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SPRING 2023: NEXT-LEVEL LEADERSHIP



Many people have come to see *disruption* and *innovation* as synonymous. But disruption is not the only way to innovate and grow. *Sesame Street* didn't displace preschools, libraries or parents reading bedtime stories. Instead, it created a new-to-the-world opportunity for children and learning by unlocking the non-disruptive market of preschool 'edutainment' — which is now a multibillion-dollar industry. For more on the concept of non-disruptive creation, see page 58.

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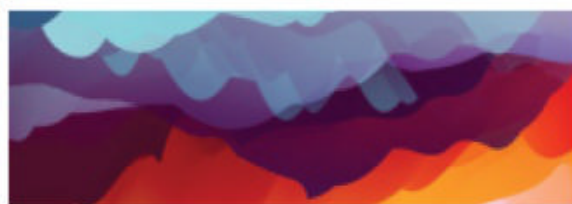


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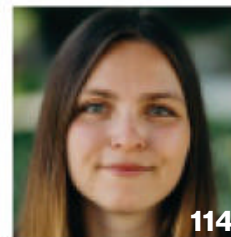
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“Change often feels like we’re losing something,
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–Jason Feifer, p. 94

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Rotman Management Spring 2023

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Next-Level Leadership

OVER THE LAST DECADE, organizations have faced one disruptive challenge after another. And unfortunately, it seems many leaders haven't risen to the occasion. In MIT's 2020 Global Executive Study, just 12 per cent of 4,394 respondents strongly agreed that their leaders had the right mindsets to lead them forward. And that was *before* COVID-19 came along, adding to the 'challenge portfolio' for every leader and manager in the world.

A recent **Korn Ferry** report argues that the executive role has become far too complex for any one individual to perform. The new mindset required, it says, is one of 'enterprise leadership'. Enterprise leaders know how to balance *performance* with *transformation* — not just in their own area but, across the broader enterprise and ecosystem. In this issue we present some of the tools, mindsets and capabilities required to be a 'next-level leader'.

Whether you love it or hate it, remote and hybrid work environments are here to stay. And there are important implications for leadership style. Rotman Professor **Geoffrey Leonardelli** says this new fact of life requires a distinct shift in mindset and some new priorities. We kick things off on page 6 with **Hybrid Leadership: Lessons From a Crisis**.

Have you interrogated any data lately? If not, maybe you should start, because data is not a crystal ball on its own. Columbia University Professor **Christopher Frank** and his co-authors argue that data-driven leaders must learn how to question data via 'precision questioning'. **The Art of Data Interrogation** begins on page 18.

If your employees feel like they belong, they will bring the best of their abilities and themselves to work. Clearly, every leader wants that. On page 76, Rotman Professor **Sonia Kang** shows that by applying inclusive behaviours and setting certain norms, leaders can create a powerful culture of belonging.

Elsewhere in this issue, we feature one of Canada's most innovative physicians, **Dr. Amol Verma**, in our **Thought Leader Interview** on page 12. Mental health advocate **Poppy Jaman** explains how to create a mentally-healthy workplace on page 30; and emerging-markets investing expert **Asha Mehta** describes the new investing paradigm on page 54. In our **Idea Exchange**, *Entrepreneur* magazine's editor in chief **Jason Feifer** describes the four stages of change on page 94; Rotman Executive in Residence **Naki Osutei** explains how to build a career on personal 'impact principles' on page 98; and **Nicole Price** shows how to engineer a culture of empathy on page 125.

The role of the self-assured, fully confident manager who always knows the right answer is all but impossible to achieve in our volatile, uncertain, complex and ambiguous (VUCA) world. But the good news is, VUCA comes with a hopeful side: As futurist **Bob Johansen** has noted, volatility can yield to *vision*; uncertainty to *understanding*; complexity to *clarity*; and ambiguity to *agility*.

No one knows what our disruptive world will throw at us next. But we can be certain of one thing: those who possess a repertoire of complementary competencies and mindsets will be most effective at leading their teams and organizations through the turbulence. It's time to take your leadership to the next level. **RM**

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HYBRID LEADERSHIP:

Lessons from a Crisis

Like it or not, remote and hybrid work environments are here to stay. Three powerful principles will enable successful ‘hybrid leadership’.

by Geoffrey Leonardelli

HISTORICALLY SPEAKING, working together in the same space — what is known as ‘co-located’ work — has been fundamental to maintaining managerial authority and control. The manager’s physical presence, the thinking went, helps to ensure that work is completed and meets standards. Take away co-location, and leaders lose their influence.

The COVID-19 pandemic challenged this assumption head-on. Organizations the world over turned to remote work out of necessity; and for many, it went remarkably well. So well, in fact, that we now find ourselves in an era of hybrid work, where the majority of office workers split their time between the workplace and their home office.

Although on paper, it might seem challenging to lead remotely, managers can do so effectively by following a few key principles. In this article I will present three tactics for driving effective management and employee engagement in a hybrid work environment.

TACTIC 1: Give Employees Greater Autonomy

Office work provides a ‘boundedness’ that remote work does not: there is a time and place for work and the required tools are readily available. But working remotely often entails a blending of work and non-work life, without the constraints of arrival and

departure times. With this blending can come divided attention from moment to moment. The solution, then, is to free employees to do their work with fewer requirements to impede them. To that end, here are three recommendations.

EMBRACE ASYNCHRONOUS WORK. Work is often, but not always, interdependent, requiring input from multiple co-workers to achieve a goal. When this is the case, such work has rested on ‘synchronous communication,’ which entails real-time communication between two or more people. This also requires that people find a common time in their schedules, complicating accessibility, especially for remote workers, who no longer benefit from the ‘boundedness’ provided by an office.

One solution is to define, partition or structure work — or a greater portion of it — so that it reduces the dependency on immediate responses from colleagues. Managers can increase employee autonomy by making work more ‘asynchronous’ in two ways. First, they can define precise goals.

The pioneering research of **Edwin Locke** and Rotman Professor Emeritus **Gary Latham** shows the benefits of precise (but challenging) goals: They motivate employees to work independently, because they know exactly what is expected of them. **George Doran** proposed that precise goals can be defined as



Team meetings are sometimes necessary — but not all of them.

SMART: specific, measurable, assignable to someone, realistic and time bounded. Goal precision and openness to asynchronous schedules will go a long way in lending greater autonomy to the remote workforce.

EMPOWER REMOTE WORK. It sounds obvious, but it is necessary for managers to ensure the work in question is remote-friendly. As a starting point, identify whether your employees have the technology required to communicate with co-workers and complete their work, and if not, see what the company can do to make that possible. This is not only about providing equipment (e.g. cameras, headphones, virtual meeting platforms); it is also about ensuring familiarity and comfort with using the technology.

