2026

Five Priorities
in 2026 for
**Human-Centric
Leaders**

Gagen
MacDonald℠

An **APCO** Company

2025

PRIORITIES

Five Priorities in 2026 for **Human-Centric Leaders**

Maintaining Trust Through an Era of Ongoing Restructuring

Reckoning With Separate Realities to Drive AI Adoption

Mastering Timing and Clarity: Driving Post-Merger Integration at a Sustainable Pace

Addressing the Roots of the Middle Manager Engagement Crash

Building a Culture That (Truly) Experiments and Learns

Gagen MacDonald™
An **APCO** Company

Can We Still Make the **Case for Culture?**

A LETTER FROM

Maril MacDonald
Founder & CEO,
Gagen MacDonald

Amidst AI, the changing political landscape and all the other disruptions that businesses face today, how can we still make the case for investing in culture?

We recently convened a peer group of corporate leaders where one posed this question.

First, the group went silent. Soon after, the chat lit up, with many others expressing the same challenge.

This question represents a familiar tension—one that resurfaces whenever pressure intensifies. In times of uncertainty, culture is often seen as a discretionary distraction. It's framed as important, but secondary to performance, efficiency and results.

It's more critical now than ever for human-centric leaders to point out that this framing has it backward. Results are not separate from culture. They are produced by it. Organizational outcomes are the cumulative product of how people act. How people act is shaped by what they believe. And beliefs are formed and reinforced, or eroded, by lived experience inside the organization. Culture is not an overlay on the business; it is the mechanism through which strategy becomes reality.

After all, great businesses aren't differentiated by strategy alone. We've all seen industries where several competitors have similar strategies. What distinguishes the winners is execution. And execution lives within the alignment of strategy, structure and culture.

Many organizations are simultaneously navigating operating model shifts, restructuring, M&A integration, AI experimentation and heavy reliance on middle managers to carry unprecedented loads. As we considered what priorities to highlight for 2026, several themes surfaced repeatedly: trust, transparency, psychological safety, clarity and the ability to learn at speed. They all point to how important it is for leaders today to deeply understand how work is really experienced, not just how it is designed. Progress this year won't come through aspirational statements. It will come through deliberate action to close the gap between what the organization intends and what employees actually experience.

To answer the question above, we can and must still make the case for investing in culture. It can't be separate from the business agenda. It's what fuels it.

With love,

Maril

Maintaining Trust Through an Era of Ongoing Restructuring

FEATURING

Jennifer Allison
Managing Director

Greg Kotcher
Director

As continuous restructuring becomes the new normal, organizations will need to deliver unprecedented levels of clarity and transparency to maintain trust, sustain productivity and earn authentic buy-in for transformation.

ENTERING A NEW ERA

Layoffs in the U.S. quietly surpassed 1.1 million in the first 11 months of 2025, a number only reached six times since 1993 and an increase of 62% from last year. A far larger number of them than ever before—some data even suggests more than half—came as part of the growing "rolling" or "forever" layoff trend, in which employers depart from traditional large-scale reductions and instead conduct layoffs in smaller, more numerous cuts.

Layoffs are incredibly emotional, trying moments for companies, and as disruption looms from countless directions—from economic headwinds and evolving technology, to emergent competitors and changing customers—it seems that more such moments are coming for many in 2026. These moments pose a massive test of trust for a business and its leaders. The employment website Glassdoor found they "trigger a 26% increase in active disengagement" and "a 40% increase in the number of current job holders looking for jobs on Glassdoor." And those job seekers tend to be "disproportionately key talent." The same research estimates that the companies studied lost "$20.8 billion in the first year after their layoffs due to post-layoff disengagement and increased voluntary turnover." And while rolling layoffs might appear less damaging to culture than more conventional restructurings,

Companies that had major waves of layoffs in the post-pandemic era experienced a loss of

$20.8 billion

in the first year after their layoffs due to disengagement and increased voluntary turnover

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research shows they can take an even larger toll on morale over time.

However companies choose to approach these moments, it's critically important to navigate them with care and clarity. As many businesses anticipate more potential restructuring in 2026, the ones who navigate it successfully will maintain trust by communicating clearly, following a strong plan and positioning the restructuring less as a distinct initiative and more as an ongoing, deep-rooted transformation.

TRANSPARENCY IN A WORRIED WORKPLACE

Leaders across the economy today are wondering: how do I deliver transparency without causing panic? For as reasonable as the question is, the two are not mutually exclusive. Actually, the only way to avoid panic is often by choosing to be transparent and truthful in the face of real uncertainty.

"Eventually, of course, you want to focus on what's next and take on a more forward-looking

view, but you have to start by recognizing that the people who remain are reeling and feeling vulnerable," Gagen Director Greg Kotcher said. "They want to see that you understand that. We find the best thing to do is to validate and leave space for these feelings, and to really try to focus on the why, the 'Why is this happening?' It's rarely easy to communicate about, but you need to help people get it and see that a strategy is at work."

