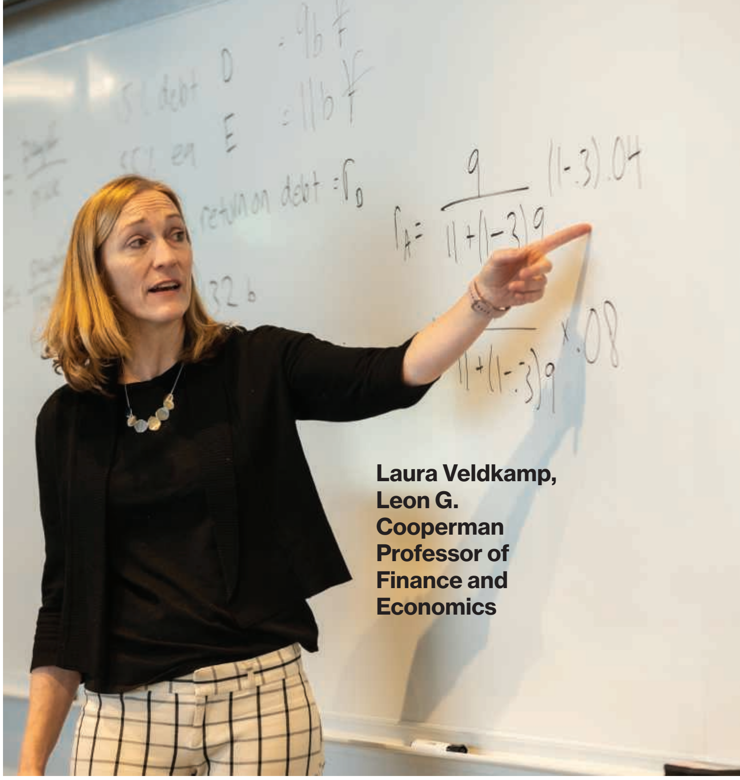
Under the AI umbrella are several methods of implementation that will affect how many of us work in the future. They include machine learning, which uses algorithms trained on data sets to perform tasks like predicting price fluctuations; natural language processing, where machine learning lets computers understand and communicate using human language; and deep learning, in which computers are trained to mirror people's neural processes.

Given AI's evolving capabilities, many leaders are concerned AI will make some skills irrelevant and take people's jobs, like the machines of the Industrial Age, such as the Spinning Jenny or the assembly line. Some have called for a universal basic income to help displaced workers.

While there's a lot of debate around how serious a threat there is, the fears have some grounding in reality. Concerned about the need to upskill and reskill displaced workers, a consortium of Big Tech firms, led by Cisco, convened in March 2024 to find ways to connect workers with training and reskilled workers with employers. The group–which includes giants like Accenture, Eightfold, Google, IBM, Indeed, Intel, Microsoft, and SAP–is working with advisors from groups such as the American Federation of Labor, the Congress of Industrial Organizations, and Khan Academy to find ways to help workers stay relevant.

Many workers are worried, too. Following industry-wide layoffs in gaming, attributed in part to the use of AI, one worker who responded to the State of the Game Industry 2023 survey commented, "I think completely eliminating someone's job is of genuine concern. It should be used to enhance capabilities, not reduce the workforce."

However, many experts believe the future of AI in the workplace and how it shapes people's careers



Laura Veldkamp, Leon G. Cooperman Professor of Finance and Economics

will be more complex and nuanced than anyone can predict. Research by CBS professors has pointed to winners and losers in the new economy, with jobs created for highly educated, tech-savvy workers and eliminated for others–who will need to learn new skills or be left behind.

A study by Laura Veldkamp, the Leon G. Cooperman Professor of Finance and Economics at CBS, examines how the adoption of AI and other big data technologies in the investment management industry—an early adopter of AI that she says has served as a "canary in the coal mine"—could result in a 5 percent decline in the labor share of income. This shift has the potential to deepen economic disparities. Veldkamp points out that this pattern mirrors trends observed during the Industrial Revolution, which saw a 5 to 15 percent decline in the labor share of income.

However, her research also found there would be better income-earning opportunities for workers who learned to master relevant tools such as Python and TensorFlow. "At least in this context, AI wasn't replacing the people–they just got more work done," Veldkamp says.

AUGMENTING PROFESSIONALS WITH AI

Oded Netzer, vice dean of research and the Arthur J. Samberg Professor of Business at CBS, believes we're entering an era in which we will see "AI-augmented professionals." For example, lawyers might

THE FIVE I's

If you're a manager seeking practical strategies to implement AI effectively in your organization, Professor Todd Jick, a renowned expert in leadership and organizational change, offers a clear framework to guide the process.

His Five I's approach provides actionable techniques to help employees embrace change and overcome resistance.

1. INFORM

Clearly and transparently communicate with employees about the change, addressing any concerns or questions up front.

2. INCENTIVIZE

Demonstrate and ensure that tangible benefits are tied to the change, motivating employees to support and adopt it.

3. INCLUDE

Actively involve employees early and consistently throughout the AI development and implementation process, fostering a sense of ownership and collaboration.

4. INSPIRE

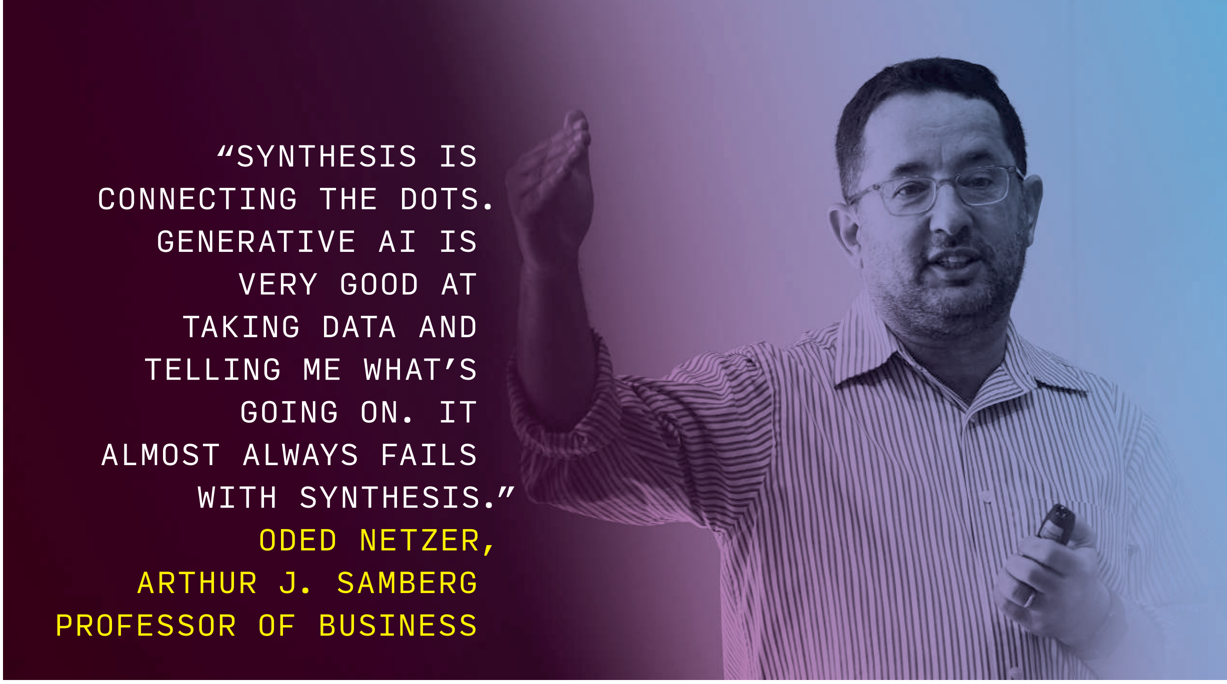
Present a compelling vision of the exciting possibilities AI can bring, energizing employees about the future.

5. INSTRUCT

Provide comprehensive training (instruction) to equip employees with the skills they need to successfully navigate and thrive in this new environment.

By following these steps, managers can create a smoother transition to AI integration while empowering their teams to adapt and succeed.


"THE TECHNOLOGY ISN'T YET RELIABLE ENOUGH TO MAKE A SERIES OF DECISIONS WITHOUT HUMAN OVERSIGHT. RESPONSIBLE AI DEVELOPMENT IS ESSENTIAL TO IMPROVING RELIABILITY."
ASSISTANT PROFESSOR HONGSEOK NAMKOONG



use AI to review contracts faster, doctors could use AI to help diagnose diseases based on data analysis, and writers may employ AI to generate content drafts more efficiently.