SELECTIVELY CALL FOR TEAM MEETINGS. Team meetings are sometimes a necessity — but not all of them. Prior to the forced shift to remote work, professionals reported spending 31 hours per month in unnecessary meetings, estimated to cost companies about \$37 billion. Heavy reliance on in-person meetings and the abysmal value they have in the eyes of many employees suggest they were already used too much prior to the pandemic — perhaps more for management’s reassurance than for any real value to the employees.

Three criteria can be used to identify when to call a team meeting. First, such meetings can be helpful for establishing common ground and ensuring team members view goals in the same way. Whenever a new initiative begins, start with a meeting to clarify what exactly needs to be done, who is responsible for doing it and by what date. Then, to the extent possible, allow employees to freely do their work with only occasional team check-ins.

Second, consider the complexity of the work involved. The more complex it is, the more benefit people will receive from input from others and the more teams will require a certain degree of synchronous communication. Consider deliberative bodies such as governance boards, investigative committees or cross-functional teams. Their discussions of strategy, process or discovery often necessitate real-time communication. Reserve team meetings for work that is truly teamwork, and move the rest to subgroups or asynchronous communication.

Finally, consider ‘fluid’ group membership. People often think of teams as unitary constructs composed of specific people, but team membership should actually be defined by what the work requires. For example, virtual meetings should only require

attendance from those doing the work being discussed. Managers might be tempted to invite other staff as a way to maintain team morale or keep people in-the-know — but the former can be remedied with optional attendance (or better yet, maintaining morale in other ways) and the latter can be more easily communicated with a group e-mail.

TACTIC 2: Build Honest Intergroup Relationships

The research on authentic leadership looks at how leaders can create honest relationships with employees that create psychological safety and allow a true expression of the individual. When leading a remote workforce, restricted communication reduces spontaneous opportunities for building honest intergroup relationships. But there are behaviours managers can implement. Here are three principles to embrace.

ADDRESS DIFFICULT TOPICS DIRECTLY. When dealing with difficult issues, meetings serve an important purpose. Acknowledging the event, its consequences for the organization and what leaders are doing about it can be very reassuring to employees. Silence can indeed be threatening, and with a remote workforce, isolating. Even a remote acknowledgment of the difficult issue is an acknowledgment of reality that makes the communication more authentic.

In the experiences reported to me by interviewees, the COVID-19 crisis necessitated regular meetings. Executives at a popular fast-food chain held weekly meetings with franchisees. With a great deal of uncertainty around whether franchises would remain open, executives found it necessary to communicate with franchisees regularly about changes in strategy and what head office could do to accommodate and support all operations as the business adjusted.

What was striking is how they accomplished this with remote technology: Company executives kept their video cameras on while allowing franchisees to remain on audio only. Under such circumstances, video served not only to control the narrative, but also added a layer of transparency, ultimately strengthening trust in leadership. It could also have had the added benefit, as some research suggests, of encouraging a greater sense of security and commitment to the organization.

CREATE OPPORTUNITIES FOR PROFESSIONAL GROWTH. In 2012 — well before the pandemic changed everything — a poll conducted with over 11,000 employees in 24 countries showed many believed

remote work to be professionally isolating. Fifty per cent felt it could harm their chances of promotion — and some evidence from the era supports this notion, perhaps partly explained by having less face time with the boss.

These issues are enhanced by the growing presence of Millennials in the workforce (people born between 1979 and 1994). Multiple studies show Millennials expect close relationships and frequent feedback from their superiors. As such, a remote Millennial workforce is likely to be particularly concerned with professional growth. Training opportunities are a key opportunity for building relationships with these employees, especially under remote work conditions.

Remote training tools are widely available, and educational institutions that have historically focused on in-person learning experiences have adapted to accommodate remote learning. Educators the world over have expanded their footprint with online learning opportunities for a remote workforce. Organizations and HR executives have long realized the importance of training opportunities, and many already have remote training opportunities in place. What is often missing is how leaders can capitalize on these resources to increase honest intergroup relationships with their workforces.

Leaders will benefit by doing three things. First, make the remote workforce aware of available training opportunities. Second, communicate support for employees to undertake the training. And third, if remote training was not previously available but the leader worked to make it so, communicate what he or she has done.

EXPRESS VULNERABILITY. Remote communication, by its very nature, removes much of the human expression that naturally occurs in co-located communication. Leaders can help to personalize their communication by disclosing their personal feelings about significant events. Over the last year or so, reports indicate that leaders in the U.S. have been crying more: In response to recent deaths of others, Democratic and Republican governors have either cried or acknowledged doing so in public. Although crying has historically been associated with weakness, it appears to create a different tone when it is crying on behalf of others than when crying about a personal outcome, such as losing an election.

A little levity can also help. Accidental appearances or sounds by pets can also humanize a leader. On at least four instances I witnessed during the pandemic, weather forecasters

reporting on air from home had their pets appear in their broadcasts, much to the audience's delight. In two of them, the pets became regular fixtures. Finally, it helps for leaders to allow themselves to make mistakes. It's okay to leave the microphone muted when you begin to speak; it happens to everyone. At this point, it could be thought of as a moment of entertainment — 'Count how many times the boss leaves their mic muted!' — a way your employees can connect and bond with each other.

TACTIC 3: Become a Champion of 'Us'

Remote work can be an isolating experience while simultaneously weakening the primary method by which an organization's culture is passed on — namely by learning from observing others in the workplace. The study I referred to earlier showed that while 50 per cent found fully remote work to be *professionally* isolating, it was even worse when it came to *social* isolation: 62 per cent of respondents indicated they felt socially isolated. This is perhaps especially so for newcomers, interns, foreign nationals and others entering an unfamiliar landscape. As a result, the remote environment requires leaders to act as cultural champions, not only by defining what culture means to the organization, but also by making it feel real to employees and helping them feel connected to it.

My own research shows that when people feel like they belong, they begin to spontaneously adopt the group's characteristics and norms. Leaders should therefore give some serious thought as to what characteristics and norms they want employees to adopt. Research shows that intergroup differences such as those between leaders and workers are best managed by having a shared 'superordinate identity' to which *both* belong. Such nested or 'dual' identities can help to provide a framework for building morale and socialization. Here are a few recommendations.

CREATE OPPORTUNITIES FOR SHARED IDENTITY. Some of what creates a social connection entails employees' collective impression of the organization — what they define as a sense of 'us.' Creating that sense of belonging occurs in part by acknowledging the group to which employees belong and labelling it for what it is, creating an 'ingroup'.

It also helps to occasionally refer to 'we' or 'us' in group communication settings. The more people focus on 'us,' the more they will think about the similarities they share with others. It has even been argued that the experience of online work



In meetings, setting expectations of equal talk time can help to create a sense of inclusion.

makes people more receptive to the group identities leaders put forth. Such ‘ingroup labelling’ can be complemented by social contact among remote employees.

Put simply, the more support we can signal to each other, by using multiple channels of information, the more connected people will feel. Social connection has a powerful effect on morale and the combination of technology and a promotion of a group identity can facilitate those experiences with a remote workforce.

