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Steve Degnan: Our tagline, "people and pets are better together," we believe that. We also believe that everything you do in your work is better done just a little bit in person. It can be done. And it was done online and remote, but we believed it would all be better in person. And we did articulate what I'm about to say. It offended some at the time, but I think it's proven to be true. We believed at the time, and we talked about this as a leadership team, that isolation is bad for you as a person.

Kurt Greenbaum: From Olin Business School at Washington University in St. Louis, I'm Kurt Greenbaum and this is *On Principle*. I want to start today's episode with a question. What team are you on? Are you team work-from-home or team in-the-office—or somewhere in between? Cards on the table. I love working from home. I'm one of the people who thinks the only and I mean only good thing to emerge from the pandemic was the ability to be productive as a remote worker. But any casual follower of business news can tell you that the jury's out on how long that will endure. Companies have made and jettisoned efforts to bring workers back. Others have declared they'll never bring workers back permanently. Still others have succeeded in doing so. In today's episode of *On Principle*, we're peering into the decision-making process at one global firm as it confronted this choice soon after the COVID-19 pandemic began to recede. We get the story from Steve Degnan, a WashU Olin alum and the recently retired head of human resources for Nestlé Purina PetCare.

Steve Degnan: I had been with Nestlé and Purina for 32 years. The last 19 were here in St. Louis as the chief H.R. officer for Purina. Truly blessed to have that role. Started out in operations, believe it or not, at Nestlé in logistics and manufacturing and got recruited into the H.R. function somewhere along the way. I always say [I] joined the dark side as my little, you know, maybe not so funny, humorous comment.

Kurt Greenbaum: When you came in in 2004, how would you have described the workplace culture at Purina at that time?

Steve Degnan: Deliberate. Methodical. Definitely focused on winning. It was happy. It was pet-centric. And it is even more so now. But, you know, it wasn't unusual to see a lot of dogs on campus and even a few cats at the time. But yeah, it was ... I can't really deconstruct it other than to say special place. People treated each other extremely well. A lot of respect from the top down. The CEO at the time was the type of guy who knew everyone's first name and a pretty fun type of guy. So yeah, I mean, I sensed that, you know, upon arrival.

Kurt Greenbaum: Would you have the same characterization of Purina's culture, say, February of 2020, just before the pandemic?

Steve Degnan: I would say a lot had happened. I would say that we went through several major transformations as an organization. We went through adjustment to a changing marketplace. We went through a pretty conscious effort to speed things up under the banner of agility, probably beginning in midway through 2016. The marketplace had become saturated with a lot of small players that were disruptive. I could be very critical and say [they were] not held to the same standards as some large companies, you know? And we're not the only big company that was subject to this. It was going on in every sector. So we knew we had to do something to become more agile in a number of different ways. So we embraced that. So ... so I'd say by 2020 or even that, by the time I left, I think it's a faster, better, smarter organization. I'm not taking credit for that. That was a broad leadership effort, especially under Nina Leigh the last couple of years.

Kurt Greenbaum: Let me jump in quickly to say that Steve is referring to Nina Leigh Krueger. She's the CEO of Nestlé Purina PetCare, and her name will come up a lot in this episode. She's also a WashU Olin alum. And listeners may recall she was a guest in the first season of *On Principle*. As Steve and I talked, I reminded him that a few weeks ago, talking off mic, he referred to these practices as "big company diseases."

Steve Degnan: And I kind of called them like business practices of the 1990s. If ... if for guys like me that grew up back then, you take business trips for no apparent reason. You'd go everywhere all the time. You'd never stop. You'd have marathon meetings. Remember that re-engineering the corporation stuff? That sort of worked its way through Nestlé and there were like massive meetings all over the place all the time for re-engineering the organization. And it was big and overwrought. And I think we've evolved to a place now and again, I keep quoting Nina Leigh, but one of her favorite terms is we're going to keep the org structure on wheels. It can be tweaked all the time. It can be moved around. Moses didn't bring the org structure down on tablets from the mountain. It's not etched in stone forever. We can adjust it. So we've tried to get there. Are we perfect? Probably not. A long way to go maybe, but we're a lot better than we used to be.