At the moment, many employers and workers who are still learning how to use AI are looking to AI tools to tackle rote, highly structured and predictable tasks they don’t want to do. For instance, in coding, AI’s ability to predict and autocomplete the next step can be used to make work like debugging code less tedious. “It helps programmers write much faster,” says Netzer. “This raises the question of whether we are going to have [fewer] programmers. I don’t think so. What programmers enjoy doing is not debugging their code but to think about problem solving. AI would require many more programmers to program AI.”

AI is also valuable in helping professionals summarize information, like meeting notes, says Netzer. But what it can’t do, at least not yet, is synthesize data and exercise judgment, he points out—meaning it’s not about to replace humans anytime soon.

“Synthesis is connecting the dots,” says Netzer. “Generative AI is very good at taking data and telling me what’s going on. It almost always fails with synthesis.”

Netzer sees the eventual adoption of AI in more workplaces as similar to how bank tellers evolved after the ATM was introduced. “When ATMs came about, the whole premise was that from now on, we won’t need tellers,” he says. “ The reality was the number of employees in banks actually increased, not decreased. The tasks changed significantly. Bankers did not spend their time handing out cash or taking checks and cash anymore. That was done with ATMs.”

Since then, the jobs once done in branch banks by tellers have been transformed. “They are now spending time in places where the bank makes more money, whether it is financial advising or opening or closing accounts,” Netzer says. “They are not tellers anymore. The tasks changed. It is still customer-facing bankers working at a bank, but with much more interesting jobs.” Though the impact of AI on banking won’t ultimately be known for years, recent data from market research firm Statista shows that the number of full-time employees in the US banking industry rose by several percentage points in 2022, the most recent year for which data are available.

And the pace of change won’t likely be as fast as many people assume, he believes, even as AI gets better. One case in point, he notes, is recent research on teaching children and AI to recognize cats and dogs. The children could do so after seeing the pets five times, on average. For AI, it took 2 million images. “If we understood why a toddler is able to do it, we would teach machines to do the same thing, but we don’t,” says Netzer. “We don’t fully understand how the brain is doing it. Until we get there, it will be hard for AI to make the leaps we do as humans.”

Netzer believes that to help augment the professionals on their teams, employers will benefit from thinking about how AI will impact tasks rather than jobs. “They should identify what AI can do and how employees can take on the remaining tasks that require judgment, decision-making, and complex problem solving,” he says. “Jobs that involve relationship building, strategic thinking, or roles requiring empathy will remain relevant because these areas are challenging for AI to automate.”

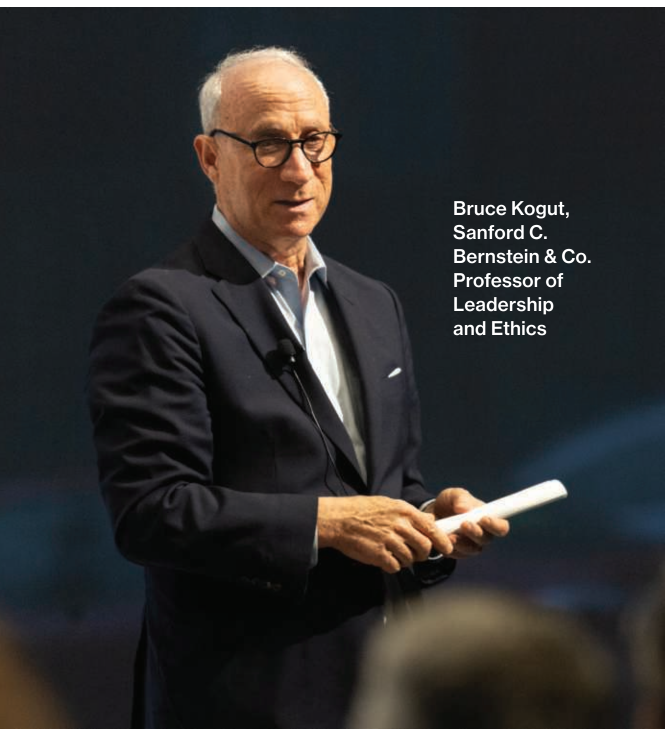
Workers worrying about losing their jobs to AI would be better served by redirecting their energy to learning how to use it, he advises." Paraphrasing a quote from NVIDIA CEO Jensen Huang, Netzer says, "You won't be replaced by AI. You will be replaced by someone who knows what to do with AI."

IMPROVING WORKERS' MOTIVATION

In using AI to help workers get things done, employers will need to consider the emotional side of work and take a "human-first approach," says Stephan Meier, the James P. Gorman Professor of Business and chair of CBS's Management Division and author of *The Employee Advantage: How Putting Workers First Helps Employees Thrive*, a newly released book that looks at how building an employee-centric company drives business results.

Jobs will need to be designed in a way that enhances both performance and motivation, he says. "AI is often perceived as a tsunami coming to disrupt organizations, but leaders have choices about how to deploy it," Meier adds. "As a leader, you have the responsibility to employ it in order to enhance human motivation and the work experience, instead of destroying it."

As he has found, AI can even help on that front, aiding leaders in creating a more personalized and supportive work environment by using analytics to identify communication gaps. It can also provide coaching for managers, helping them tailor learning and development opportunities to individual employees' needs and motivations–as long as there is transparency, consent, and a focus on improving the employee experience, not surveillance. "AI can be a powerful tool for creating a more intentional and supportive workplace," he says.



Bruce Kogut, Sanford C. Bernstein & Co. Professor of Leadership and Ethics

One company Meier and fellow researcher Jeffrey Schwartz studied was Morgan Stanley, an investment bank with 80,000 employees. To augment the services its financial advisors provide, it uses technology that tracks information in the news and personalizes advice for clients. This allows advisors to focus on tasks only humans can do, like having lunch with clients, which is not only more satisfying for the advisors but also grows the business.

"[Morgan Stanley] figured out there are certain tasks that the financial advisor does that the machine can actually do better," says Meier. "That allows the financial advisor to spend less time on those activities and more time on the ones that are value enhancing, which turns out to be talking to clients and having meetings. Figuring out what is really the human need of their clients is very, very value enhancing, but before AI came into the picture, they were not able to spend as much time on it."

Beyond the impact on individuals, it is also important to consider the impact on teams' motivations, according to Bruce Kogut, the Sanford C. Bernstein & Co. Professor of Leadership and Ethics at CBS. Kogut is co-author of a 2023 study looking at how the introduction of AI influences team performance. He and research partners Fabrizio Dell'Acqua and Patryk Perkowski designed an experiment using the *Mario Party* game on the Nintendo Switch console and found that using AI often backfires when it comes to team performance.

"The main result was that when you introduce AI, performance goes down," says Kogut. "Whenever it replaces a human partner, it really annoys or depresses the humans. AI does very well, but humans do so badly that the overall team does much worse."

The only exception is when the humans are highly skilled enough to be competitive with the AI. "If you match highly skilled humans with AI agents, you get a positive outcome," he says. "That's reassuring."

BUILDING BETTER JOBS

The potential for collaboration between humans and AI opens the door to a new category of roles, which Schwartz refers to as superjobs. In *From Jobs to Superjobs,* a 2019 article he coauthored for Deloitte, Schwartz notes that this innovative type of role emerges when technology fundamentally transforms the skills required for a job, as well as the nature of the work and the role itself.

Although new technology skills are required for these roles, superjobs will ultimately create integrated roles that build upon the productivity gains that come when people work with smart machines, data, and algorithms, as he explains in the article.

The idea is that in an ideal world, superjobs could become a "renaissance version" of someone's old job, one that allows time to do more of the work that keeps a career interesting and leads to less drudgery—if they choose that. "The general question for employees today is, 'What is the renaissance version of your job and your career, where you can stand on the shoulders of technology and use it not only to do the same thing faster and better but also to open up time to pursue new things?'" says Schwartz.

That's not always easy. While it's fairly simple to break down jobs into tasks—and then ask which can be done by a machine to save time—many leaders and workers have never considered what the ideal version of their job would look like with tedious tasks eliminated.

"The question we all keep coming back to is, 'What work should people do if they have more time, so we're not simply doing more of the same work—we're working for different customers, on different tasks?'" says Schwartz.

With employees expected to work longer due to better health, employers will need to consider questions like this in the context of careers that may last 60 years, not 40. "We have about double the life-span of someone born in 2000 vs. 1900," Schwartz points out. "Among the people born in the workforce today who are in their 20s, a significant percentage can live to 100."

The changes AI is bringing will raise the bar on skills development for workers long past college and graduate school. "The half-life of skills gets shorter and shorter, requiring continuous learning," says Schwartz.