ENCOURAGE AN INCLUSIVE WORKFORCE. Over the last decade, organizations have placed an emphasis on creating diverse workplaces by increasingly focusing on creating inclusion. People sometimes conflate *shared membership* and *social experience* with inclusion, but they are different. Whereas shared membership and social experiences can create a sense of belonging and connection to the organization, inclusion refers to broadening that sense of belonging, so that it isn’t limited to certain segments of the population — usually those that have been historically advantaged.

In this regard, remote work allows the leader’s efforts as cultural champion to reach a wider audience. Working remotely empowers employees with some disabilities to work free from the physical constraints of the workplace; and it has the potential to enable those living in remote communities to join organizations they otherwise might not have been able to access, or for those in urban settings to work for companies in more suburban or rural locations while staying close to their local communities.

It is also important for leaders to attend to differences that might reduce feelings of inclusion. For example, in meetings, men speak more often than women and interrupt women more than they do men. Although this research has focused on in-person groups, recent reports suggest that it is also likely to manifest in remote teamwork. Setting expectations of equal talk time, or calling out interruptions when they occur, can help to create a sense of inclusion.

ALLOW FOR EMPLOYEE SELF-EXPRESSION. For the deepest sense of shared identity — that sense of ‘us’ — it helps to establish a context where employees have a chance to personally express themselves. This is especially important in an online environment, which anonymizes people to some degree and reduces expressiveness. As a result, it helps for leaders to actively encourage expressiveness. For example, when meeting with employees, it may help to encourage disclosure, to ask them about their lives and listen to what they have to say.

Consider the case of a lawyer, who after repeatedly receiving no response from a co-worker, found out that the co-worker, who had been hired three months before the start of the pandemic, not only had to contend with a new workplace, but now a newly remote one, as well as challenges at home. In my contact’s recounting of his personally checking in with the co-worker, in the moment, you could hear the frustration vanish.

Such check-ins can help leaders better understand their employee and give that employee voice. If employees appear reticent to open up, it can help to share a little about how the leader’s own adjustment is going in order to get them to share in return. Such personal disclosure can license people to share their personal thoughts, feelings and concerns.

Finally, there are many ways to be creatively expressive in remote work. Emojis, or other kinds of built-in expressions in the conferencing technology, tell a visual story and can be used to create a more impactful expression of emotion rather than one that would otherwise resort to text-based expressions of ‘I’m happy.’ Personalized emojis, such as **Apple’s** Animoji or Bitmoji, take it one step further, embedding self-defined likenesses of the sender into those images. It may not be appropriate to engage in such communication with strangers, but among teammates, it can create a sense of levity and shared connection.

In closing

Remote work environments are giving leaders an opportunity to think about more effective ways to lead. As indicated herein, providing employees with greater autonomy, building authentic intergroup relationships and harnessing the power of shared group identity are three powerful means by which ‘voluntary compliance’ — which will always be required of employees, whether they are co-located or remote — can be enhanced. **RM**



Geoffrey Leonardelli is an Associate Professor of Organizational Behaviour at the Rotman School of Management. This is an excerpt from his paper, “Lessons from a Crisis: Identity as a Means of Leading Remote Workforces Effectively,” which was published in the journal *Organizational Dynamics*.

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One of Canada's most innovative physicians describes the work being done behind the scenes to take the country's healthcare system into the future.

Thought Leader Interview:

Dr. Amol Verma

Interview by Karen Christensen

For readers who aren't aware, what are some of the key ways that AI can improve healthcare?

Artificial intelligence is all about using computers to perform tasks that normally require human intelligence. For organizations of all types, AI presents three interrelated opportunities: information processing, prediction and optimization. When you apply that lens to healthcare, there are numerous ways to be smarter and more targeted about the kinds of healthcare interventions we undertake and to improve the efficiency of our operations.

One key way to apply AI to healthcare is by automating menial tasks that are labour-intensive but don't require sophisticated human intelligence. By doing this we can relieve the burden on the workforce, which is already over-stretched. Simple examples include scheduling staff and inventory management. When we take these tasks away from workers, they can focus on other things that add more value for people.

A second set of applications is more aspirational in nature, as it relates to improving clinical decision-making. Put simply, AI can help ensure patients receive the precise treatment that is right for them at a specific moment in time. Achieving this will

involve using powerful computational methods to predict which patients are at risk for which outcomes by mining data about a specific patient, cross-referencing this with the vast body of scientific evidence, and then choosing the appropriate treatment based on that. Overall, this is really about personalizing care, which some people call precision medicine. AI is not a silver bullet, but it could be an important part of redesigning the Canadian healthcare system to address the critical challenges of volume pressures and wait times.

Having said all of that, how would you describe the current state of AI adoption in Canadian healthcare?

There are examples across the country where AI solutions are being used, but by and large there is very little AI in clinical care today. However, I do think we will see this change in the next three to five years and that AI will enter the system broadly in a few different ways.

The first is through electronic medical record systems, which are increasingly being adopted across the system. A lot of these come with built-in AI tools for predicting risks for patients and suggesting treatments, and I think we'll see a lot



If our data systems don't talk to each other, we will face real challenges trying to learn from data.

more of that. Another way AI will be embraced quickly is with more personal digital tools that people can use to maintain their own health, whether that be wearable devices or mobile health apps. We are already seeing AI in this space with things like chatbots to help people with mental health issues or to answer simple clinical questions.

We will see a proliferation of these technologies in the coming years, and it's critical that these tools are refined by interdisciplinary user communities as they move through development. End users like patients and clinicians must be engaged from the very beginning, and the process must also include IT experts, engineers, data experts as well as people from social sciences and humanities to ensure new technologies are being used ethically and wisely.

Can you provide a couple of examples of how AI will improve outcomes?

Many of the worst outcomes in hospital patients are things that might be preventable and addressable if only physicians and nurses were able to identify them. One example is sepsis, which is the body's extreme response to a severe infection. Sepsis has a very high mortality rate, but if nurses and doctors detect and treat these infections early, we can sometimes prevent them from progressing to sepsis, which can save lives. At St. Michael's Hospital, we have an early warning system called CHARTwatch that detects patients who are at risk of deteriorating from problems like sepsis, to help clinicians intervene earlier and prevent harm.

You have said that our health data infrastructure needs to be redesigned before systemic solutions can be developed. What are the key issues with the current system?

Right now our data systems are largely fragmented around individual healthcare providers and organizations. But that's not the case everywhere. Some provinces, like Alberta and Nova Scotia, have made investments in provincial-scale solutions that are more uniform and combat fragmentation. But generally, our health data is siloed and is not user-friendly for those seeking to develop or test AI solutions.

It's important to figure out, first, how to create an environment where data can be shared and used by the scientists and technologists who are developing innovative solutions; and second, what protections we need to put in place to ensure that the data is used ethically and responsibly.