Kurt Greenbaum: I want to set the stage a little here. This work is happening well before the pandemic. And as Steve describes it, Purina is working hard to become a more agile and nimble company in a marketplace that's filling with newer, fast-moving and disruptive startups. They tried to attack these big company diseases by empowering decision-making at lower levels, making it clear who has to be in a meeting and who doesn't. Fostering a culture in which the organizational structure can be tweaked situationally. One example is a practice they called "keystone meetings." Steve called them forums to share information for the consciousness of the whole. What's going on with customers? What are they upset about? What's hot from a marketing and sales perspective? What issues are they having in the supply

chain? Get the information out there so everyone can hear it at the same time. He said it was a new discipline for Purina.

Knowing that this is an evolutionary process and that there's things that the company is still learning to do better and better, in a snapshot in time just before the pandemic, February of 2020, how are these changes being received at that point?

Steve Degnan: It was a happy time. It was a successful time. We were coming into completing and starting the first new factory we had built in about 25 years. That one's down in Georgia. And the leadership team was aligned around agility. There was no more debate. We were performing. We had just turned in a good year and the year ahead looked good and solid. So I would say we were performing at a high level as ... as all of this started to emerge.

Kurt Greenbaum: Which suggests that the rank and file was looking at this as positive development ...

Steve Degnan: I'd say it ...

Kurt Greenbaum: ... was embracing all of that.

Steve Degnan: ... they were all very much on board. We have a great PR and communications team at Purina spotlighting successes that everybody was having along the way. Little things and big things. Anything from I changed the way that I did this meeting to we reduced the cycle time on new product introductions by half. And those were things that were happening. So all of that was being spotlighted. High degree of consciousness of all of this in the company. So that was a really good period and no one had ever asked me that question before, and I haven't reflected on it, but it was, we were at our best you might say.

Kurt Greenbaum: Fundamentally what Steve has been talking about is a massive culture change at Purina. He would tell you that it was hard work, work that the company and its leadership believed in, but it was work that couldn't have happened without people being in the office. And it was work that was beginning to pay off. Then, as we all know, March 2020 rolled around and Purina did what companies all over the world did. Pandemic lockdowns meant workers went home. All workers, except, of course, the factory workers who had to produce the products Purina sells. And it didn't take long for the pre-pandemic culture change to start unraveling a little. I hear you saying we did the job, we did the things we had to do, but we saw some erosion in some of the gains we thought we had made in this agility, in this better way of collaborating that we were trying to promote. Is that about right?

Steve Degnan: I think so. You knew at a certain point, OK, this is going to come to an end, and you knew at a certain point you'd have to pick a strategy to deal with it. Now, I will say summer of '20, we did offer the option for people to start coming back in. So we sent a survey out. We have a great people analytics team and the H.R.

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group and they had been surveying people throughout this whole episode. Sometimes it would be one or two questions, sometimes more. And one of them we asked, if you could would you come back in? And we used the results of that to organize people into four groups: Yes, I will, right away, please get me out of the house or I might go nuts. There was that crowd. Then there was a second one that said, I'm almost ready. I'm not quite there yet. Then there were a couple of later groups that were like, I have too much I'm dealing with. Can't do it. So we did allow that. So I'd say we went from almost no one on campus summer of '20 to maybe 20% of the population coming in here and there. But again, we weren't enforcing it. It was just optional. So by the time we get into mid '21, the question was, what do we do? How do we do it? And when do we do it in terms of what are we going to be?

Kurt Greenbaum: You said just a minute ago you knew there was going to be a time when a decision had to be made.

Steve Degnan: Right.

Kurt Greenbaum: Can you talk about that time?

Steve Degnan: Yeah.

Kurt Greenbaum: How did you know it was here?