Kotcher believes that in this new era, unprecedented levels of transparency will drive success. He points to an example of a frequent employee question amid restructuring: "Is this just a cost-saving exercise?" In the past, the conventional advice would be to say no to this question, no matter the financial realities driving it. Today, Kotcher believes honesty comes at an even higher premium—even if that means acknowledging a cost-saving aspect.

"It's easy to assume that if you're honest with people like that, you won't get their buy-in for change," Gagen Managing Director Jennifer Allison said. "We find the opposite to be the case. When you give people the real truth, you lay the strongest possible foundation for trust."

PAIRING STORYTELLING WITH A REAL STORY TO TELL

Transparent communication doesn't work on its own. It must align with an organization's purpose, a vision for the future and a thorough plan that outlines the deeper changes necessary to continue to win in the marketplace. Allison points to strategic foresight capabilities and cross-functional collaborative norms as two strong areas for companies to focus on bolstering as they undergo restructuring.

"It's so important to help everyone see the bigger picture of the organization, and to build resilient, silo-breaking behaviors into the DNA of the culture," Allison said. "This helps employees see the complex, multidimensional realities that go into the business, and it also helps build the agile mindsets that all employees will need for organizations to be successful in the future."

Both Allison and Kotcher highlight **The Three Things That Change Everything®** (*fig. 1*) as a critical framework for rallying large, heterogeneous groups of people around difficult change.

The *Three Things* That Change Everything®

Compelling Story

Committed Leaders

Intentional Roadmap

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In 2026, a consistent, overarching change plan and communication around it will be essential for maintaining trust through restructuring events, be they large reductions or rolling, smaller cuts. The companies that lead with a compelling story, committed leaders and an intentional roadmap—that deliver continuity and clarity without condescension in the face of chaos—will minimize disruption and skepticism, planting seeds for the agile cultures required to grow and tap into new value down the line.

"It's true that, first and foremost, employees want to know whether their jobs are safe," Kotcher said. "But they're also looking for signs that their leaders know what they're doing. It's so critical to articulate the strategy driving the restructuring, and how that ladders up to a larger strategy for transformation. Employees need to be genuinely convinced and frequently reminded that the changes they're experiencing will position the company—and by extension, its people—for future growth. The only way to get there is to take them behind the curtain and help them see their role in the change."

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FIGURE 1

The *Three Things* That Change Everything®

A simple solution to the complex human struggle of business transformation.

Committed Leaders

- Drive alignment and enthusiasm
- Build leader change and communications capability
- Design for accountability

Compelling Story

- Tap into purpose and meaning
- Activate a big idea
- Enable everyone to see themselves in it

Intentional Roadmap

- Coordinate experiences... at all levels
- Drive toward actionable outcomes
- Be prepared to adjust as needed, when inevitable pushback appears

Reckoning With Separate Realities to Drive **AI Adoption**

FEATURING

Patricia Bayerlein
Executive Director

Tim Luukkonen
Senior Director

Greg Voeller
Senior Director

Executives are singing one tune about AI adoption. Employees are singing another. To go from usage to impact, companies need to bridge this gap, working with employees to clarify and specify exactly what AI outcomes they're aiming for.

CLOSING THE GAP

So far, AI investments have not delivered the value most companies are hoping to capture.

Boston Consulting Group recently found that, despite substantial investment, 60% of companies globally were not generating any material value from AI.

The problem is not that employees aren't embracing AI. In the U.S., nearly half of workers now are. The problem is that this increase in usage is not yet leading to different or better results for organizations.

Companies are not backing down from their AI investments. If anything, most will be doubling down in 2026. But the wise ones this year will seek to turn the corner, bring more discipline to adoption efforts and reckon with the barriers that currently stand in the way of real impact.

Doing this will involve investing in long-term culture transformation. New skills, mindsets and norms will be necessary to continuously experiment, discover and adapt as the technology evolves.

But it will also involve reckoning with the separate realities leaders and employees hold around AI adoption efforts. These separate realities, in our view, are at the heart of why AI usage has become widespread but impact has not. And bridging the gap will demand a much

more collaborative, listening-driven approach to adoption than many leaders have embraced so far.

SEPARATE REALITIES

In our experience with clients and partners, a clear trend has emerged across companies—especially legacy ones—adopting AI.

Executives are singing one tune about AI. They are on stages, podcasts and LinkedIn feeds talking about their remarkable proprietary tools; about their AI chiefs of staff and the agents they've come to lean on as trusted advisors; about the countless efficiencies their teams are already realizing.

Employees across organizations are singing a different tune. When we talk to people on the ground about their company's AI investments, we hear more often about "workslop" filling inboxes and dragging down the productivity of meetings. About proprietary tools so slow and limited in functionality that employees keep their personal laptops open throughout the work day, using Claude from there. About massive time spent on AI training without clear guidance around how and where to apply the new knowledge.

What is behind this divide?

In our view, it starts with the immense pressure, from boards on down, that leaders are under to show they're at the forefront with AI.