Above all else, we need a broader infrastructure. I sometimes use the analogy of a highway system: Right now we have

some impressive major freeways in a few areas; but in the majority of the country, people are not connected to it yet. If we want AI to help everyone — and not to widen disparities that already exist, for example, between healthcare in rural communities and what's delivered in our cities — we need to make sure that the health data infrastructure is invested in and developed right across the country.

We also need to consider computing power, of course, and importantly, who can access that computing power, whether it be public or private. We have to think about — having enough support in place — professional, skilled personnel to support the productive use of that infrastructure and ensure its accessibility.

Are electronic medical records (EMRs) a good news story in Canada?

That is one of the few bright spots. Nearly 90 per cent of physicians are using EMRs for at least one core aspect of their practice. But the good news comes with a caveat: many core elements of healthcare are not included in EMRs. For instance, most do not have a function for prescribing or renewing drugs or for consulting with other physician colleagues. And no single EMR accounts for more than 17 per cent of the market share in Canada. If our data systems aren't talking to each other, we're going to face real challenges trying to learn from data. So there is definitely much progress to be made.

AI solutions in healthcare will ultimately be constrained by the data we have access to. What data would you love to be able to collect?

We have to dream big about the data we want to have access to in the future, and build those solutions today. We need to ask questions like, Who is represented in this particular data set? Whose perspectives are being amplified? And what does that mean for the solutions we develop? We need a system of robust governance around health data to ensure the privacy of our patients and to ensure data is used ethically; but at the same time, we also need data to be shared openly, so individual stories are honoured and can be used for public benefit. This will require a fine balance.

In terms of what is missing today, first and foremost, in Canada we don't do a good job of collecting information about people's social and economic backgrounds, and that is critically important to understanding fairness in healthcare delivery. It's obviously very sensitive to collect information about things like race, income or education, so we need to collect this data

thoughtfully, in partnership with disadvantaged communities who have been harmed by this kind of data collection in the past. It is crucial that we do this, and the sooner the better, because AI-based solutions do have the potential to widen the inequities in our system.

The second thing I'd love to see is more data around the kinds of experiences patients are having. Right now we have very little understanding of the patient experience. Did the patient feel they were treated with dignity? Did they have to wait a long time for care? Did they feel physically better after the healthcare interaction? Given that health is ultimately all about how people feel, if we can't measure subjective experiences and well-being, it is harder to focus resources on improving those things. And arguably that's really what our healthcare system is trying to do.

Building data infrastructure across the country faces a key hurdle: Canada has to literally double its computing resources in order to reach the average of G7 nations. What will it take to bridge this gap?

That statistic comes from a needs assessment report produced by the **Digital Research Alliance of Canada**, which is a large federal body that was given a substantial amount of funding to try to modernize Canada's digital research infrastructure. Since that alliance was created, it's become clear that Canada is very much lagging. Only one thing can change that: partnerships between the federal and provincial levels of government to prioritize these major investments.

These are not the sort of investments that small groups can make. Nor can they be siloed within specific jurisdictions. Computing resources should be available everywhere in Canada to serve people in a digital and virtual environment. One data centre in BC or a supercomputer in Alberta could serve people across the country. These investments need to be made with a pan-Canadian lens, and even an international lens, because investments in massive super-computing will actually require some global collaboration. Our governments need to work together and partner with industry to make it happen. A lot of the resources, talent and infrastructure to support massive computational power will come in partnership with the private sector.

Tell us about your work with the GEMINI initiative.

In 2014, my **Unity Health Toronto** colleague **Dr. Fahad Razak** and I set out to bridge the gaps that exist in hospital data collection. This has grown from a pilot project anchored at a few Toronto-area hospitals to the largest network of its kind in Canada.

AI Applications and Methods: Samples

- Predicting Long COVID-19
- Predicting COPD deterioration
- Natural language processing to detect blood clots
- Detecting comorbidity clusters in pneumonia
- Predicting cardiovascular mortality in hospital
- Identifying distribution shifts
- Developing robust predictive models

FIGURE ONE

We are currently collecting data from 30 hospitals representing 60 per cent of Ontario's inpatients and two million medical and ICU hospitalizations.

These data now sit on a state-of-the-art computing environment called HPC4Health that is powered for machine learning. We go to great lengths to protect patient privacy by removing personal identifiers from the data and ensuring high ethical and security standards are met. This data can be accessed by both scientists and students, and by the end of 2022, they had published more than 100 studies using it.

This initiative is powerful, to be sure, but we are just scratching the surface of the potential in this space, in terms of both scientific discovery and impact on patients. We have now partnered with the **Vector Institute** to continue making progress on AI in healthcare and are working with them on numerous projects — including predicting clinical outcomes and ensuring algorithms are fair.

Tell us a bit about the project on delirium, and how AI will help.

Delirium is an acute confusional state that is experienced by 20 to 30 per cent of all adult inpatients in hospitals. We know that when patients develop it, they have worse outcomes: They are twice as likely to die in hospital; they typically stay eight days longer than the average patient; they are 2.4 times more likely to be placed in a nursing home after their stay; and they cost hospitals close to \$11,000 more than the average patient. And yet until now, there has been no way to reliably measure delirium.

We are just scratching the surface of AI's potential, in terms of both scientific discovery and patient impact.

This is a huge issue, because up to 40 per cent of these cases could be prevented through interventions, including cognitive stimulation, nutrition and hydration, exercise and sleep enhancement. This is a prime example of a case where AI can help, because routinely collected data points capture only 25 per cent of cases. We're working on machine-learning models to predict the occurrence of delirium using routinely available data such as demographics and lab, radiology and pharmacy information. We have found that AI models create threefold better detection than routine hospital data alone. We're now working on a Delirium Identification Tool for widespread use, with the goal of using the tool to measure and prevent delirium in hospitals.

Apart from the work being done at GEMINI, are there AI initiatives around the world that you wish we had in Canada?

There are definitely pockets of excellent innovation, but no one country has put all the pieces together yet. The UK has done a great job of connecting its digital health records and making them available for research and innovation. Healthcare providers in the U.S. like the **Kaiser Permanente** network and centres of excellence at Duke University and NYU have been able to implement real-time AI solutions because they have access to connected digital information systems. And the **Veterans Affairs Network** in the U.S. has figured out how to cheaply run clinical trials using connected electronic medical records. Scandinavian countries, like Denmark, are also leaders in running large clinical trials that use routinely collected health data. Much of our real-world evidence about COVID-19 comes from Israel, because their large insurance providers have integrated information systems.

We can learn from all of these projects, but ultimately, progress in Canada will come down to three things: connected digital infrastructure; communities of innovators that responsibly use data and infrastructure; and putting incentives in place around the first two items, so the technology that is developed gets to market quickly and can benefit as many people as possible.

You have been on the front lines of fighting COVID-19 over the past three years. As it begins to recede, what important lessons have you learned?