Steve Degnan: It's probably at the time the conversation myself and Nina Leigh had the most. What are you thinking? Where do you think this is headed? We would share a lot of articles we would find online about what other companies were doing. And it was all over the place, you know? And I'd say you had the heavy influencers out in Silicon Valley that were the first to proclaim everybody can work from home forever. We know how they're all doing now and what happened since. But that at the time was the big viral thing. Like everybody can work from home, and it's all going to go on forever. And I think I may have mentioned to you when we first started this discussion offline, if you have a company that makes a physical product that has hundreds of different types of workers having to collaborate to make that product, and if the product's not perfect, it can result in the death of some of our beloved animals. It's a different scenario than a lot of programmers and engineers, very talented, who run something like Twitter or Facebook.

Kurt Greenbaum: And that's what makes this an interesting story that everybody's entitled to make the decisions that are right for the company.

Steve Degnan: But back where you asked me the question, yeah, Nina Leigh and I were talking, different members of the leadership team were always talking. She called a meeting at one point with probably half of the leadership team in the room and just we went off-site for half a day just to hash this out. And we started all over the place and just little by little started to narrow in on being together more than being remote, still some remote, but mostly together. And that's what yielded our

four-plus-one policy—four days in the office, one remote. And why? In the end, it was a values decision. At the time we made the decision and communicated it, some of our employees thought we didn't trust them. It was never about trust. It was really just about the sustainability of the business, and what we all thought would work out better for the long term, and [is a] tough call to make. But when we eyeballed each other in the room, this is where we landed: that it's better to be in person as much as possible, and that every little thing we do is better done in person.

Andrew Knight: I think that's what initially piqued my interest in this story was both the idea that there is a change in the modality of work that might have implications for relationships, but then also when the organization tries to come back and reinstitute a certain way of working, that should have implications for relationships as well. But have people redefined them? Have they started to think about how to relate to others in new ways?

Kurt Greenbaum: That's my colleague, Andrew Knight. He's vice dean for education and globalization and a professor of organizational behavior at Olin Business School. His research centers on how teams work together and collaborate both in the real world and virtually. And his long list of published work has been cited thousands of times in the past few years. I asked him to describe his research discipline for us.

Andrew Knight: So organizational behavior is a pretty broad field that is a mixture of economics, sociology and psychology typically, and involves the study of people at work, how people work together, how people work alone. It's just broadly a study of the human element at work.

Kurt Greenbaum: You said it's a very broad area, but I'm wondering if within that umbrella, are there areas in particular that you focus and can you talk about those?

Andrew Knight: Sure. I think the thing that I've come to really be fascinated by are relationships at work, and in the past, I've studied teamwork as a broad kind of umbrella area that that's captured a lot of my research. But more, I think, more directly, I'm fundamentally interested in the ways that people relate to one another at work, how they form relationships, how those relationships influence the ways that they work together, what leads relationships to go awry and how you recover within those. I think generally it's the relational unit at work that is distinctly interesting to me. COVID in general and the ways that it disrupted life also disrupted relationships. And I think that is, that's something that many organizations are struggling with. It's something that anecdotally I've experienced in my own life. And so that's really the gist of what excited me about this story.

Kurt Greenbaum: When you say the preferences for work, that's what you're talking about. That and how, when, where ... those are the things that you're referring to?

Andrew Knight: Yes.

Kurt Greenbaum: And so what you found was and again, this is sort of in a secondary review of research that had been done by contemporaries in your discipline, I can assume?

Andrew Knight: Yes. So the I would say the leader in this area is ... is a professor named Nick Bloom, who's at Stanford University. And he's done several very interesting studies. He was studying this before COVID, and COVID just presented more than an ideal opportunity to study the topic of work from home. But he also was just very creative and diligent in in collecting data. And so the, you know, research that he conducted, even during COVID, if we go back to 2021, the spring of '21, which is about a year afterwards, and some companies were trying to start bringing people back into the office. And his research at the time was very clear in showing, and I think this is a direct quote from him in one of his papers, that work from home is here to stay. Now, that may be in some kind of a hybrid fashion, but to some degree work from home, far more so than prior to COVID-19, was going to be a dominant mode through which people were engaged in their workplaces.