"It's hard to blame executives for wanting to get out there and position themselves as early adopters and pioneers in the marketplace," Gagen Senior Director Greg Voeller said. "But so far, it's been a lot of veneers and window dressing."

Executives *want* to believe AI is rapidly transforming their businesses for better results. A different reality, however, is playing out on the ground. In a Gallup survey, 40% of employees in Q3 2025 said their organization had not successfully implemented AI, and 23% said they did not know. Significantly more

than half—63%—have not seen clear signs of successful adoption in their organizations.

The best leaders in 2026 will not run from eyebrow-raising insights like this. Instead, they will face them with clear eyes and a commitment to getting to the bottom of it. Without setting and communicating clear expectations for results beyond narrow productivity-saving measures, companies may blunt any economic benefits from AI by failing to figure out the organizational, cultural and managerial changes they need to best leverage it.

Wise companies are tracking the growing body of research from leading consulting firms, academic institutions, industry organizations and documented case studies, and they understand that the toughest barriers to AI adoption are not technical, but human. The people challenges—rooted in skills gaps, leadership misalignment, unclear communication, resistance to change, trust deficits, ethical concerns and organizational culture—are now becoming well-recognized as barriers to realizing AI's full potential.

The drive to adoption will demand more than a candid, two-way feedback loop with employees on the challenges. It will require new approaches for closing the gaps. Companies will need to institute more robust employee listening methods, from anonymous surveys and feedback portals to office hours with executives. Middle managers will require stronger platforms and training to identify and relay their teams' honest experiences around adoption. The best will institutionalize psychological safety as part of the process, making sure that employees who flag the proliferation of slop or concerns about a wasteful investment aren't automatically dismissed as skeptics.

The overarching goal should be a people-first, employee-centric approach to adoption. Research from the BCG Henderson Institute and Columbia Business School found that

> "You can't just reward people for using AI," Voeller said. "**You have to push them** to thread the use case to an organizational outcome you actually value."

employee-centric organizations "are about seven times more likely to be AI mature than their peers, and employee centricity explains the largest share of variance (approximately 36%) in AI maturity."

"You have to think really hard about how and where to use this technology," Gagen Senior Director Tim Luukkonen said. "You also have to get really clear about the human guardrails you're setting up to protect ethical guidelines and quality standards. It's so important that you create that time, as a leader, to get clear on the details with your team. It takes a lot of back and forth to get them all right."

These solutions aren't just helpful for engagement. They're necessary to bridge the gap between the intent of the investments and their real results.

ARE YOU SURE YOU KNOW WHAT VALUE MEANS?

Companies will need to pair the organizational, cultural and managerial changes with a lot more clarity around what they're trying to achieve with AI.

After all, for as many organizations are beginning to talk about what AI investments are not yet yielding—things like "impact," "ROI" or "material value"—how many are really being clear about what it would look like if AI adoption *was* successfully delivering these things?

In our view, many companies have an opportunity to do a much better job specifying what they want to achieve with AI. Is it a better product? Higher output? More time for creativity? Many executives would respond that it is all of the above. But in many cases, employees likely need more specific guidance than that.

"People need real examples," Gagen Executive Director Patricia Bayerlein said. "Otherwise it can be really hard to get their heads wrapped around it."

Should sales representatives strive to increase the *quantity* of their output—say, through more messages sent out in a given week? Or should they focus their efforts on upping the *quality* of a given message, through better personalization? Or would it be better to just focus on a goal—for instance, the number of qualified leads generated—and trust employees to adapt their own AI usage however best serves that goal for them?

The answers will vary between companies and within them, but the same questions can and must be asked of every function. To take employees from using AI to really making a difference with it, adoption strategies have to be reverse-engineered from the overall business strategy.

"A lot of executives talk about the value of AI as helping you get the same tasks done faster, which will in turn help you *devote more time toward strategic thinking,*" Luukkonen said. "But in the first place, not every employee gets paid to think strategically. And even when it comes to those who do, if you don't give any further guidance about how that strategic-thinking time should be used or what the strategizing should go toward, a lot of people end up just signing off sooner in the day."

SHIFTING THE FOCUS TO OUTCOMES

The truth beneath all this is that so far, AI adoption has been dominated by a focus on how people are using it rather than the outcomes

being achieved. Many major consulting firms will advise clients that adoption is not working because too many employees are adopting it in "shallow" ways, or using it as a glorified Google. This thinking assumes that real impact, deep impact, will only come when people start using agents or more thoroughly automating workflows. While there's little doubt that employees and leaders of the future will need to be deeply comfortable with AI, though, deeper usage does not automatically equate to value creation.

Failure to anchor the conversation on outcomes—on what's being achieved and why that matters—risks the normalization of trophy-style AI adoption. To reward employees simply for how they use AI, not for the outcomes and results they achieve with it, is to invite surface-level, inconsistent adoption. Not to mention, of course, a whole lot of workslop.

"You can't just reward people for using AI," Voeller said. "You have to push them to thread the use case to an organizational outcome you actually value."