USING AI RESPONSIBLY

As more companies try out AI, it's becoming clear to many that more ethical guardrails will need to be put in place. Before the election, the Biden administration issued an executive order on responsible AI practices, addressing applications like algorithmic hiring to ensure compliance with existing antidiscrimination laws.

With AI building momentum, job hunters on sites such as LinkedIn are already getting a small taste of its influence, with its AI-powered job search suggesting positions that may be a good fit for them.

And that influence is only going to grow. AI will soon be used in workflows to identify suitable candidates, summarize interviews, and recommend potential hires, changing many touch points between applicants and employers, according to Hongseok Namkoong, an assistant professor in the Decision, Risk, and Operations Division at CBS, who studies the interface between machine learning and decision making,

This will bring benefits, like efficiency, but also risks, he says. Modern AI systems, including large language models (a type of AI that can understand and create text in human language), often produce false or incorrect results, known as hallucinations, points out Namkoong.

That can have serious consequences if, for instance, an HR professional assumes it is more reliable than it really is and excludes a qualified job seeker because of what the AI says.

"The problem is you don't really know when the model is junk, and the model doesn't know that either," Namkoong says. "The technology isn't yet reliable enough to make a series of decisions without human oversight. Responsible AI development is essential to improving reliability."

Companies like Mastercard are taking factors like this into account as they prepare their workforce for the future. The company has created forums for ongoing discussions of trends, technologies, and safeguards, and is taking steps to ensure employees know its current use cases for AI, including its commitments to ethical AI and data privacy. It holds regular fireside chats with executives on a broad range of topics surrounding AI. And most recently, it launched an AI and Data learning series with curated offerings for beginners, experts, and those in between.

"We know testing and learning with AI is a journey," says Mastercard's Fraccaro. "Some people are just starting out and others are much further along. Our goal is to support people where they are, as we navigate the AI journey together."

Given AI's potential, it's a journey likely to be filled with many unexpected lessons for Mastercard, Morgan Stanley, and many other employers–and their employees–for decades to come.

Work Culture

The Business Case for Doing Good

New research from Professor Vanessa Burbano finds that social impact activities can be the key to retaining employees.

BY JONATHAN SPERLING

High rates of employee turnover present a massive challenge for businesses, especially those that are already struggling.

"Employee turnover has been shown to disrupt productivity-related outcomes. It's been shown to correlate with decreased financial performance and, in some studies, even threaten an organization's survival," says Vanessa Burbano, the Donald C. Waite III Associate Professor of Social Enterprise at Columbia Business School.

Almost half of employee turnover—a whopping 42 percent—is preventable, according to a recent report from Gallup. Still, self-reported employee turnover risk in 2024 is at its highest point in nearly a decade.

While the reasons that employees voluntarily leave a company vary greatly—from a lack of job satisfaction to a demand for higher compensation—new research from Burbano has found a breakthrough in increasing employee retention: short-term corporate social impact activities, or activities that address societal challenges in order to create positive change, implemented during the employee onboarding process.

The reasoning, simply put, is that these activities can increase an employee's perception of organizational justice, or how they feel their employer will treat them in the future. With the potential for better treatment comes a better chance of an employee staying.

"Employee turnover has been shown to disrupt productivity-related outcomes. It's been shown to correlate with decreased financial performance and, in some studies, even threaten an organization's survival."

Vanessa Burbano, Donald C. Waite III Associate Professor of Social Enterprise

Burbano notes that while past findings reflect a correlation between corporate social responsibility initiatives and positive workforce outcomes, "what hadn't really been well established in the past was the causal nature of these effects." That is because isolating the impact of such initiatives from more endogenous variables, such as the quality of management, is a challenge.

Through a detailed field experiment at a large banking institution in Peru, Burbano found that employees who attended a daylong social impact activity were 50 percent less likely to leave the firm a year later, when compared to co-workers who did not participate in the activity.

Preventing Turnover from the Beginning

During the initial onboarding process, bank employees who had been with the firm for less than three months were required to participate in two collective, daylong onboarding activities. These activities were standard, consisting of a cultural induction and bank transaction training.

Participation in a third activity, focused on a corporate social impact activity, was assigned to a random subset of new employees, following a small pilot program. When the bank's human resources department invited the employees to the activity, they were not informed of the nature of activities, and related email communications mirrored the language and formatting of the prior two onboarding activities.

Those who participated in the activity were transported to a local high school that served low-income students. Once there, employees were given directions, introduced to students, participated in an icebreaker activity, and split up into pairs with student beneficiaries.

In this pairing, employees were asked to take on a coaching role with their assigned student, helping them to envision an attainable future after graduating from high school in five months. At the end of the coaching session, employees and students ate lunch together and employees debriefed, self-reflecting on their experience in an interview.

A few weeks later, all new employees, including those who did not participate in the social impact activity, were surveyed about their perceptions of the organization. Employees were tracked for the year following onboarding to see who would leave the organization and who would stay.

Retention-Related Impact

Burbano and her co-researchers used survey data to measure the level of employees' organizational identification with the bank, as well as employee perceptions of how fairly and well their employer treats them.

Their findings indicated that employees randomly assigned to the social impact activity were nearly 60 percent less likely to voluntarily leave the organization after a year. Also notable is the fact

Vanessa Burbano, Donald C. Waite III Associate Professor of Social Enterprise

that women employees' perception of the organization was less impacted by the activity than their male counterparts. This suggests that firms can especially improve the retention rate of their male employees through social impact activities.

The findings are rooted in the idea of organizational justice theory, which posits that employees' overall perceptions of fairness in their workplace are greatly influenced by their perceptions of the level of social responsibility their firm demonstrates toward external stakeholders. These external stakeholders can include customers and suppliers but also local communities and society as a whole.

Previous research from Burbano has found that when employees participate in a social impact activity at work, they are likely to develop more positive perceptions of their employer's social responsibility and their perceptions of organizational justice. They feel that employers who act fairly and responsibly toward greater society are more likely to respect and care for employees and treat them well.

Burbano explained that the impact of social impact activities is often more pronounced in large organizations than in small businesses, where employees are more likely to be more aware of their organization's true qualities and what it stands for.

"For large organizations, the sense of what the employer values and how they're going to treat you is just a little bit harder to have a pulse on," Burbano says. "So signals like this would likely matter more."

Starting Off Strong

While Burbano's findings focus heavily on the effect of corporate social impact generally, she highlighted the importance of organizations making such connections with employees early on.

"It's this initial point in their interactions with the firm that is very influential in terms of how employees will interpret the values of the firm and think about the firm going forward," Burbano says.

In the bank's case, this short interaction had a lasting impact.

Adapted from the paper "The Effects of a Short-term Corporate Social Impact Activity on Employee Turnover: Field Experimental Evidence."

Key Takeaways for Business Leaders

1. Increase retention by involving employees in activities that tackle societal challenges.
2. Show your employees you care: Act fairly and responsibly toward the greater society to earn their trust, respect, and loyalty.

Above: **Professors Glenn Hubbard (top), Bruce Kogut (bottom left), and Sheena Iyengar**

Connecting Business and Society at The Hub

Discover how a groundbreaking think tank is uniting scholars, business leaders, and policymakers to drive innovation and shape the future.

BY JONATHAN SPERLING

Research is the backbone of Columbia Business School. Cutting-edge analysis from the School's faculty informs its curriculum and helps prepare students to tackle the most critical issues facing both the business world and society.

It is a valuable foundation to build upon for future business leaders in the classroom, but what about stakeholders outside of the School's walls? How do current industry leaders, lawmakers, and the broader public benefit from CBS's insights?

That question is at the heart of The Hub, a CBS think tank that recognizes the pivotal role that collaboration among researchers, businesses, and policymakers can play in addressing societal issues.

The Hub was launched by CBS's Dean Costis Maglaras, the David and Lyn Silfen Professor of Business, in 2022 as a way to bring intellectual capital at the school closer to big problems in the business world. Maglaras, whose expertise is rooted in AI, financial engineering, operations, and supply chain management, wanted The Hub to focus on the business and societal implications of emerging technologies.

Maglaras soon brought on economist Glenn Hubbard, dean emeritus and the Russell L. Carson Professor of Finance and Economics, to help lead one of The Hub's key initiatives. Hubbard, who teaches courses on business and society and political economy, was quick to connect The Hub's mission with his recent research on the future of capitalism.

"The best way to describe The Hub is as a place where conversations happen and impact is contemplated," Hubbard says.