The biggest thing I take away from my experience on COVID-19 wards is that, in a state of emergency there is a lot of chaos, and the ability to respond effectively is very much driven by good leadership. There is nothing like the crucible of a public health emergency to shine a light on an organization's (or a system's)

resilience and point out the cracks that exist. When I think about the organizations that had smoother responses than others, it was really about the effectiveness of their leaders as team builders, communicators and decision-makers in the early days of the pandemic. As we think ahead about preparing our systems for the future, ensuring we have excellent leaders in place is crucial.

The second key takeaway for me has been the importance of trust in our systems. Our public response in Canada — for example, to the initial vaccination campaigns — was generally very positive and contrasted with many other countries around the world. Research suggests that we had some of the highest early vaccination rates and very good adherence to public health measures. And a lot of that came down to trust in our systems of governance. At the same time, as the months passed, we saw those systems and structures fray, and some trust was definitely lost. In terms of our resilience for future challenges, paying attention to levels of social trust and cohesion is crucially important.

My final key takeaway from the pandemic is the importance of the health of our healthcare workers. Right now, we're seeing the consequence of several years of incredible strain on these people, who are suffering extraordinary rates of burnout, mental illness and exhaustion. As a consequence, the workforce is depleted and the service patients receive is getting worse.

As we think about incorporating new technologies into our system, we must attend to the impact they will have on the human workforce and ensure that we use these technologies to enhance their well-being. Because at the end of the day, every system is only as good as the people who work within in it. Looking ahead, I remain hopeful. I firmly believe that it is my generation's challenge to integrate data, analytics and advanced computing in medicine to improve both the quality and the humanism of healthcare in Canada. **RM**

Dr. Amol Verma is an Assistant Professor in General Internal Medicine at St. Michael's Hospital and the University of Toronto and the 2023 Temerty Professor of AI Research and Education in Medicine at the University. He co-leads GEMINI, a data platform that partners with hospitals across Ontario; is an inaugural Provincial Clinical Lead for Quality Improvement in General Medicine with Ontario Health; and co-leads the Ontario General Medicine Quality Improvement Network and the COVID-19 Hospital Analytics Laboratory. Recipient of the 2022 CIHR-IPPH Trailblazer Award, he is also leading the development of a machine learning tool to predict and prevent death and critical illness at St. Michael's Hospital.



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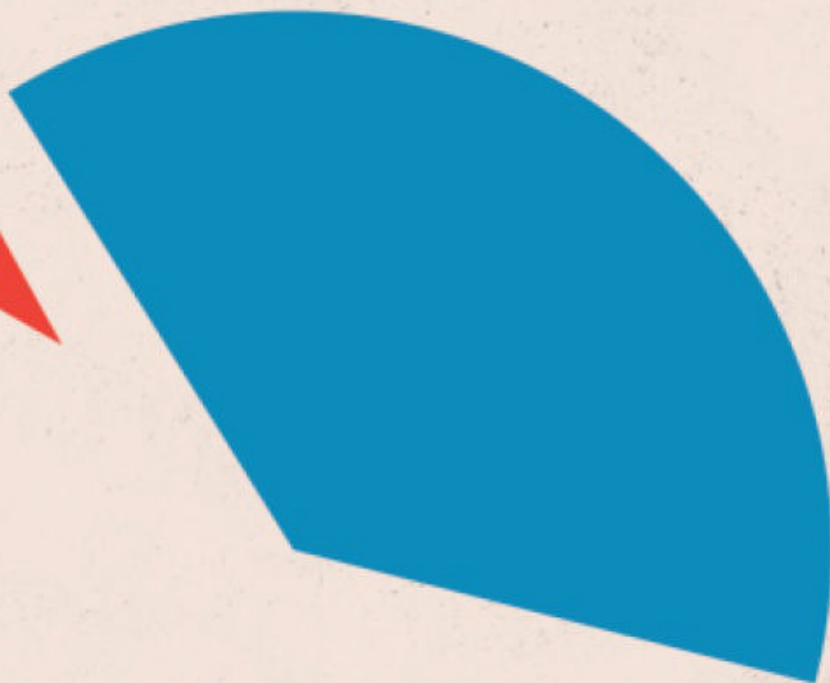
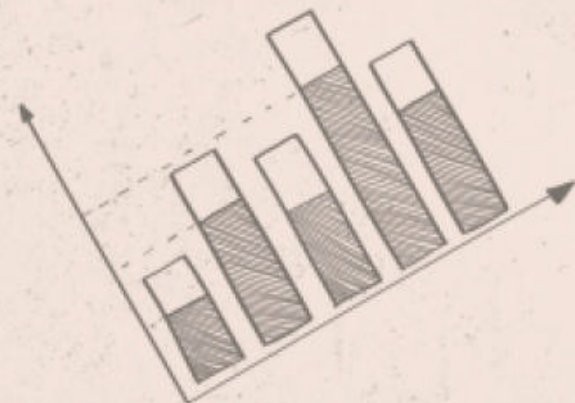
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THE ART OF DATA INTERROGATION

An abundance of data alone is not a crystal ball. Data-driven leaders must learn the art of Precision Questioning.

by Christopher Frank, Paul Magnone and Oded Netzer

WHAT DISTINGUISHES PEOPLE who consistently make smart, confident, data-driven decisions? It's not just exceptional analytic skills. Instead, these decision-makers balance data, experience and intuition. They apply first-order principles to understand what the decision to be made is, why it must be made and to what end. Only *then* do they seek the relevant data to help them make that decision.

We call this approach to decision-making Quantitative Intuition (QI). QI emphasizes the need to break the allure that an abundance of data is a crystal ball that eliminates all uncertainty and leads to perfect decisions. In this article we will provide a set of tools to enable people to quickly interrogate and integrate data to make quick and effective decisions.

Becoming a Data Interrogator

We are wired from a young age to ask questions, but rarely are we taught to effectively develop the skill of questioning. The oldest and still the most powerful tactic for fostering critical thinking is the Socratic method, developed over 2,400 years ago by

Socrates, one of the founders of Western philosophy. The Socratic method uses thought-provoking question-and-answer probing to promote learning. It focuses on generating more questions than answers, where the answers are not a stopping point but the beginning of further analysis.

Managers can use this model in a modern-day organization to create a dialogue among colleagues, clients or stakeholders. One modern-day version of the Socratic method is *precision questioning* and *precision answering* (PQ/PA), which became popular in Silicon Valley. Created by Stanford professors **Dennis Mathies** and **Monica Worline**, this method provides practitioners with a highly structured, one-question/one-answer discussion format to help them solve problems or conduct deep analysis.

Here's how it works: one participant asks a question, and the respondent answers it. The questioner then uses that answer to ask a follow-up question, and so on, until the respondent finally says, 'I don't know.' The idea is to answer as many questions as possible before finally reaching the point where the respondent is unable to answer the question.