Kurt Greenbaum: Is it oversimplifying the situation to say once people got a taste of it, they really wanted to have that flexibility in their work and didn't want to give it up?

Andrew Knight: I think there are two pieces to this. So what you're describing, once I get a taste of something, that implies to me that, you know, hey, I'd never tried something before. I wasn't sure I would like it. And I got this little taste of it. And it turns out that I really enjoy this. I really like this. I prefer this. The second piece to this that I think is equally important is the ability side. The "can I do this?" And once people were forced to do something, they found that, oh, yes, I actually can run an effective virtual meeting. Wow. Yes, we actually can brainstorm effectively in a virtual meeting. And so that "can" element I think is far more important than the "I prefer" element of it, because we know from motivation theory that if someone thinks they can't do something, they're not going to invest much effort in even trying it out in the first place. And so what COVID did is it forced us to taste. It forced us to try as well. And that taste and try, I think, work together in driving people's preferences and motivation to work from home going forward.

Kurt Greenbaum: Before and during the pandemic, Andrew leaned into research about virtual interactions among team members, focusing specifically on developing new methods for studying these interactions. So he created software to analyze the conversation patterns in virtual meetings, capturing and analyzing emotional experiences and expressions, especially when comparing those to text-based chat. He also dove into the research others had done using our COVID experience as an experimental setting to understand the effect of working from home. He could see how attitudes about working from home were changing and how people were demonstrating an increasing hunger for flexibility in their workplace. So when I

approached Andrew about this story, I suspected he'd jump on the chance to discuss it, and he did. I wanted to know why.

Andrew Knight: The thing that stuck with me the most was the alignment between their actions and their decisions and the underlying culture and values of the organization. That far and away is what stuck with me, that they were making decisions that were guided by their basic assumptions about the world and the way that work operates, in the way that people can be effective and successful. And I think there's a line in the article that people and pets are better together. And so people and pets are better together is a very simple idea, but it communicates a lot. That connection is at the heart of experience. That being linked together with one's coworkers is essential for leading an effective and meaningful work life. I think that I saw that in the recounting of this experience and to see how then that flows through to very specific corporate decision-making I thought was really powerful.

Kurt Greenbaum: Am I taking too many liberties if I suggest that in our conversations in the past, you've sort of been bullish on the idea of the flexibility and the alternative modalities of work.

Andrew Knight: I am bullish about hybrid work. I remain bullish about more flexible models of work. I cannot fathom the workplace going back to the way that it was pre-COVID. I just don't think it's going to happen in any organization where people's work does not require them to be physically on-site at a given location at a given time.

Kurt Greenbaum: And so how do you square that with this with this story that we're talking about?

Andrew Knight: Well, first, I would note that they still are hybrid, and so they still have a flexible schedule in the sense that employees are free to work from home on Fridays. And so they still are different, perhaps, than what you would have encountered before COVID forced everyone home. And I'm sure they didn't keep that Friday thinking to themselves, well, people can't be effective at home. Now, that is an acknowledgment in a way that their workforce can be effective working from home. They're not giving people, you know, an 80% workweek. They probably still expect 100% out of people. And so I think that's important to note is that they are a hybrid organization.

The second thing I would highlight is, again, the alignment with culture matters a lot. And so if their culture is one that emphasizes in-person experiences and where that's a critical ingredient to that company, then it makes perfect sense that they would emphasize being in-person for work, that they would have H.R. policies that guide and drive and require people to be in-person at work. That makes perfect sense. And the way that that functions is although, yes, I'm bullish on hybrid work and in new forms of technology-enabled interactions, the reality is that people have different preferences. Some people really do love being in-person in physical space

with others. Some other people put a different value weight on that and prefer flexibility and autonomy and running a more independent work schedule. And so the way that Purina has driven forward is to send a strong signal into the market about what they value and what they care about.