To Voeller, this all means that organizations need to think a lot more about how and where they seek to use AI in the first place. For as revolutionary as the technology is, for as different as its implications are than those of other technological breakthroughs, adoption is still a means to the end that is better delivering on your business strategy.
It is not the strategy in and of itself.

"Smart leaders this year are shifting the conversation away from 'Everybody needs to start using AI,'" Voeller said. "Instead, they're backing up and thinking about their fundamental operating models, their core business strategies, and they're asking, how should AI change or supplement these things? How will it generate new value for our customers? How can it help us deliver on the metrics that matter the most to the business? A lot of employees do not need more tutorial trainings. What they need is guidance about the goals that should be steering their efforts."

Mastering Timing and Clarity:
Driving Post-Merger Integration at a Sustainable Pace

FEATURING

Julie Lyons
Senior Director

Jillane Rochin
Executive Director

Sometimes, the best way to speed up is to strategically slow down. Successful post-merger integrations in coming years will be deeply employee-centric, driven by clear communication and a deliberate, sustainable pace of change.

AS THE MERGER RUBBER HITS THE ROAD

Merger activity surged in the back half of 2025, with more activity projected over the coming year. As companies look ahead to 2026 and beyond, many now face the harder and more critical task of making sure these merger bets deliver the value envisioned.

Behind closed doors, the teams tasked with capturing this value tend to speak in terms like "stranded costs," "realized synergies" and "headcount optimization." While these are rarely the words used with employees, this is the lens that the finance leaders, project managers and external consultants leading an integration often bring to the work: one focused on efficiency, milestones and, usually, getting through all the change as fast as possible.

It's hard to blame them, especially in today's economy. The average lifespan of a company is shorter than it's ever been, and businesses face unprecedented pressure to grow or get swallowed up. Especially for companies making massive investments in mergers, the expectation is to deliver value and deliver it fast.

Merger success has gone up in recent years, but culture issues remain the most commonly cited roadblock to value creation. This is certainly true when it comes to "acquihires" and other talent-focused mergers, but even when the goal is not a talent play, the employee experience delivered through a merger matters. Merger success can still be derailed by ignoring the human side of change.

"For acquired employees, the merger experience is their introduction to your company and culture," Gagen Senior Director Julie Lyons said. "From day one, they're asking themselves: 'Should I stay or should I go?' Existing employees are asking themselves the same thing. It's a critical moment to prove your value proposition or risk losing the talent and experience you need to reach the desired ROI."

Companies are full of people. If significant effort is not devoted toward earning those people's trust and buy-in—not to mention minimizing disruption in their daily work lives—morale, productivity and retention suffer. The best companies in 2026 will work hard to navigate the human struggle of post-merger integration with deftness, precision and care.

CONTROLLING THE PACE OF CHANGE

Change is often the main dish on the plate of leaders driving post-merger integration. For employees, however, it only really works as a side dish. Too much change at once risks making it all indigestible.

Gagen Executive Director Jillane Rochin believes many companies have an opportunity to improve merger success by being much more deliberate—not to mention realistic—about the pace of change they set.

"The changes employees face need to be small and manageable, enough so that they still have time to do their core work," Rochin said. "It's a huge part of maximizing a deal's value— protecting time for them to keep delivering the product, and to build the next product too. Sometimes you have to slow down to speed up."

Urgency, in other words, must be married with practicality. Like a car racing around a turn, companies must stay focused on what's truly

manageable for employees, rolling out new structures, systems and ways of working at a pace that allows change to remain a secondary aspect of their jobs.

Rochin points to a change roadmap—a detailed plan laying out what will happen when—as critical for maintaining a sustainable pace of change. When done well and followed faithfully, a roadmap sets the rhythm for change.

She also notes the critical leadership mindset shift that must come hand-in-hand with a roadmap.

"It's easy for leaders to underestimate the gap between what they see as a reasonable pace for change and what employees are actually experiencing," Rochin said. "Move too fast and you risk becoming the very disruption you're trying to minimize."

To find the right balance between urgency and practicality, it's paramount to cultivate a human-centered viewpoint on an integration team. This doesn't mean abstractly remembering to imagine things from an employee point of view; it means consistently engaging in a two-way conversation with people from different parts of the organization and systematically integrating their inputs to pressure-test the change rollout process. It means looking across silos and making sure different functions aren't piling on to create moments of accidental change and information overload.

TREATING PEOPLE LIKE ADULTS

In a time when so much uncertainty looms, it's tempting for leaders to lean on surface-level comfort. To offer certainty where it doesn't exist, or to stretch to have answers they don't really have.

"The number-one pitfall we see in merger communication is the tendency to overpromise or overhype," Rochin said. "The executives who excel at building buy-in forego short-term *woo-hoos* and focus on the long-term value of clarity. From the time of announcement, employees on

either side of the deal will want to know exactly how the change affects them, from 'Will I have a job?' and 'Will I be asked to move to a different work location?' to 'Will my title or manager change?' The fact is, you won't have all the answers they want right away, so being honest about that and giving them a sense of timing for when they will get answers can help."