The Hub soon launched with three key initiatives – the Future of Capitalism, Think Bigger Innovations, and Business, AI, and Democracy (BAID). Through them, The Hub has engaged business professionals and policymakers in crafting solutions for issues ranging from housing and the economy to innovation and AI.

In the two years since The Hub's inception, the think tank's faculty leaders have kept these important stakeholders engaged through their innovative research, impactful events, and dynamic curriculum, as well as by cultivating community. Their efforts engaged more than 4,000 participants across dozens of programs, conferences, and other events.

The Intersection of Business, AI, and Democracy

At the intersection of technology, society, and their impact on the future of business lies The Hub's BAID initiative. BAID investigates the way in which social and traditional media, government regulation, misinformation, and emerging technologies are influencing democratic processes and, by extension, business practices.

Led by Bruce Kogut, the Sanford C. Bernstein & Co. Professor of Leadership and Ethics, BAID sees the recent challenges to democracy as a place for businesses to step up, exploring how they can navigate and contribute positively to the democratic landscape.

For Kogut, that comes down to focusing on a "return on ideas," rather than just a return on investment.

"The debate over capitalism has been accelerated rather than dampened by what we've seen over the past few years. Through the public events that we ran, we sought to impact the democratic discourse that attracted audiences from the university and community," Kogut says.

To better understand the increasing interconnectedness of business and democracy, BAID hosted a wide array of speakers, including roboticist Hod Lipson, misinformation expert Renée DiResta, and Oksana Matiiash, founder of a Ukrainian education nonprofit. Other BAID programming included "A Marshall Plan for a Democratic Ukraine," "Spin Dictators and Tools of Misinformation," and "AI, Democratic Finance, and the Future of Big Banks."

It was important that speakers were diverse in terms of their ideas and backgrounds, to broaden perspectives beyond more traditional echo chambers, according to Kogut.

BAID also featured cutting-edge research from faculty whose work often revolves around the study of misinformation, media, and democracy. Kogut himself published a paper entitled "Super Mario Meets AI," which looks at the impact of AI on teams and their performance while playing the popular video game *Mario Party*.

Andrey Simonov, the Gary Winnick and Martin Granoff Associate Professor of Business, studied the impact of Russian media on its viewers. Simonov also worked with Eric Johnson, the Norman Eig Professor of Business, to research "dark defaults" in political donations.

Gita Johar, the Meyer Feldberg Professor of Business, contributed to BAID with research that explores the role that publishers, platforms, and people play in spreading misinformation. Her research on AI-driven misinformation has revealed what exactly is at stake for business and society. In an optimistic vein, research from Andrea Prat, the Richard Paul Richman Professor of Business, found that "a majority of Americans have a solid grasp of real news stories and can distinguish them confidently from well-crafted or widely circulated fake news."

Making Capitalism Work for All

Is capitalism working for all of us? The Hub's Future of Capitalism initiative sought to answer this question by exploring four key forces driving our country's economic system: changes in the economic environment, the roles of investors in influencing business decision making, the effects of social movements on business decision making, and actions by individual firms or groups of firms to address climate change.

Hubbard, who spearheads the initiative, explained that academia can play a valuable role in informing public discourse and policy by providing balanced analysis, as neither major US political candidate in the 2024 election adequately addressed the underlying economic and political pressures that have fueled populism on both sides of the political spectrum.

"If we care about the future of capitalism, we have to ask ourselves: Is capitalism working for the greatest number of people?" Hubbard says.

Through its event lineup, the Future of Capitalism initiative hosted conversations with two Nobel Prize recipients, including Professor Joseph Stiglitz, whose research explores capitalism's shortcomings. During a discussion with Hubbard, Stiglitz noted that, due to significant wealth disparity, the United States has become the leading advanced industrialized country in terms of inequality. However, stronger regulation could steer the country back in the right direction, he said.

Other Future of Capitalism events included a reflection on the legacy of Adam Smith on what would have been the famed economist's 300th birthday, as well as a discussion with economist Oren Cass on recalibrating the relationship between labor and capital.

The initiative also provided a platform for several valuable research projects at its Future of Capitalism Conference, presenting work from Ann Bartel, the Merrill Lynch Professor of Workforce Transformation; Jacopo Perego, the Class of 1967 Associate Professor of Business; and Hubbard.

All these efforts harken back to the research and political will that fueled some of the boldest and most successful policies of the 19th and 20th centuries, according to Hubbard.

"There are many things that we can be doing as a country to ensure that capitalism's benefits go to more people. We're not doing enough in our country today on that, but we once did. If you look at the work on the land-grant college movement that brought opportunity to more Americans and the GI Bill, for example, we know how to do these things," Hubbard says.

Think Bigger

Inspiring corporate innovation was at the heart of The Hub's Think Bigger initiative, spearheaded by decision-making expert Sheena Iyengar, the S. T. Lee Professor of Business.

The initiative, fueled by countless Think Bigger Innovations Summits, workshops, and events, brought together business leaders, policymakers, and researchers to explore the greatest innovation challenges confronting large organizations today. In doing so, the initiative aimed to develop and implement solutions to emergent issues, driving positive change for the betterment of society.

Think Bigger's Innovation Summits brought together corporate leaders from a diverse set of industries to discuss and collectively address challenges related to hybrid work, AI, climate, healthcare, and other emerging technologies. The initiative's Expert Workshops, meanwhile, focused on specific challenges facing New York City, such as the real estate crisis and the need to support deep tech startups.

"The mission of Think Bigger is to take complex problems and create doable solutions, going from ideas to actual implementation," Iyengar says.

In tackling that mission, the Think Bigger initiative hosted a workshop titled "The Future of NYC Real Estate" that inspired a reimagining of New York City's commercial real estate industry in the wake of remote work, declining commercial property values, and decreased tax revenue. The event included the presentation of a white paper that lays out new policy solutions, such as property tax abatement programs, as well as the creation of a lender credit program to encourage banks to lend toward office building conversions. The event also featured research from Stijn Van Nieuwerburgh, the Earle W. Kazis and Benjamin Schore Professor of Real Estate, who made headlines for his urban doom loop theory.

"There are many things that we can be doing as a country to ensure that capitalism's benefits go to more people. We're not doing enough in our country today on that, but we once did. If you look at the work on the land-grant college movement that brought opportunity to more Americans and the GI Bill, for example, we know how to do these things."

Glenn Hubbard,
Dean emeritus and Russell L. Carson Professor of Finance and Economics

The Think Bigger initiative also hosted another expert meeting, "Catalyzing the New York Deep Tech Ecosystem," which featured research from Iyengar and Jorge Guzman, the Gantcher Associate Professor of Business. It built on Think Bigger's framework by convening high-powered stakeholders to discuss the challenge of accelerating New York's deep tech ecosystem, the industry behind much of the progress on artificial intelligence, mRNA vaccines, and quantum computing.

All in all, Think Bigger's programming has made great strides in connecting theory to practice, according to Iyengar.

"The problem is often that practitioners and academics don't understand each other. And the reason why they don't understand each other is the knowledge that they have to add to and speak to is so misaligned," she says.

Looking Forward

In its short time, The Hub has evolved to lead the School's Distinguished Speaker Series (DSS), which connects the CBS community with prominent thought leaders from diverse disciplines and backgrounds, providing the community with insights and ample opportunity for engagement. These unique lectures bring valuable, real-world advice, personal stories, and strategies that broaden perspectives and challenge participants to think critically about pressing issues.

Though the first iteration of The Hub's initiatives is coming to an end, the think tank will take on a new role in the coming months, continuing to lead the DSS initiative and featuring prominent thought leaders from diverse disciplines and backgrounds. DSS speakers have included NVIDIA CEO Jensen Huang, LinkedIn co-founder Reid Hoffman, GSK CEO Emma Walmsley, and US Senator Bill Cassidy, with many more insightful speakers planned.

The Hub will also support its recently launched Student Advisory Board, which plans student roundtables with professors and industry experts. In this way, The Hub will continue to serve as a collaborative partner, supporting faculty research, student events, and initiatives from centers, programs, and divisions across CBS.

Dan Wang,
Lambert Professor of
Social Enterprise

Weaving AI into the Classroom

AI-based teaching strategies are giving Columbia Business School students an edge.

BY JONATHAN SPERLING

When Dan Wang, Columbia Business School's Lambert Family Professor of Social Enterprise, began encouraging discussion in his Technology Strategy course last year, he tapped into a centuries-old teaching model known as the tutorial system.

Popularized by academics at the University of Oxford and University of Cambridge in the 1800s, the model sees professors lead students in small, frequent discussion sessions where they are expected to communicate, critique, and interrogate their ideas. In Wang's Technology Strategy course, the system was simple but rigorous: Students were asked to analyze case studies and argue prescriptions, defending their arguments and building critical thinking skills along the way. The practice was a success, according to Wang, with positive spillovers into the classroom by way of high engagement and intense conversation.