Now, that strong signal is going to attract certain kinds of people, presumably those that want to work in-person. Purina is probably going to be mindful of and sensitive to people's preferences about working in the office when they're engaging in personnel selection. And finally, those people who don't really care for full-time in-person work, when they have an opportunity to join a company that's more flexible, they'll leave. And so together, those three forces—attraction, selection and attrition—those are the bottom-up drivers of an organization's culture. And they are because they determine the people that are actually a part of the company.

Kurt Greenbaum: Andrew has spent a lot of time now reviewing the research literature on this topic. And like the rest of us, he's been reading the news. And as he sort of surveys the corporate landscape, he separates corporate approaches to remote work into three buckets. The first he describes as the early-returners, the firms that very early started moving toward working back in the office. These firms actively worked to understand their employees' attitudes about such a move. The second bucket, Andrew said, included the wait-and-seers, the firms that would follow other companies or just sit still and hold tight. Their stance was about providing maximum flexibility while waiting to see how things would shake out.

Andrew Knight: And then there are those that were the never-returners, and these are companies that during COVID said this is working great for us. We don't need all this office space. We don't need in-person required work. We're going fully virtual. And so those three kind of buckets you see different companies fitting into, there are still some companies that are dipping their toes into coming back. There are some companies that have established norms and routines for hybrid work, and there are some companies that have clearly said we're never going back to an in-person workplace.

Kurt Greenbaum: In our discussion, Andrew made it clear that part of the calculus for leaders who want to bring workers back has to include a conversation about making it worth their while. What would make working in the office more attractive than working from home? I brought up another piece of research—also by that Stanford professor Andrew mentioned, Nicholas Bloom—that said workers in the office spend 25% more time in career development than their remote counterparts. Quoting from a Bloomberg story, the research said those who came in to work devoted about 40 more minutes a week to mentoring others, nearly 25 more in formal training and about 15 additional minutes each week doing professional development.

Andrew Knight: There is your additional compensation. And so part of the promise perhaps for Purina to prospective employees is, yes, you're not going to have as

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much flexibility as some of these other companies. But we are going to develop you. You are going to be far more successful within our firm or within our company out into the marketplace, because being in person is going to grant you more opportunities for mentorship, for advice, for guidance, for professional development. And so that is a form of non-monetary compensation [that] is the investment of a company in developing its people. I think it would not be accurate to think that it's working in the office that is motivating people to engage in professional development. Instead—

Kurt Greenbaum: It's not just happening organically. It's only happening if it's done deliberatively.

Andrew Knight: That's right, because the people who are going to be deliberate about it are going to be deliberate in the office or at home. It's the opportunity set that might exist within the office and the proximity of it and the salience of it and the programming that's available straightaway for folks.

Kurt Greenbaum: Have you given thought to like if you were put in the position of advising a firm how to approach bringing their workforce back? What are the rules of thumb or the steps that you'd advise them to take?

Andrew Knight: I would say, why do you want people to come back? And if they can't answer that question, I'm not going to help. I mean, they have to answer that question. And so if the answer to that question is, we believe that people and pets are better together, then that tells me that it's something about the culture. And so as we think about an organization's culture, it means that we need to attack every single component of that company as a system, that it needs to be about creating a community and a community of presence that needs to live in H.R. practices. It needs to live in people's office space and the ... the campus environment. It needs to live in, in the organization's structure and the roles. It needs to live in compensation. It has to live everywhere. That emphasis on being physically present and together with one another.