"If you're honest with people, they may not like everything you say, but they'll come to trust you over time," Lyons said. "At Gagen, we distinguish between being nice—telling people what they want to hear—and being kind, which means telling the truth with empathy. That subtlety is where many leaders fall short."

The same principles apply when it comes to building excitement around a company's evolution. While this is certainly important when the timing is right, in Lyons' experience, leaders have a tendency to put the cart before the horse—focusing on generating enthusiasm and launching rebrand campaigns before addressing fundamental questions or resolving operational uncertainties.

"It's crucial for leaders to understand timing," Lyons said. "The wrong message today might be exactly right two months from now. That's why we stress the importance of having a strong, detailed roadmap. It helps leaders acknowledge what's still unknown while still providing employees some of the specificity they need."

The average lifespan of a U.S. S&P 500 company used to be 67 years.

Now it's 15.

And it is expected to shorten further if large organizations do not take appropriate resiliency and sustainability measures.

Addressing the Roots of the **Middle Manager Engagement Crash**

FEATURING

Patricia Bayerlein
Executive Director

Tom Joy
Director

Although the middle manager engagement crisis can seem overwhelmingly complex, organizations can make real progress by focusing on three pain points at the heart of the struggle.

BETWEEN A ROCK AND A HARD PLACE

The Odyssey's story of Scylla and Charybdis is the foundation of modern society's "between a rock and a hard place" metaphor. Navigating the Strait of Messina, Odysseus faces an impossible choice: does he steer closer to Scylla, the six-headed monster known to snatch and eat sailors, or toward Charybdis, the whirlpool that swallows ships whole? This image seems to be the defining experience of the modern leader in middle management. Along so many different and often overlapping dimensions of their work lives, they face paradoxical, nearly impossible choices. They're caught between pressures from the top and pressures from their teams; between managing technology adoption and empowering team members; between maintaining morale through challenging times and challenging people to improve performance; between handling all their responsibilities and protecting any semblance of work-life balance.

The list could go on, but leaders in middle management, especially those overseeing multi-generational teams, grapple every day with difficult paradoxes like these. They often face pushback no matter the route they choose. And it's all leading, unsurprisingly, to a crash in manager engagement. Middle managers report the lowest engagement among all employee groups. They are burning out, and this burnout tends to cascade outward—according to Gallup, 70% of a team's engagement is attributable to the engagement of its manager.

This is not, in other words, a middle manager problem. It's an organizational problem.

But if the image of Scylla and Charybdis speaks to the modern middle manager experience, the story of Sisyphus may best capture the experience that organizations have had attempting to do something about it. Struggles with manager engagement and burnout, after all, have been top-of-mind for organizations for years. We wrote about them in our 2024 Priorities paper. And it's not surprising that when we talk to executives, they are often skeptical that anything will actually work. They believe that no matter how hard they push, the boulder will roll back down the hill.

THREE OVERLAPPING CORE ISSUES

The exhaustion is understandable on all fronts. In our view, however, three converging problems underpin much of the middle manager engagement crash. By focusing on addressing them, businesses can bring simplicity to what may seem a helplessly complex problem.

❶ PSYCHOLOGICAL SAFETY

Middle leaders feel less psychological safety than both their bosses and their subordinates.

This is a major problem for companies. Dr. Amy Edmondson, the Harvard Business School professor who coined the term, defines psychological safety as the "belief that one will not be punished or humiliated for speaking up with ideas, questions, concerns or mistakes." On our podcast, *Let Go & Lead,* she defined it more simply as "permission for candor." Edmondson's research, as well as that of many other companies, continues to prove how the teams that manage to be candid, direct and quick to point out mistakes—who manage to truly live by the idea everyone can "break a window, just don't burn the house down"—learn more, improve faster and perform the best for their companies.

When middle managers and team leaders can't be candid, things go wrong for organizations. Since middle leaders work at the interface point where strategy meets execution, these

information blockages can create major gaps for organizations translating strategy into action. Identifying how to improve the psychological safety of middle managers would be a strong place for many organizations to start dealing with the problem.

In Gagen Executive Director Patricia Bayerlein's mind, these efforts should begin by investing more time and resources into truly understanding what middle managers are experiencing.

"They're not just one segment, and you really can't just think about them that way," she said. "Organizations need to really understand what their challenges are and how those challenges vary across different areas of the business, not to mention different leadership and personality types."

Bayerlein points to the value of expanding persona mapping beyond demographics to include psychographics and other employee experience data. While many business functions invest in personas, few map the different types of personas leading at the middle level within the organization.

She also points to psychological safety and communication training for executives as a critical piece to the puzzle.

"In instances where middle managers struggle to know what they can tell their teams, the issues often start at the top," she said. "We frequently find that middle leaders are not getting enough of the open communication required to really connect the dots and become authentic ambassadors for leadership."

Targeted training to help senior executives ask questions and solicit constructive feedback can greatly free up the flow of information. Done right, these interventions can ensure more open communication, enabling leaders at all levels to solve problems and manage issues more effectively.