There was just one major difference between the model used in Wang's course and the one used by 19th century scholars: In the Technology Strategy course, the students' discussion partner was wholly AI. That's because Wang, together with then-CBS student Johnny Lee '23, developed and hosted a portal on the machine learning platform Hugging Face that allowed students to have a dialogue with an AI-based chatbot fine-tuned with Wang's notes, a relevant case study, and additional research material.

"It's a precise conversational partner that students are engaging with," says Wang, who also serves as co-director of the Tamer Institute for Social Enterprise and Climate Change.

Providing a unique debate partner is just one of the many ways CBS faculty are integrating AI into the School's curriculum. At the same time, faculty are ensuring that AI use in the classroom remains ethical and that students understand the emerging technology's limitations.

AI After Class

For Wang, integrating AI into his curriculum takes myriad forms, from the aforementioned discussion partner to a full-on scenario simulator. Just a few months after the inception of ChatGPT, Wang began integrating AI into assignments in his Technology Strategy course, which explores how firms capture value, deal with competitors, and navigate social and environmental implications of new technologies. Throughout the class, students are presented with case studies and dilemmas that act as a vehicle for learning how to apply frameworks, marshal quantitative data, and ultimately gain fluency in the logics of technology.

For homework, Wang asks students to vote on related multiple-choice poll questions and explain their answers – a common pedagogical assignment Wang found ripe for AI enhancement. ChatGPT's inception meant that students could simply plug in questions and generate an answer in a few clicks. Rather than interfere with this, however, Wang decided to include a new provision on his syllabus that not only allowed students to use a mode-based chatbot for poll question assignments but encouraged students to do so, as long as it improved the quality of their work, did not misrepresent their thinking, and was noted in their follow-up explanation.

With a data set of 2,200 homework assignments to analyze, Wang gleaned valuable data, such as how many students chose to use AI to answer questions – an average of around 25 percent on each question, though it varied widely – and how the technology impacted their answer choice. For example, students who used AI assistance tended to select the most popular poll question answer.

Wang also notes that, anecdotally, allowing students to use AI at home translated into increased engagement and participation within the classroom. "Students often use GenAI to refine and challenge their positions," Wang says.

Modeling the Growth Mindset

CBS Professor Ashli Carter's use of text-to-image generative AI in the classroom has allowed her to help students build resilience, find connections, and learn from past failures – critical skills for any rising business leader. As a lecturer in the School's Management Division, Carter began using generative AI as a teaching tool in 2023, especially in her

CBS Professor Ashli Carter

LEAD: People, Teams, Organizations course sections.

There, Carter says generative AI has proved to be an excellent way of practicing a growth mindset. "Generative AI is actually really good at modeling how we can iterate and learn from failures and mistakes."

In class, Carter, along with other LEAD professors, asked students to come up with an innovative product and use generative AI to complement their design process, helping them learn from each other and be inclusive in generating new ideas. She also uses the technology as a reflective tool in workshops and Executive Education classes, asking participants to use generative AI to illustrate their inner critic and inner champion. She finds it to be a great way for students to "negotiate" with their mindset and bring them closer to achieving their goal.

> "We are all at different points in our learning journey with generative AI. It's important to notice where you are and think about how you might stretch."
>
> **Professor Ashli Carter**

When using any emerging technology, whether as a student or at work, Carter encourages users to "mind the zones" with self-compassion and curiosity. That means recognizing whether and when a certain generative AI technique is outside or within your comfort zone.

"We are all at different points in our learning journey with generative AI. It's important to notice where you are and think about how you might stretch," Carter says.

AI for Good–and Bad

Olivier Toubia, the Glaubinger Professor of Business at CBS, wants the business leaders of tomorrow to understand that while AI can be beneficial, it can also create division and inequality when put into the wrong hands.

He says that AI, and generative AI in particular, will make workers more productive and decrease inequality, all while improving work-life balance. However, it's crucial to understand that AI can just as easily increase inequality by displacing workers and reducing job opportunities.

"That would be determined by the actions of our leaders of tomorrow. That is why it is so important to have our students think about AI, because they will be the ones shaping the impact of AI on society and business," Toubia says.

Not as Scary as It Seems

Daniel Guetta, an associate professor of professional practice at CBS, likes to teach students that AI models are not as complex as they might seem at first glance.

"At the end of the day, it's a whole bunch of very simple operations that get combined in very complex ways to get the answer that you see," says Guetta, who teaches business analytics and operations management courses.

With that in mind, Guetta has found success in the classroom showing students the constituent parts of an AI. That starts with building a simpler version of the model in programs such as Microsoft Excel, where Guetta has even created a whole neural network.

By doing so, Guetta is able to demonstrate that minor computations–addition and multiplication–are working in tandem to fuel large AI applications.

Scan this QR code to hear CBS faculty discuss how they use AI in the classroom.

Fact Check

How to Combat AI-Driven Misinformation

Professor Gita Johar explores the critical role of publishers, platforms, and people in fighting false content.

BY JONATHAN SPERLING

Misinformation is nothing new—people and organizations have been publishing claims that contradict and distort well-verified facts for centuries. Long before the US political climate of the 2010s gave rise to terms like *fake news* and *alternative facts*, misinformation and disinformation were used by everyone from rulers in ancient Rome to 20th century satirists.

The misinformation ecosystem of the past decade, however, *is* new, thanks in large part to the rise of social media and, more recently, artificial intelligence. The ease with which content can now be created and shared, as well as the use of algorithms that are optimized for engagement, means misinformation can spread quickly, especially within an environment that often doesn't cue people to fact check. In the past, misinformation was spread by a select few who wielded influence, but new platforms coupled with AI tools have democratized the practice.

It's a tangled web that Gita Johar, the Meyer Feldberg Professor of Business at Columbia Business School, captures in a framework she calls The Three Ps: publishers, people, and platforms. Publishers, intentionally or not, may create false and sensationalized content—misinformation about climate change, for example. People consume and share this content, often through social media platforms, giving rise to often-problematic behavior.

Like a three-legged stool, Johar says, it's not possible for one to exist without the other. Understanding this is the key to preventing the spread of misinformation, an increasingly potent hazard that impacts not only people but also private businesses, which stand to lose their reputations, partnerships, and ultimately revenue.

In a conversation with *Columbia Business*, Johar shared more about the rise of AI-fueled misinformation, how it can be prevented, and what exactly is at stake for businesses caught in the mix.

"People have started realizing that AI is behind a lot of this misinformation. Over time, they're not going to know what to trust anymore, plus there's a deficit of trust in society as it is."

Gita Johar, Feldberg Professor of Business

CBS: Why is fighting AI-based misinformation such an important battle for businesses?

Gita Johar: When businesses pay for ad placement on social platforms, it's often done through very opaque auction systems. So they never know where it's going to show up. Their ads can show up on misinformation sites, without the knowledge of the brand, because social media companies are not telling the brand every single website that ads were placed on. They're simply providing metrics like the number of people reached, the impressions generated, and similar data points.

Now that AI has entered the picture, the amount of misinformation created on these sites is multiplying, so these ads will have an even greater probability of showing up on websites that can negatively affect their reputation. AI can also be used by competitors and disgruntled consumers to very quickly create fake news about your brand, making consumers see a brand less favorably.

CBS: How else is AI compounding the risks of misinformation?

Johar: People have started realizing that AI is behind a lot of this misinformation. Over time, they're not going to know what to trust anymore, plus there's a deficit of trust in society as it is. As AI does more and more, even if you have disclaimers saying such and such was produced by AI, what you're going to see is consumers becoming more skeptical of information.

This is where you need to have those trusted sources of information. Groups like Media Bias/Fact Check rate information on its legitimacy and rate publishers as fake news publishers. The problem is, given polarization in society, people don't believe those labels either. When people begin to mistrust information, there should be a reliable source or corner they can turn to, where they know the information is trustworthy. If you don't know what to trust, I think that leads to very bad outcomes.

CBS: Can we trust AI to help us fact check or at least identify publishers of misinformation?

Johar: We know that AI hallucinates and cannot be trusted fully yet. That's the issue with using AI to fact check. You need—and I am working on—a machine learning-based fact check but with clear parameters on how much to trust it, such as what the uncertainty is around whether these estimates are true or false. We also must involve people in fact checking so that in the end, everyone feels involved in this ecosystem, and then they begin to trust it more. Long term, it would be like a Wikipedia model for fact checking.

CBS: What role should regulators be playing here, if any?