This process pushes critical thinking to a deeper level and can elicit new information or analysis. For example, in our experience, analysts often know more than they are sharing in a typical presentation. They may exclude information not out of an unwillingness to be helpful, but because they over-index on accuracy. By training and inclination, analysts often focus their attention on the specific, the rational and the explicable. By asking questions, you can encourage them and other team members to think more broadly.

To reap the greatest benefits from PQ/PA, embrace the opportunity to pivot from *interrogation* to *integration*. The best data-driven leaders do this by fostering a collaborative learning environment where people have the trust to speak openly, share their ideas and challenge the status quo. The hallmarks of any successful meeting are open-mindedness, patience and mutual respect. As a data-driven leader, your role is to serve as a coach to unlock and integrate the intrinsic knowledge and awareness of each person on your team.

Like other skills such as active listening, time management and collaboration, questioning takes training, practice and application to become proficient. The journey begins with an appreciation for different types of questions, which can be broadly classified into four categories.

FACTUAL QUESTIONS. These questions have straightforward answers based on facts or awareness and can be open or closed. The answers to these questions are based on facts, but may require an explanation.

CONVERGENT QUESTIONS. These are close-ended questions that typically have one correct answer. The most basic convergent question can be answered with a Yes or No. For example, consider Spiderman from **Marvel Comics**. How did he get his powers? The answer is clear and specific: He was bitten by a radioactive spider.

DIVERGENT QUESTIONS. These are open-ended questions that encourage *many* answers and can best be understood as exploratory—as a means for analyzing a situation, problem or complexity in greater detail and then predicting different outcomes. Frequently the goal is to stimulate creative thought or to expand the conversation. For example, if every petrol station installed multiple fast electric-charging stations, how would that change the demand curve for electric vehicles? If you could ‘fill-up’ your electric car by simply swapping out batteries versus recharging them, how would that change consumers’ ‘range anxiety’ about EVs?

Quantitative Intuition: The Path to Great Decisions

by Roger Dean Duncan

One might think that with so much data available on nearly every conceivable issue, decision-making today would be easier than ever. But then there's that pesky thing called information overload. The authors of Decisions Over Decimals weigh in.

You believe Quantitative Intuition (QI) can produce more effective decisions. In a nutshell, how does it work?

Christopher Frank: With the abundance of data today, there is the erroneous belief that we can achieve the perfect decision. However, perfect decisions don't exist. We still need to use intuition and judgment in decision-making. But it's a different type of intuition—one that combines information with human judgment, which we call Quantitative Intuition, or QI.

QI is the ability to make decisions with incomplete information via a three-pronged approach: First, ask powerful questions; second, put the data into context; and finally, synthesize (as opposed to summarizing) the information by combining the information with judgment.

Oded Netzer: As part of the programs we teach, we've asked executives to identify the aspect of decision-making they think represents the biggest gap in their organizations when it comes to making smarter data-driven decisions. Across thousands of executives, we've found that the biggest gap is not in having more data

or a better analysis tool to crunch the numbers. The gaps lie in defining the essential question, generating meaningful insights, and converting these insights into action. The problem in today's data-rich environment is not information, but rather the judgment to use it.

What mindset adjustments are required of someone who wants to employ QI?

Paul Magnone: Every decision represents change, and humans are not wired for change. Most of us retreat to comfort zones—some to data and others to gut instinct. Great decision-makers judiciously explore opportunities with probing curiosity. They're open to alternatives while being focused on essential outcomes. You also must get past the belief that you need to be a math expert to make sound, fact-based decisions. People avoid using quantitative analysis because they believe they won't have the ability to navigate the data. The data is the means and not the end. The QI decision-maker uses the combination of precision questioning, contextual analysis and synthesis to see the whole situation to move forward despite incomplete information.

Talk about the power of 'I Wish I Knew', or IWIKs.

Frank: Agile decision-making is grounded in how you think, not how hard you work. That starts with a deceptively simple,

EVALUATIVE QUESTIONS. This type requires deeper levels of thinking and the questions can be open or closed. Evaluative questions elicit analysis at multiple levels and from different perspectives to arrive at newly synthesized information or conclusions. For example, What are the similarities and differences between X and Y?

BUILDING AN INQUISITIVE TEAM. What does it take to build a team of insatiably curious, truly inquisitive people? A team that has a thirst for learning? There are three basic steps to building an inquisitive culture:

STEP 1: START WITH AN OPEN-ENDED QUESTION

Having a good arsenal of questions at one's disposal is a must for any leader, but one staple is the open-ended question. Asking open-ended questions is like adjusting the lens of a camera, opening the aperture to create a wider field of view. The wider field sets a tone of receptivity, signalling that you are open to new information, in learning mode, and ready for a dialogue, not a monologue. A few examples:

HELP ME UNDERSTAND ____. This enables you to take a posture of learning and humility. It communicates to others, 'I don't know

yet extremely powerful, question: What do I wish I knew to make the best decision? This question generates a sequence of statements we refer to as IWIK™ (I wish I knew). The key word here is *wish*, because it grants permission for open exploration and not simply rehashing what is already known.

The IWIK statements your colleagues or clients provide reveal a deep understanding of their actual needs. IWIKs enable you to focus on the essential question and prioritize your teams to make effective decisions.

How can decision makers become more skilled at 'fiercely interrogating' the data they're using to inform their decisions?

Netzer: At the heart of interrogation is the skill of asking the right questions. People often consider data without taking the time to ask for context. To put data in context, you must always triangulate it by looking at it in (1) absolute terms, (2) over time, and (3) relative to what's going on elsewhere. Data without context is dangerous; it leads to wrong conclusions and poor decisions.

The main skill needed to interrogate data is not a technical one. It involves putting the data in the context of the business and asking yourself, 'what surprises me about this?' By definition, surprises are a mix of intuition and information. When the informa-

Divergent Questions

- 1. Go/No-Go:** Why are we talking about this now?
- 2. Clarification:** What is the meaning?
- 3. Assumptions:** What are our assumptions?
- 4. Foundational:** How do we know this to be true?
- 5. Action:** What *could* be done? What *should* be done?
- 6. Cause:** What is the context? Why did this happen?
- 7. Effect:** What will be the impact or outcome?

what I don't know and I am hungry to learn.'

HAVE YOU CONSIDERED ____? This puts the power in the other person's hands. It equips them to discuss their assumptions and caveats and share any trade-offs they may have made. Likewise, a question that is beneficial when providing feedback, is 'you may want to consider ____.' Again, it is up to *them* to decide whether they want to take action or explore further. You are empowering them.

tion doesn't match your intuition or the context, we get a surprise. And it's often exactly at these points that the magic of meaningful insights occurs.

What can leaders do to help cultivate a Quantitative Intuition culture in their organizations?

Frank: Decision-making is a team sport. Build a team composed of four roles—data scientists, data engineers, data translators and data leaders. The current gap in the workforce is less about people with deep analytical skills and more about leaders who can lead them to make better decisions with analytics and judgment.