② INFORMATION OVERLOAD

A lot of organizations think about middle leaders as carriers of leadership messages. In reality, they are both carriers and receivers,

and Bayerlein says executives would do well to think more about middle leaders from the receiver point of view.

What do middle managers open their inboxes to each Monday? How much of the communication they receive is a *nice-to-know* versus a *need-to-know*? Are different departments coordinating to make sure asks and tasks aren't piling on top of one another?

"It comes back to really putting managers at the center and asking them what they're experiencing," Gagen Director Tom Joy said. "If you do that well, you quickly start to identify problems that are not the fault of anyone, and more just the result of people working within different silos. HR, procurement and the holiday committee might all be dripping out asks and communications at paces that seem reasonable in isolation. They might be totally unaware that together, it's all combining into a bombardment of seemingly urgent tasks for team leaders who are already spread incredibly thin."

③ EVOLVING EXPECTATIONS OF THE JOB

As employee-employer dynamics have changed, so too have the expectations placed on managers. Gone are the days when managers were mere process enforcers. Hard skills no longer define the job, and new expectations—primarily those around human-centered soft skills, technological fluency and communication—now play a major role in the workdays of many middle leaders. But in many organizations, skill- and competency-building efforts have not kept pace with the changing nature of the role.

Specifically, as spans of control have increased, many organizations have not yet addressed the significant human expectations or soft skills required to effectively manage. The work starts by acknowledging these expectations with clear eyes. Though it will never be an exact science, when organizations seek to recognize and document the human skills required to effectively lead teams, they drive productive conversations about where to focus training

initiatives. And when combined with efforts to develop deeper psychographic understanding of the middle leaders aboard, the exercise can lead to more informed, targeted choices around how to build these capabilities.

For some organizations, the effort may also unearth important structural questions about how to divide people leadership responsibilities. Joy points to a client who has considered separating the people management of teams into one role and workstream management into another.

"This isn't what everybody is going to want to consider, but the point is that if you develop an honest lay of the land—a clear picture of all the things you're currently asking middle managers to do and a rough estimate of how much time they take—you can help yourself get creative in figuring out different ways to divide the time," Joy said.

The exercise can also drive productive conversations about alternative career paths—

paths in which technically skilled, valuable individual contributors can continue to grow within the organization without being forced into people-management roles unsuited for their strengths.

"Middle managers of the future will need to be quite dynamic as people and thinkers," Bayerlein said. "They really need to think with all sides of the brain. Part of the plan for businesses should be figuring out how to empower and upskill them more effectively, but part of it should also be thinking a lot harder about the type of person who can really thrive as a middle manager in the first place. It's not an easy job."

No matter what businesses do, middle leaders will continue to face very difficult choices in their work lives. But while businesses may not be able to make the paradoxes vanish, they can certainly equip their middle leaders to better navigate them, and to breathe life back into their cultures as a result.

FIGURE 2

The *Paradoxes* of Middle Management

Paradox			Description
Pressures from the top	vs.	**Pressures from their team**	Whether it's AI adoption, return-to-office mandates, or other initiatives, middle managers are often caught between executive mandates and employee realities.
Technology adoption	vs.	**Capability development**	As businesses use technology to boost efficiency and flatten structures, managers are often managing more direct reports than ever. While tech can ease some management burdens, wider spans of control can hinder team development and learning, risking innovation, increasing burnout and reducing engagement and advancement opportunities.
Managing people	vs.	**Managing work**	As organizations flatten and spans of control widen, managers are spending more time on people management, yet their previous deliverables and tangible work often remain unchanged.
Coaching people through challenging times	vs.	**Challenging people to improve performance**	Challenging times for employees often align with challenging times for the business, making it difficult for leaders to drive transformation, ensure technology adoption and maintain high performance while also supporting each team member's unique needs.
Personalizing the employee experience	vs.	**Setting organizational expectations**	Good managers balance individualizing the employee experience with maintaining consistent performance standards. They set clear company-wide expectations while adapting to team members' needs, which can be challenging—especially for middle managers of multi-generational teams. Debates over meeting frequency, camera policies and skill requirements are common, leading to a notable drop in manager engagement.

Building a Culture That (Truly) **Experiments** and **Learns**

FEATURING

Hillary Goodman
Managing Director

Becky Jimenez
Senior Director

There's a difference between cultures that try things and cultures that truly experiment. The businesses that go beyond theatrics and successfully evolve into the latter will innovate faster, build resilience and stay competitive as markets and technology shift.

LEARNING AS WE GO

Massive disruption is here, and it shows no signs of slowing. Leaders today know their businesses will need to look fundamentally different in three to five years—if not sooner—from how they look now.

And yet, beyond statements like the one above, most leaders cannot yet articulate what this transformation will look like in practice. This is understandable, with AI's growing impact on different industries and a new era of "modern mercantilism"—which the hedge fund Bridgewater Associates defines as a new geopolitical and macroeconomic paradigm in which "national self-interest takes precedence over global cooperation"—re-shaping the nature of markets.