Johar: This is exactly a problem where you need regulations and government intervention. You have things like that in the EU with the Digital Services Act, where they're trying to fight misinformation by saying a platform is responsible. In the United States, our current law is based on the Telecommunications Act of 1996. The United States basically doesn't regulate platforms, arguing that they

Gita Johar, Feldberg Professor of Business

are not responsible for the content shared on them and treating them like internet service providers. So they have no responsibility for the content on their platforms.

The minute you start regulating it, there are lots of avenues, like the EU leading the way with the Digital Services Act. It says that platforms will be fined up to 6 percent of their revenue globally if they're found to propagate misinformation. That's a heavy stick, but enforcement and implementation is an issue.

Now if you start regulating in the United States, then you run into the First Amendment. I think that is the problem with regulation. You really need a policy here that makes sense and prevents the wide and fast spread of misinformation, but at the same time without running into these First Amendment issues. Of course, such regulation relies on the fact that the definition of misinformation is very clear and widely accepted.

CBS: Government regulation aside, do advertisers and consumers have the ability to effect change?

Johar: I think advertisers can provide a big solution here. They can start to form a kind of trade association, like the National Advertising Review Board of the Better Business Bureau. If AI is going to start creating all kinds of false information about your brand, you have to be very careful to protect your brand. So it's in the interest of all advertisers to form some sort of trade association and basically withhold advertising dollars from any platforms that are not seriously monitoring misinformation. I think a lot of work is needed, but businesses can lead the way here. They have all the power, but they haven't used it because they are individual advertisers.

So advertisers need to work together to make this happen. It's good for them, and it's good for society. It's really a win-win. Then they can actually force platforms to abide by rules and procedures and make sure that they're actually monitoring and trying to prevent the spread of misinformation.

Key Takeaways for Business Leaders

1. Actively monitor ad placements and prepare for potential misuse of AI by competitors or disgruntled customers to spread false information.
2. By forming trade associations, advertisers can collectively pressure platforms to adopt stricter monitoring and control of misinformation.
3. Businesses should establish themselves as reliable sources of truth, build transparency into their operations, and advocate for balanced regulations that mitigate misinformation risks.

Leadership

Thriving as a Younger Boss

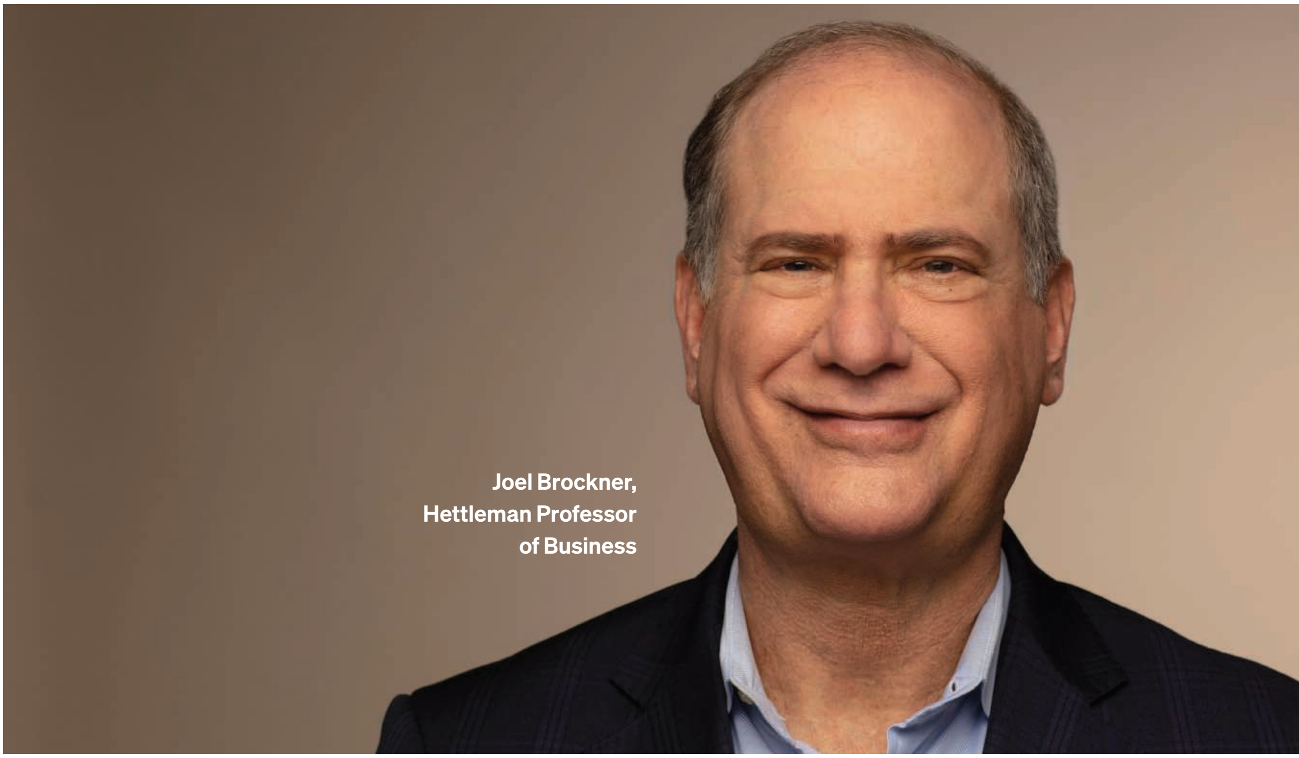
The number of younger bosses is rising thanks to a booming technology industry and an aging workforce. CBS Professor Joel Brockner has discovered what makes older employees more accepting of their younger supervisors.

BY ANDREA MARKS

Decades of research have shown the positive impact of highly perceived fairness in the workplace on worker productivity and morale. One such cause of this perceived fairness is known as status incongruence, or when an employee's supervisor lacks traditional signifiers of higher status, such as being more advanced in age, education, or tenure at the company.

Such status incongruence has been on the rise in the workplace for a while, thanks in part to the growing tech industry, which is dominated by young workers, as well as the aging workforce.

"Many people are working longer," says Joel Brockner, the Philip Hettleman Professor of Business at Columbia Business School. "People who would have retired – and therefore been out of the



Joel Brockner, Hettleman Professor of Business

workforce – stick around, so you have more older people in the workplace and more of a likelihood of status incongruence."

In a study, Brockner and a team of co-researchers – Huisi (Jessica) Li of the University of Washington; Xiaoyu (Christina) Wang of Tongji University; Michele Williams of Iowa University; and Ya-Ru Chen of Cornell University – closely examined this status incongruence by looking beyond the impact of each status characteristic on its own. In their resulting paper, the researchers found that workers with a boss they perceive as competent overcome the impression of unfairness prompted by status incongruence.

That is because, according to Brockner, workers with a less competent boss are more likely to look to status indicators like age, education, and tenure to justify the boss's position. This is an example of system justification theory, whereby people attempt to reconcile the psychological discomfort of being in a flawed system by searching for ways to justify it.

This effect was particularly pronounced in instances where workers had few alternatives for employment – in other words, they were pretty much stuck with their current positions. "If I have a boss who's not that competent, psychologically, that's kind of distressing to me," Brockner says. "But if I have no escape, I better come to terms with it. I better make the best of that bad situation."

While the status indicators of age, education, and tenure lead to a perception of competence, Brockner says that is not always the case. "We were trying to do something different," Brockner says. "Rather than asking, 'How do status characteristics lead to perceptions of competence?' we asked, 'What if we separated these two factors and examined their joint effects on a worker's perception of fairness?'"

For field data, the researchers used a collection of Chinese HR surveys that asked employees questions including how competent they thought their boss was at performing their job.

They also conducted laboratory experiments in which they asked US workers to consider various workplace scenarios – including an older versus younger boss and a more competent versus less competent boss – and asked them to respond to questions about the fairness of the organization's promotion system.

The researchers found that employers looking to promote or hire employees with status incongruence should emphasize their competence in the role to avoid perceptions of unfairness; employees should try to be aware of their reactions to status incongruence – otherwise, they may fall prey to justifying an unfair system. If workers viewed their boss as competent, regardless of whether the boss was status incongruent, they perceived the promotion

> “The status characteristics didn’t matter when people were seen as competent. Regardless of status congruence or incongruence, as long as the boss is seen as competent, then people will perceive the promotion system as fair.”

Joel Brockner, Hettleman Professor of Business

system in their workplace as fair.

“The status characteristics didn’t matter when people were seen as competent,” Brockner says. “Regardless of status congruence or incongruence, as long as the boss is seen as competent, then people will perceive the promotion system as fair.”