Now, I think that, to me, the cultural piece is way more compelling than collaboration is better, because you can't prove culture right or wrong. A culture isn't right or wrong. It just .. it is. It's something that's unique and different about a company that has its roots and its origins in the group of people that founded it and that believe certain things about work. And so I think that, to me, is the most compelling rationale currently that I've seen, because all an employee has to do is sit back and say, well, wait a second, isn't Dropbox fully virtual? Now, isn't that entire company virtual? It seems pretty successful to me. Are you saying that they don't collaborate well? Are we are we going to say that they don't brainstorm and come up with creative ideas well? You know, what about all the companies that are very successful in a primarily virtual modality? How does that work? It does work because their cultures support it. And so I would regularly come back to that idea of who are we as a company, what do we believe in as a company. And I would rely on culture.

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Steve Degnan: We were paying attention. Some of our big neighbors in St. Louis had everybody in like almost immediately. You know, the big banks in New York City painted as bad guys [said to] get in. Everybody should be in right now. And we didn't go that far. And then on the other side, you know, let's be flexible forever, and flexibility is the only thing you hear about. And there's no other accountability with it. So we knew the truth was somewhere in the middle, and we had to pick our place. I'd say the culture and the way that we all operate from day to day, there's always an emphasis on doing the right thing in that business. That sounds hokey. And I've seen it time and time again at our leadership meetings. What is the right thing to do here? OK, whether it's a recall of a certain product, you know, it might be something that you could get away with or others would say isn't as big a deal. We would always do the recall and insist on everything being done right, and that's the kind of culture it is.

So truly, when Nina Leigh chaired that off-site meeting, it was, what is the right thing to do? What is the sustainable right thing to do for this business? That's where it ended up. We've delivered, I believe, the third year-over-year double-digit annual growth for Nestlé at Purina. And I believe to do that we need an absolute commitment from our team to do so. And having people there to me was part of that. I would also say it could be argued a million different ways, right? There ... there are all kinds of different points of view on this, but since I know that our turnover was lower than benchmark and the longer we sort of got past that decision, things tended to calm down and people refocused and doubled down. And as long as the managers were showing empathy for real problems that people really had, we sort of smoothed out over time. That would be my take on it.

Kurt Greenbaum: What struck me about Steve's remarks was that he wasn't being Pollyanna about Purina's progress since bringing workers back. His former company had taken a hit in its employee rankings on Glassdoor, for example. The rankings had been so positive before the pandemic, Steve had included them as a performance measure when evaluating leaders. They recognized they were swimming against the tide to some extent, and there was a vocal, though small, contingent of employees who reminded them how unhappy they were with the choice.

So we talked a few minutes ago and I asked you to kind of take that snapshot in time in February of 2020 and talk about the culture at Purina. At that point now, how would you characterize that culture? In what ways is it like where you were then? In what ways is it not?

Steve Degnan: I'd say it's reassembling. So that's [a] 125-year-old culture that ... that had a pretty severe interruption. It lasted through ... through that crisis. But we're building two new factories. Volume continues to go up. We haven't screwed it up. We've got great stewards of our brands in the marketing department that continue to sort of refine things in the way they're marketed and the way that we go to market

with all of it. It's a ... it's a pretty finely tuned team. The length of service arena tends to over-index against benchmark as well. People stick around. That didn't change. So we had a few people leave and they did it noisily. You know, they did the classic LinkedIn announcements and so forth. But I'd say overall, the proof or the value or the ... the upside of our decision is just the execution we continue to see.

Kurt Greenbaum: And with that, thank you for listening to this episode of *On Principle*. Many thanks to Steve Degnan and Andrew Knight for their insights and storytelling. This continues to be a fascinating topic for me as we watch the evolution of corporate attitudes around working from home. If you want to know more about the topic, we'll share some links in the show notes for this episode, along with more information about Steve and Andrew. Plus, I'll include a link to that season one episode of *On Principle* featuring Nina Leigh Krueger. You can find all that on our website at onprinciplepodcast.com along with our previous episodes of *On Principle*. Once again, allow me to invite you to search for *On Principle* in your favorite podcasting app and subscribe so you don't miss an episode. Meanwhile, if you have story ideas or feedback, please send an email to Olin podcast at W-U-S-T-L dot E-D-U. That's olinpodcast@wustl.edu.

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