In a climate like this, the future will be continuously discovered, not dictated. Transformation will not be a project but a constant, ongoing journey. The companies that manage to be truly responsive—that successfully reinvent as they go—will be those that invest in cultures of experimentation, innovation and data-driven decision-making.

Many companies, of course, have already embraced experimentation in theory. In practice, however, most still require a much

deeper culture transformation to fully realize the promise of the shift.

"Employees can't just be told to ask questions or throw ideas at the wall," Gagen Managing Director Hillary Goodman said. "This is often a good start, but there needs to be more structure and purpose around it. When you ask a question about what may work better or how to better serve customers, you need to know *why* you're asking that question, and what metrics will help you answer it. When we talk about going beyond theatrics, we're talking about learning to test hypotheses, draw insights from outcomes and iterate rapidly based on data, rather than hierarchy or intuition. You don't have to be a scientist to embrace the mindset."

PUSHING PAST THE THEATER OF EXPERIMENTATION

Organizations have known for a long time that cultures of experimentation will be critical to thrive in the future. They've spent years cultivating things like innovation labs, sprint teams, hackathons and fail-fast mantras.

In many cases, initiatives like these marked necessary progress. It's one thing, however, to get better at asking questions and trying things. It's another to systematically learn from what gets tried, and to diligently hone failure as a strategic opportunity. Many companies find themselves caught in the former stage— what we call the *theater of experimentation*. In this theater, pilots proliferate but fail to scale. Experiments multiply but insights don't accumulate.

The business case to invest in pushing beyond such theatrics is stronger than ever. Organizations that embed experimentation into their DNA consistently outperform peers on key metrics such as innovation velocity, product success rates, customer engagement and financial growth. Companies with strong innovation cultures like these are ahead of their peers in leveraging technology for competitive advantage, with nearly two thirds deploying

AI in core processes to enhance speed, granularity and accuracy.

There are distinct systems, skillsets and mindsets that companies can institutionalize to push beyond theatrics and embrace experimentation as a robust, iterative science—a methodology that drives innovation, undergirds problem-solving and is deeply woven into the fabric of culture.

GETTING CLEAR ON HOW TO FAIL

Across clients, a common barrier that organizations looking to "fail fast" encounter is ambiguity around what constitutes acceptable failure and what does not. In broad strokes, a strong culture of experimentation empowers everyone to "break a window, but don't burn the house down." But the line between these two outcomes isn't always clear for employees, and Goodman believes companies need to get more specific about what productive failure looks like.

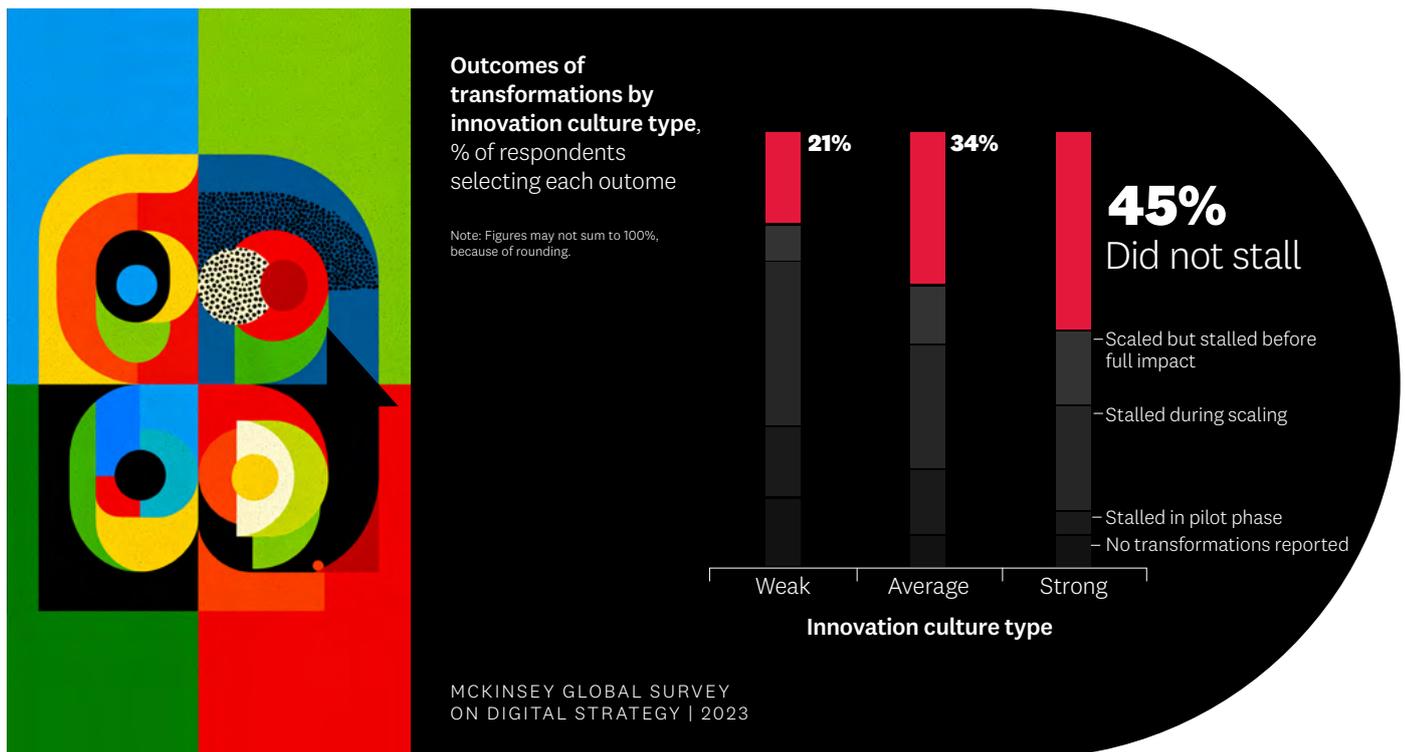"Slow, costly failure of a project or initiative is not acceptable for a business," Goodman said. "Employees can't just be told to fail fast. They need a clear picture of what rapidly iterative, low-stakes failure looks like in practice, within their specific contexts. When you don't provide that clarity, you run a risk of people with good intentions causing bad or wasteful outcomes."