When a supervisor was considered less competent, however, status indicators had more of an effect on workers’ perception of fairness, as they looked for ways to explain the boss’s promotion. In these scenarios, “the more status characteristics a boss had, the fairer the promotion system was considered,” Brockner says.

As status incongruence becomes more prevalent, Brocker and his co-researchers’ work becomes only more applicable. Higher-ups, knowing how status incongruence impacts workers, can be proactive about ensuring employees that status-incongruent supervisors are competent and therefore were fairly promoted into their roles. Newly promoted young supervisors can take heart that if they show their competence in the role, subordinates are more likely to accept their status.

As for employees, they should be aware of their reactions to status incongruences, including the possibility that they will attempt to justify a flawed system while working under an incompetent boss to avoid the psychological discomfort of remaining in that flawed system. This can have long-term disadvantages, like causing a worker to stay in an unfair work environment, according to Brockner. As the researchers note in their paper, “Acknowledging one’s system as unfair may be a trigger for psychological discomfort but can also be a catalyst for change.”

Adapted from the paper “My boss is younger, less educated, and shorter tenured: When and why status (in)congruence influences promotion system justification.”

Key Takeaways for Business Leaders

1. Businesses promoting younger managers should highlight those managers’ distinct capabilities to reduce perceptions of unfairness.
2. Encourage a culture that values skills over status, and give younger managers the tools to build trust and credibility with their teams.

The Macro-economics of Mental Health

Professor Boaz Abramson sheds new light on the United States' costly mental health epidemic—and how leaders can play a role in the solution.

BY JONATHAN SPERLING

Mental health costs the US economy more than $280 billion annually, stymying investment, productivity, and wealth accumulation, among other measures of progress. With an impact comparable to that of a recession, its aggregate cost is equal to 1.7 percent of the country's annual consumption – or the budget of a major federal department.

Fortunately, research from Columbia Business School Professor Boaz Abramson may have found the solution. Along with the University of Wisconsin's Professor Job Boerma and Yale University's Professor Aleh Tsyvinski, Abramson has quantified the true macroeconomic cost of mental illness, which the researchers say affects more than 20 percent of American adults. Using their findings, Abramson and his team have crafted policy solutions aimed at dramatically reducing costs.

While previous studies have quantified the loss of income and healthcare costs associated with mental illness, Abramson and his team's methodology takes a broader approach, analyzing how individuals with mental health conditions behave differently in the labor market and invest and spend differently than those not affected. They found that the cost of mental illness in the United States is a whopping $282 billion annually—an estimate 30 percent higher than that found in previous epidemiological research.

"Our model takes into account a wide host of adverse socioeconomic outcomes that these previous models did not, as well as the psychological and psychiatric costs of living with mental illness," Abramson says.

To grasp the sum of these socioeconomic outcomes, the researchers focused on three characteristics of mental illness that modern psychiatric theories emphasize: negative thinking, rumination, and reinforcement through behavior.

The Sinister Cost of Symptoms

Negative thinking, a main factor in both moderate and severe mental illness, was a critical point of study in the researchers' model. They found that a negative outlook leads those experiencing mental illness to invest less in high-risk, high-return assets such as stocks and real estate. This in turn has a snowball effect, with those affected building significantly less wealth throughout their lifetime compared to those who do not experience mental illness.

Professor Boaz Abramson

“Our model takes into account a wide host of adverse socioeconomic outcomes that these previous models did not, as well as the psychological and psychiatric costs of living with mental illness.”

Professor Boaz Abramson

This snowball effect also applies to mental illness itself, according to the researchers’ findings. “Mental illness often reinforces itself through behaviors,” Abramson says. “If I have a mental illness, I invest less and I work less. Therefore, I will have fewer means in the future.”

He adds, “This reinforces my mental illness and creates a poverty trap that was not accounted for in previous models and is extremely important according to psychiatric literature.”

Searching for Solutions

Contrary to popular belief, cost is typically not the barrier to mental health treatment, thanks in part to the 2010 Affordable Care Act. Instead, increasing the capacity of the US mental health system is the key to effectively reducing the socioeconomic cost of mental illness, Abramson says, noting that 35 percent of Americans do not have access to a psychiatrist or psychologist in their county.

According to Abramson, one solution is to fund community health centers, a policy goal that a few state governments have implemented. While these centers may not be as well equipped as a dedicated mental health care clinic, they can employ primary care doctors who can provide essential mental health services, help treat initial mental illness, and prevent it from occurring in the first place.

A second option is virtual mental health care, where policymakers partner with private organizations or use taxpayer funds to provide mental health treatment through a computer or mobile device. Both solutions are effective and would generate economic gains equivalent to 1.1 percent of annual US consumption.

How Business Leaders Can Step Up

The solution to mental illness costs and business leaders’ desired outcomes can be linked, according to Abramson and his team’s findings. While federal policies can help reduce socioeconomic costs, so can the policies of private organizations.

It starts with awareness, Abramson says: With more than 20 percent of the US population having a mental illness and more than 5 percent having a severe mental illness, it’s likely a business’s employees are affected in some way. If leaders provide accessible mental health services as part of their employee benefits package, it will substantially improve the well-being of employees.

“[Mental health services] encourage employees to take on more challenging jobs within the organization,” Abramson says. “They’re more willing to take risks, take a chance, and maybe be more creative. And so it could well be that providing mental health services within the organization could be cost effective – everybody wants happier and more productive workers.”

Adapted from the paper “Macroeconomics of Mental Health.”

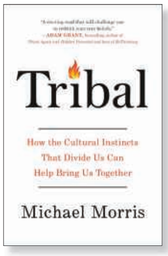
On Our Shelves

New and forthcoming books from Columbia Business School faculty feature their latest research intertwined with actionable strategies and innovative perspectives.

BY JONATHAN SPERLING

Tribal: How the Cultural Instincts That Divide Us Can Help Bring Us Together

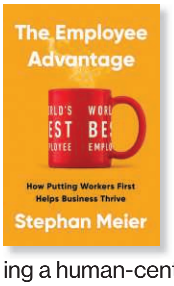
By Michael Morris, the Chavkin-Chang Professor of Leadership



With our social, political, and business world becoming increasingly fractured, the need to confront our differences is growing. In *Tribal*, Morris implores readers to rethink the tribes that define us, and consider how modern human psychology is still tied to evolutionary instincts that help—and hurt—our ability to work together. While we may no longer live as clans, Morris posits that we are often bound by the instinct to conform, emulate respected group members, and follow the methods of prior generations. Through cutting-edge research, current and historical events, and business case studies, Morris gives readers the power to create positive change.

The Employee Advantage: How Putting Workers First Helps Business Thrive

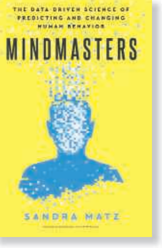
By Stephan Meier, the James P. Gorman Professor of Business



Putting humans first is key to creating a successful and resilient business, Meier argues in *The Employee Advantage*. Building on the foundation of customer-centric tactics that many organizations already have in their arsenal, Meier makes the strong case for creating a human-centric workplace that puts employees at—or even above—customers. By enhancing the employee experience, leaders can attract top talent, increase workplace efficiency, and gain a unique competitive advantage that will allow their companies to forge a path of profitability and innovation.

Mindmasters: The Data-Driven Science of Predicting and Changing Human Behavior

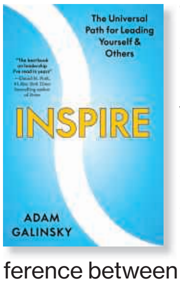
By Sandra Matz, the David W. Zalaznick Associate Professor of Business



Big data's influence can seem overwhelming and downright scary. Algorithms have unprecedented access to our minds, encouraging us to make particular choices. This psychological targeting can be manipulative, but it can also be empowering. In *Mindmasters*, Matz explains how big data can be used for good, helping us to improve our mental health, make better financial decisions, and break out of echo chambers. Through her research-backed insight, Matz helps readers understand what their digital footprints reveal about them and how to gain power over the data that defines them.

Inspire: The Universal Path for Leading Yourself and Others

By Adam Galinsky, the Paul Calello Professor of Leadership and Ethics



To be a leader that inspires means elevating, motivating, and guiding others to become a better version of themselves. Featuring decades of social psychology research, *Inspire* shows leaders how their behavior, words, and presence can mean the difference between being inspiring and being infuriating. Galinsky breaks down the three universal characteristics of truly inspiring leaders, helping leaders to become effective decision makers, problem solvers, and value creators.

