

**LEADERSHIP**

## Why physical distance may work for Brian Niccol: A view from a behavioral strategy perspective

by Massimo Garbuio



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*New Starbucks' CEO decision to work remotely challenges assumptions associated with effective leadership.*

The August 2024 decision of incoming Starbucks CEO Brian Niccol to continue working from his home in Newport Beach rather than relocating to the company's Seattle headquarters has sparked significant controversy. His choice challenges the traditional belief that a CEO's physical presence is necessary to set an example for the rest of the organization. Many are now questioning if this is the new norm and what the future of the 'workplace' will look like. Has COVID-19 permanently altered our expectations for in-person remote work? And to what extent do these changes affect the C-Suite?

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Instead of anchoring ourselves to the assumption of traditional corporate leadership, we should instead examine the responsibilities and processes of contemporary senior leaders. By adopting a behavioral strategy lens, we can gain insight into how executives tailor their environment to foster effective decision-making.<sup>1</sup> This approach is crucial to understanding how senior leaders organize their work to extract actionable insights, generate and evaluate potential options, and, ultimately, make decisions that yield positive financial outcomes.

The primary role of a CEO is to set the company's strategic direction by focusing on a limited set of critical decisions that will have long-term impacts on the organization. Decisions such as transformation, restructuring, mergers and acquisitions, product extensions and market entries require deep thinking, familiarity with the macro environment, and an intimate understanding of the organization's key resources and processes, profit formula, and customer value proposition. Of course, the high-level business operations mentioned here require significant investment into implementation and team motivation; neither occurs without the right strategic decisions.

So, with this in mind, the question is less about whether we can accept a CEO working remotely and more about what makes a CEO an effective strategist and how the decision-making process changes when done from a distance.

Research suggests that the nature of white-collar work and senior leadership requires what Cal Newport refers to as "deep work."<sup>2</sup> His view emphasizes the importance of time blocking: carving out a stretch of time for uninterrupted work in an environment that shields us from distraction. Studies tell us that an interruption can disrupt our thinking process for up to 15 minutes. So, being able to close the door of the (home) office and work in a space that is conducive to prolonged focus and cognitive load management is critical.<sup>3</sup> We also know from Jamie Dimon, another admired leader, that executives should spend half their time learning. Discussing new ideas and traveling to new places allows individuals to gain a sense of where the world is heading at any given point. As Dimon said, "regardless of what you do in life, to be successful, you need continuous learning and endless intellectual curiosity."<sup>4</sup>

We should also not forget that senior leaders are, first and foremost, human, and what makes them productive is specific to each individual. If the ultimate goal is to make time for focused work while still maintaining a healthy work-life balance, then perhaps working from home could be more productive than relocating. The stress of uprooting a family and the guilt of missing important moments at home can weigh heavily on anyone's mind, including seasoned executives, making it difficult to maintain productivity.

We also know from research that being accessible and visible to employees is crucial for establishing positive workplace norms and culture. Dimon outright says, “I do not believe you can be a leader and not be accessible to your people.”<sup>5</sup> However, this isn’t to say CEOs or any senior leaders need to be around for your average water cooler chat at the company’s headquarters. If a leader’s goal is to build an understanding of organizational challenges and inspire action, getting out of the headquarters office and establishing a presence at other physical points along the value chain is their best bet.

Finally, it’s worth considering how working from home could translate into psychological distance when making decisions.[6] Physical distance provides greater psychological distance; this increases cognitive flexibility and reduces the social biases and pressures individuals experience within traditional workplaces. In this sense, it seems perfectly plausible that a remote working environment could help senior leaders gain clarity, build a more holistic understanding of core issues, and foster creative and innovative solutions.

Though physical distance between a CEO’s office and their company’s headquarters may initially appear to be an obstacle to team-building, strategy formation, and effective leadership, it has noteworthy potential to potentially make them more effective leaders and strategic decision-makers when faced with the tough challenges that define a company’s future.

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## **Bibliography**

1. Dong, A., Garbuio, M., and Lovallo, D. (2016). Generative Sensing: A Design Perspective on the Microfoundations of Sensing Capabilities. *California Management Review*, 58(4): 97-117. See also Lovallo, D., Powell, T., and Sibony, O. (2017). Behavioral strategy and the Strategic Decision Architecture of the Firm. *California Management Review*, 59(3): 5-21.

2. Cal Newport, *Deep Work: Rules for Focused Success in a Distracted World* (Hachette UK, 2016).
  3. Have you ever wondered why you are more effective at understanding problems and designing solutions in front of a physical or digital whiteboard? Your brain is much better at making connections and seeing patterns when your mind can visualize information. See for example, Sweller, J., and Chandler P. (1991). Evidence for cognitive load theory. *Cognition and instruction*, 8(4):351-62.
  4. Taylor Locke, “JPMorgan CEO Jamie Dimon Shares Advice to Grads: ‘How You Deal With Failure May Be Most Important,’” CNBC, May 9, 2021, <https://www.cnbc.com/2021/05/09/jpmorgan-ceo-jamie-dimon-shares-success-advice-to-college-graduates.html>.
  5. Jennifer Liu, “JPMorgan CEO Jamie Dimon Says AI Could Bring a 3½-day Workweek,” CNBC, October 3, 2023, <https://www.cnbc.com/2023/10/03/jpmorgan-ceo-jamie-dimon-says-ai-could-bring-a-3-day-workweek.html>.
  6. See Hamilton R. (2015) Bridging psychological distance. *Harvard Business Review*, 93(3):116-9.
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