This culture shift demands committed leaders who model the growth mindset, psychological safety and curiosity that teams need to lean into failure as a strategic opportunity. The pressure to appear polished and all-knowing runs deep within the roots of the business world, but it will be necessary to unlearn for leaders of the future.

"Learning is fundamentally such a personal thing," Becky Jimenez, a senior director at Gagen, said. "It's not easy for a lot of people to reflect on their gaps, to figure out and admit what they really just don't know. To get people to embrace these types of norms, a strong foundation of trust must be established. That work usually starts at the top."

PRIORITIZING DATA LITERACY

Failure is also not acceptable if you're not learning from it with some degree of objective analysis. Initiatives to cultivate experimentation

Outcomes of transformations by innovation culture type, % of respondents selecting each outome

Note: Figures may not sum to 100%, because of rounding.

21% 34%

45%
Did not stall

— Scaled but stalled before full impact

— Stalled during scaling

— Stalled in pilot phase
— No transformations reported

Weak   Average   Strong

Innovation culture type

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are often divorced from targeted upskilling programs around data literacy, but in our experience, the former only really works when it's coupled with the latter.

The term experimentation has its roots, after all, in the scientific method. To learn from things in a scientific way, teams need to be equipped with the capacity to formulate hypotheses, control variables and interpret results with discipline.

"A little bit of training around statistical thinking—around sample sizes, correlation versus causation, separating signals from noise—can go a shockingly long way for teams," Jimenez said. "These skills paired with systematic, diligently maintained processes around recording, documenting and disseminating insights are what turn activity and 'trying things' into lessons learned that truly compound upon themselves."

AVOIDING THE FATE OF LEAN

We've seen this before, though not at this speed.

For many in the culture change space, today's push for experimentation and agility carries echoes of the lean movement.

In the 1990s and early 2000s, lean principles and programs were all the rage for Western corporations, as many sought to replicate the success Toyota had found through the methodology. At their heart, lean practices are about continuous improve-ment (the literal translation of the term "Kaizen"), experimentation, agility and the institutionalization of ongoing learning as core to organizational culture.

In the West, however, companies struggled to replicate Toyota's success. Rather than embracing lean as a comprehensive management philosophy rooted in culture and people, many companies interpreted lean as a set of tools for cost-cutting and efficiency. And rather than committing to it as an organization-wide culture transformation—one requiring a

> **Employees can't just be told to fail fast. They need a clear picture of what rapidly iterative, low-stakes failure looks like in practice, within their specific contexts.**

long-term plan, committed leaders and buy-in from employees—many instead sought to implement it in short, fractional bursts, with punitive systems and uncommitted leaders frequently helming the efforts. The movement eventually lost steam as many companies struggled to realize ROI on their initiatives.

As terms like continuous learning, experimentation and agility reproliferate, many sense the ghosts of lean in the air, and worry about history repeating itself.

Lean, however, did not fail because its principles were misguided but rather because they were misapplied; because leaders didn't commit to the methodology as a people-centered, long-term transformation. Nor did they model the necessary behaviors themselves.

History isn't bound to repeat itself. Or at least, it doesn't have to.

The organizations that focus more on people than on pilots—that embrace the skillsets and mindsets needed for deep, lasting culture transformation toward experimentation—will set themselves up to truly learn as they go, discovering and responding to the future as it emerges.

They—and we all—will thrive in the long term because of it.

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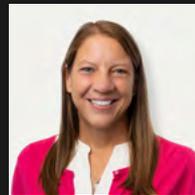Executive Director
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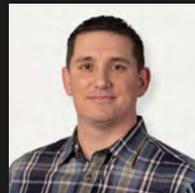
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We're dedicated to helping organizations navigate *the human struggle of change®*. We are passionate pioneers who combine heart and science to change the employee experience so organizations work for all.

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