DISTINGUISHED SPEAKER SERIES

Reshaping Healthcare with AI

The healthcare industry is at a turning point, balancing groundbreaking innovation with persistent challenges in access and cost. In a recent discussion with Dean Costis Maglaras, as part of the School's Distinguished Speaker Series, **Emma Walmsley**, CEO of British pharmaceutical and biotechnology company GSK, shared how the company is leveraging AI to revolutionize healthcare. AI is expediting drug discovery, enhancing clinical trials, and enabling more precise patient care, she noted, while stressing the need for prevention-focused care, such as vaccinations, to lower costs and improve outcomes. And while AI drives efficiency, Walmsley emphasized that a skilled, diverse team remains the foundation for healthcare innovation.

SIR GORDON WU DISTINGUISHED SPEAKER FORUM

Trailblazing in Global Wealth Management

Ida Liu, global head of Citi Private Bank, spoke about how AI is reshaping finance and wealth management during the Sir Gordon Wu Distinguished Speaker Forum hosted by Columbia Business School's Jerome A. Chazen Institute for Global Business. During a conversation with Lulu C. Wang '83, founder and CEO of Tupelo Capital Management, Liu shared that face-to-face interactions, emotional intelligence, and personalized service, especially in high-net-worth client relationships, cannot be fully replicated by AI.

CLIMATE WEEK

Making the Case for a Unified Global Response

The EU's Commissioner for Climate Action, **Wopke Hoekstra**, visited CBS during Climate Week for an event co-sponsored by Columbia Climate School and CBS's Green Business Club. Hoekstra emphasized that simply raising awareness about climate damage is no longer sufficient to mobilize citizens and businesses. Instead, he called for specific, targeted action, focusing on four priorities: relentless climate action; just-transition goals; supporting companies with high climate standards to prevent a shift of production to less-regulated areas; and global diplomacy to foster climate collaboration. "The EU and United States can't just wait for others to fix this," Hoekstra said. "We need to lead."

THE HUB

On Xi Jinping's China

In November, Columbia Business School's Hub think tank, in partnership with the Weatherhead East Asian Institute, hosted a discussion moderated by Lulu C. Wang '83 featuring **Kevin Rudd**, Australia's ambassador to the United States and former prime minister of Australia. Rudd shared his insights into key shifts in Chinese ideology, governance, and foreign policy under President Xi Jinping. He explored how US-China relations, shaped by strategic competition, impact global stability. He also advocated for managing competition to avoid conflict while fostering cooperation on global issues such as climate change.

SILFEN LEADERSHIP SERIES

Leading with Purpose and Passion

Kristin Peck '99, CEO of Zoetis, shared valuable insights on leadership, innovation, and work-life balance during a conversation held as part of Columbia Business School's Silfen Leadership Series. During the event, Peck stressed that good leadership requires endurance and motivation, as well as the ability to balance strategy with empathy. She added that leaders should focus on building relationships and fostering trust among their workforce, since collaboration and support from others can make ambitious goals achievable.

DISTINGUISHED SPEAKER SERIES

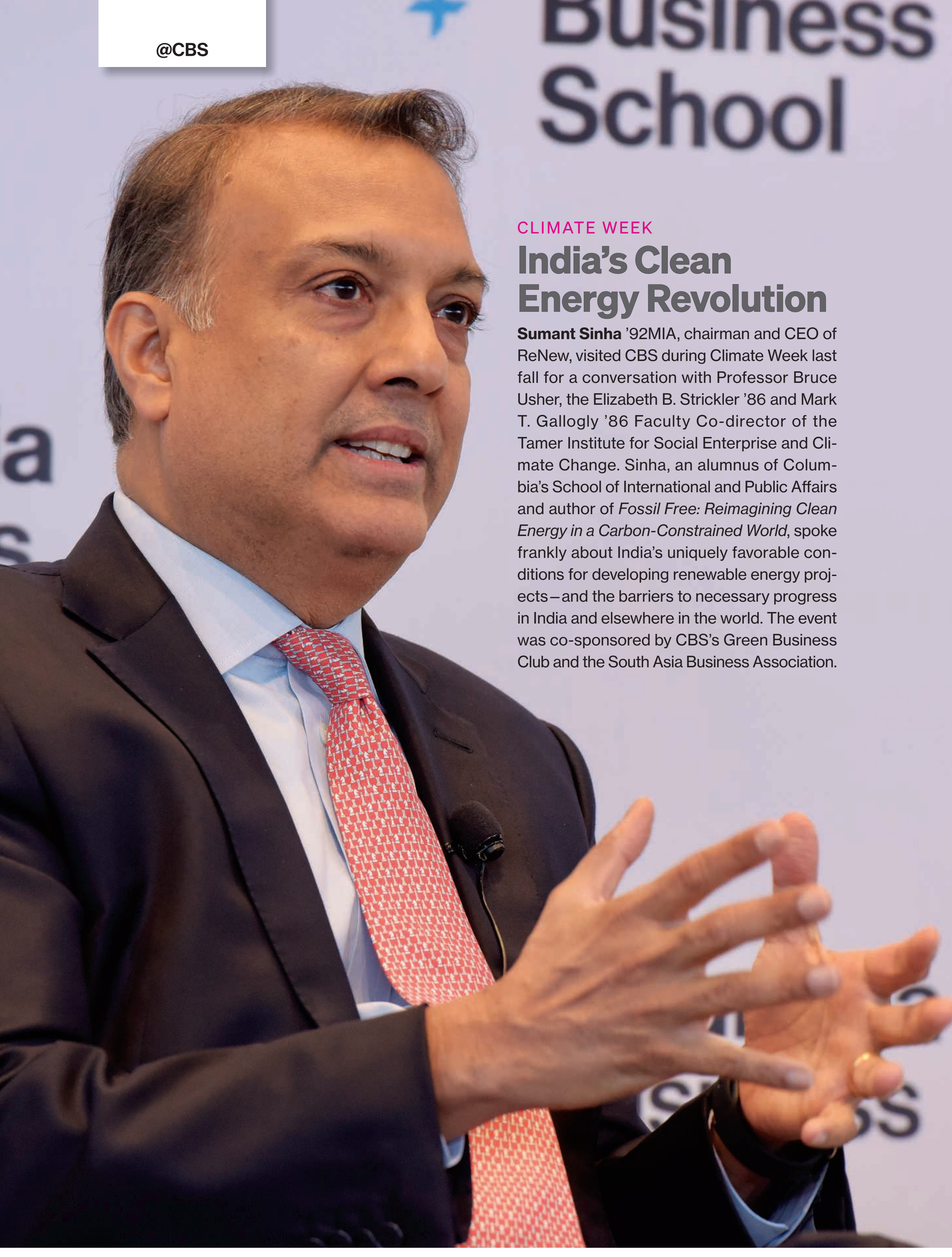
Journey to the Top

Last fall, the CBS Distinguished Speaker Series hosted Worldwide Managing Partner of Bain & Company **Manny Maceda** for a conversation about leadership, resilience, and breaking barriers. From his unconventional rise at Bain to addressing global challenges like climate change, economic shifts, and generative AI, Maceda's story is one of humility, impact, and the power of diversity in shaping a better world. Maceda credited his diverse heritage and education for shaping his inclusive leadership philosophy. He's committed to fostering cultures of acceptance and innovation, viewing diversity as a strength. "Places like Bain and Columbia Business School," he said, "can be the glue that unites us."

BRITE CONFERENCE

Blending Brand Purpose with Strategy

Continuing to innovate amid rapid societal and industry changes is at the heart of any adaptable business. It's a core tenet of Ulta Beauty's brand strategy, according to **Michelle Crossan-Matos**, the company's chief marketing officer. During a conversation at Columbia Business School's BRITE '24 conference, Crossan-Matos stressed the importance of purpose-driven leadership—defining a clear purpose that resonates across all levels of your organization. She also advised leaders to build customer loyalty through regularly analyzing their behavior, in order to refine engagement and retention strategies.



CLIMATE WEEK

India's Clean Energy Revolution

Sumant Sinha '92MIA, chairman and CEO of ReNew, visited CBS during Climate Week last fall for a conversation with Professor Bruce Usher, the Elizabeth B. Strickler '86 and Mark T. Gallogly '86 Faculty Co-director of the Tamer Institute for Social Enterprise and Climate Change. Sinha, an alumnus of Columbia's School of International and Public Affairs and author of *Fossil Free: Reimagining Clean Energy in a Carbon-Constrained World*, spoke frankly about India's uniquely favorable conditions for developing renewable energy projects—and the barriers to necessary progress in India and elsewhere in the world. The event was co-sponsored by CBS's Green Business Club and the South Asia Business Association.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