As we hire for QI skills, we should focus on leaders' ability to ask precise questions, put the data in context by interrogating it, and synthesize the information. These steps require asking powerful questions. Leaders should develop inquisitive teams that constantly ask questions as opposed to jumping directly into solution mode. Invest time and energy in visualization, with a focus on 'data translators' who sit between the data and the business context.

A longer version of this interview appeared at Forbes.com

Fierce Interrogators Ask a Series of Questions:

What is the source of the data? Data and analyses rarely arrive at your desk at random. There are often intentions (good ones, but also possibly bad ones) behind how and why the data was collected and how and why the analyses are presented to you. Depending on the source and the intention, there could be possible agendas behind the data delivered to you. A good data interrogator asks: Does the data provider have a reason not to show me the entire data? If so, what are they likely to hide? For example, is it the marketing team that provides evidence about the success of the advertising campaign? Understanding the source of data, and the intent or possible agenda, can inform me about possible issues in the data that you want to pay closer attention to.

Are the metrics provided the ones we expected to see? If not, why not? Are your data providers showing you the right KPIs? Are you being presented with vanity metrics that make the data provider look good?

How were the metrics calculated? Many metrics have no clear definition. For example, when a company reports having 10 million customers, you want to ask yourself how customers are defined. Are customers everyone who ever visited the company's website (even if they never bought anything), people who last bought from the company five years ago or only active customers who purchased in the past year? Depending on the agenda behind the data, the data provider may choose different metrics. Make sure that you understand the metrics, particularly those that are critical to your decision-making.

When and where was data collected? Are the time period, location and context relevant to the decision at hand? Should we make decisions about mobile wallet adoption in 2022 in

Hungary based on mobile adoption data in Austria in 2017? We happen to have accurate and reliable data from Austria, but no readily available good data from Hungary. Am I better off with accurate but less relevant and possibly outdated data from Austria or less precise but more current data from Hungary?

Are the comparisons being made to relevant and comparable alternatives? Almost every company can look good if compared to the right competitor. If comparisons are made, are the metrics comparable across alternatives? Different companies may measure the same KPI (e.g. the number of customers) in different ways.

What is missing? Are there other data points that may be relevant? Do you have this data over time so you can explore possible trends?

Is the data I am *not* seeing similar to the data I am seeing? What data didn't you capture? Who was left out? Could you have fallen prey to a nonresponse or a survival bias?

Are there outliers? Was there any data the provider could not explain (outliers) and therefore did not show? Is there a pattern in the outliers that may prove valuable?

Note that to be able to ask or answer any of these questions, you don't need to be a math whiz or a data scientist. You simply need curiosity, critical thinking and a good understanding of the context. Good intuition is the key component of great data interrogation.

WHAT SURPRISED YOU ABOUT ___? This is an open-ended question designed to reduce bias. The word *surprise* is a powerful bias killer. We all have preconceived notions. Some are conscious and others are unconscious. Without being aware of their influence, implicit biases affect how we interpret and tell a data story.

An analyst — as someone who is expected to interpret data rationally and logically — may be hesitant to share data they cannot explain. They may be tempted to label an unexplained result as an outlier and either disregard it or relegate it to an appendix. As the leader in such scenarios, you may miss a rich data point or a potential winning solution by not knowing about these outliers. When you ask, 'What surprised you?' you are giving your colleague permission to share what they did not expect to see.

'What surprised you?' creates a trusting, inviting space for an open discussion. In our experience, asking your analyst this powerful question often leads to two additional beneficial out-

comes. First, it releases the analyst from the need to describe their hard work and chronologically go through all of the analysis that they have performed over the past few weeks. It cuts straight to the chase to the interesting findings. Second, by their definition, surprises are likely to be patterns that are not easily explained. Identifying these surprises may help you quickly identify problems with the analysis.

STEP 2: RESPOND, DON'T REACT. EMBRACE SILENCE

'Active listening' involves paying close attention to words and nonverbal actions and providing feedback to improve mutual understanding. But have you ever stopped to consider 'passive listening'? This also involves listening closely to the speaker, but without reacting. Instead, passive listening *leaves space for silence*. By combining both of these modes, you can achieve what we call *effective listening*.



To create a learning environment built on trust, you need to listen, and listening begins with silence. Because it creates a void, silence may cause some discomfort, but it is an effective way to enhance learning. During the silence, the speaker will fill the void, often revealing more information; and hence you learn more. Silence signals that you are fully engaged; you are listening intently, considering what is being shared so you can respond in a meaningful way.

The difference between reacting and responding lies in the level of consideration. Reactions tend to be instinctual, spontaneous impulses driven by emotion without considering the result. Reactions often come without a filter, without much thought or analysis, and without taking time to consider possible implications. Even if a reaction isn't intense or negative, it disrupts communication. For example, a listener may feel the need to share a related story. The intent is positive — to show understanding — but the unintended consequence is to redirect the speaker's attention towards the listener. The listener has shifted the conversation and taken control of the discussion.

Contrast this with responding. A response is thoughtful, logical and informed. Responding uses your head and your heart to consider the outcomes of a reply before speaking. Responding is thoughtful; it involves taking time and using silence to process new information.

Responding is also proactive, using intuition and experience to consider what is optimal for you, for others in the meeting and for the desired outcome. You can then engage in a way that is accretive to the result you're trying to achieve. In many situations, work or personal, responding versus reacting will yield richer results.

STEP 3: ASK A STREAM OF QUESTIONS

One of the most powerful response techniques is the ability to ask questions. Questions frame the issue, remove ambiguity, expose gaps, reduce risk, give permission to engage, enable dialogue, uncover opportunities and help to pressure-test logic. Varying the questions sustains engagement and fosters creative thinking. The goal is not to achieve a single right answer but to accumulate and expand knowledge through the questioning process. Returning to our camera lens analogy, open-ended questioning provides a wide-angle lens. It enables you to capture the broader picture and take in crucial background elements, allowing you to explore the scene with an unrestricted view rather than through a narrower analytical lens.

Of course, this wide view can also create distortion. Open-ended questions provide much more real estate to work with, but

ultimately, we need a sharper picture to make smarter decisions. To quote the famous photojournalist **Robert Capa**, "If your photographs aren't good enough, you're not close enough." Questions also allow you to narrow the lens, to get closer. By asking a stream of questions and using the four different types outlined earlier, you can 'focus' the data picture.

Your ability to focus starts with developing comfort with the four types of questions. This is the 'question library' that equips you with the capacity to ask a stream of questions. As you progress with the discussion, the secret to asking questions is to be precise. Your questions are still open-ended but focus on particular aspects of an outcome you are looking to achieve.

Start to transition from a broad question — How do we increase sales? — to more precise questions:

- What specific promotion has had the highest response among older Millennials?
- Did your analysis uncover any variations by gender?
- Were there surprises in the sales data from a geographic view?
- How would your conclusion change if you were the competitor?
- As you consider the new information shared, are you clear on how it relates to the original problem or the outcome you are working towards?

In closing

Always remember: The smartest person in the room is not the one with an answer, but the person asking the best questions. One of the biggest mistakes we have observed is leaders expecting the data to provide both the question and the answer. It is your responsibility, as a decision-maker, to first define the problem. Then, if the data can provide sufficient evidence towards an answer — and if you are fortunate enough to have the right set of skills in your organization to appropriately mine the data for the answer — you may find a solution to the problem you have so carefully defined. **RM**



Christopher Frank is VP of Global Marketplace Insights at American Express and Adjunct Professor at Columbia Business School. **Paul Magnone** is Head of Global Strategic Alliances at Google and an adjunct faculty member at Columbia University. **Oded Netzer** is Vice Dean of Research and Samberg Professor of Business at Columbia Business School. They are the co-authors of *Decisions Over Decimals: Striking the Balance Between Information and Intuition* (John Wiley & Sons, 2023). Excerpted with permission from the publisher. Copyright

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EVERYBODY'S BUSINESS: A Framework for Canadian Prosperity

Four pillars of prosperity, supported by a frictionless government framework, will ensure Canada thrives throughout the 21st century.

by Dany Assaf, Walid Hejazi and Joe Manget

WE LIVE IN TURBULENT TIMES. There is a global shift towards populism. Protectionism is on the rise. Trade discussions are heated, and full-blown war has returned to Europe. For the first time in decades, Canadians, and even Americans, are grappling with the fear that the next generation will be worse off than the last.

But beyond the dark clouds, reasons for optimism remain. In fact, we believe we are on the cusp of the greatest potential for individual opportunity and wealth creation in human history. Thanks to modern technology, the barriers to prosperity have never been lower, nor markets so connected. And remote collaboration may actually increase innovation by tapping into what has been called 'the collective brain.' There is opportunity for literally everyone to unleash their energy, ideas, passion and productivity and do business directly with almost anyone else globally. And there is the potential for this wealth to be shared more broadly than it is now.

Our collective responsibility is to ensure that every Canadian is able to tap into these opportunities. Unfortunately, there is a sense of complacency in our country — a sense that, 'Things have always been good here, and somehow, they will remain that way.' But make no mistake: Like a hockey player skating with his head down, blind to the perils of the game, Canada risks being levelled by bigger and stronger players in an increasingly aggres-

sive and competitive global arena. In this article we will present a holistic framework that we believe can enable Canada to achieve its true potential.

A Holistic Framework

No matter when or where, the basic ingredients for prosperity are the same: healthy and educated people with access to tools to do productive things; the ability to obtain the materials and capital to produce something useful to offer others; and access to markets to sell them into. Let's take a closer look at each.

PILLAR 1: People

People are the engines of prosperity, and societies need to remain open to attracting a pool of new and diverse players. We have no idea where the next generation of history-altering innovations will come from, and as a result, we close our doors at our own peril. Immigration is absolutely critical to supporting this pillar and ensuring a strong and innovative economy. Not only does immigration increase Canada's numbers, and hence the size of its GDP, but diversity itself is beneficial to the economy as an engine of entrepreneurship. Canada needs to send a clear message to the global talent pool: If you have the energy and ideas, come to Canada and put yourself, and us, to work. There must also be a

Canada's critical infrastructure sectors — telecom, finance and air transport — are highly protected and have inhibited innovation across the economy.

serious effort to engage with Canada's Indigenous communities — a significant source of additional prosperity.

This pillar includes ensuring people are healthy enough to work and possess the skills, education and knowledge to be relevant and productive in the 21st century. Currently there are significant gaps in terms of the skills needed to succeed, including critical thinking and coding, and how well our students are prepared for the transition to post-secondary education and in-demand skills training. If Canadian youth are to be prepared for the future, these gaps in our education system must be addressed.

Lastly, our people must embrace more risk. The American dream is known worldwide; but what about the Canadian dream? The argument has been made for decades that Canadians are risk-averse. Perhaps this was acceptable in 1967 on Canada's 100th birthday, but it cannot continue if we intend to be prosperous on our 200th.

PILLAR 2: Tools

The second pillar in our framework is access to the tools needed to succeed in an innovation-based economy. Without these tools, Canada will not attract the best global talent and domestic talent will be unable to achieve its potential. Policies must be put in place now to ensure these tools are ubiquitous across the economy, without artificial and bureaucratic obstacles.

In the past, it was Canada's railways, waterways and highways that moved valuable goods. Today we must add the digital highway to the list, ensuring high-speed broadband and wireless access and digitally literate individuals and businesses. Ubiquitous mobile internet access and the tools to access it have become the basic building blocks for many businesses like **Uber**, which operates one of the largest global transportation networks without owning a single car. All it needed were computers, software and mobile internet access.

The world continues to invest trillions of dollars in public transportation to ensure workers can *physically* get to their job site. The logic must be the same in a digital economy, where we log in, rather than drive in, to work. The tools required include meaningful and focused investments in the right classes of infrastructure to support an innovative economy.

Currently our three critical infrastructure sectors, which all other sectors interact with — telecommunications, finance and air transport — are highly protected and have inhibited innovation across the economy. While protection of the banking and finance sector can be justified in exchange for the stability the sec-

tor provides, such is not the case for the other protected sectors. This protection constitutes the largest impediment to Canada's ability to overcome the significant headwinds the economy faces — and it is inconceivable that innovation can rise to the levels required without policy changes that eliminate it.

PILLAR 3: Materials and Resources

The third pillar is ensuring ready access to resources and materials within the economy. But it's not just about access: Canada must efficiently and responsibly develop its natural resources and at the same time preserve, repair and sustain the environment. While this is no small feat, the evidence is clear: being environmentally conscious can create wealth. For example, recycling and reusing are some of the most effective cost-cutting measures available to any business that is willing to take the time and effort to implement them. Empirical evidence shows companies that deploy sustainable strategies and are committed to achieving the world's ambitious climate goals outperform those that do not.

Our resources and materials must be made available globally, and as the war in Ukraine has highlighted, Canada can have a major role to play in ensuring global energy security to our key trading partners. With a more innovative mindset, our resources can be used to undertake more processing within Canada. This is not a call for government intervention to make this happen; rather, increased domestic processing of our vast natural resources would be the natural outcome of the required policy recommendations to make the Canadian economy more innovative.

As new industries such as electric cars emerge — including many that we may not be able to predict — our businesses must have access to both natural resources and high-tech material inputs. The facilities needed to produce these are incredibly capital intensive. If the Canadian ecosystem is not conducive to innovation, these new companies and facilities will locate in the U.S. or elsewhere. And as these industries of the future develop and new suppliers emerge, there will be a first mover advantage.

Countries such as Japan, Korea and Singapore had no resources to speak of and were forced to move up the value chain in order to survive. Likewise, as natural resources diminish in relative importance in the coming decades, Canada will need to make such a transformation. With an increased focus on innovation, a natural evolution will emerge to higher-value processing within the economy.

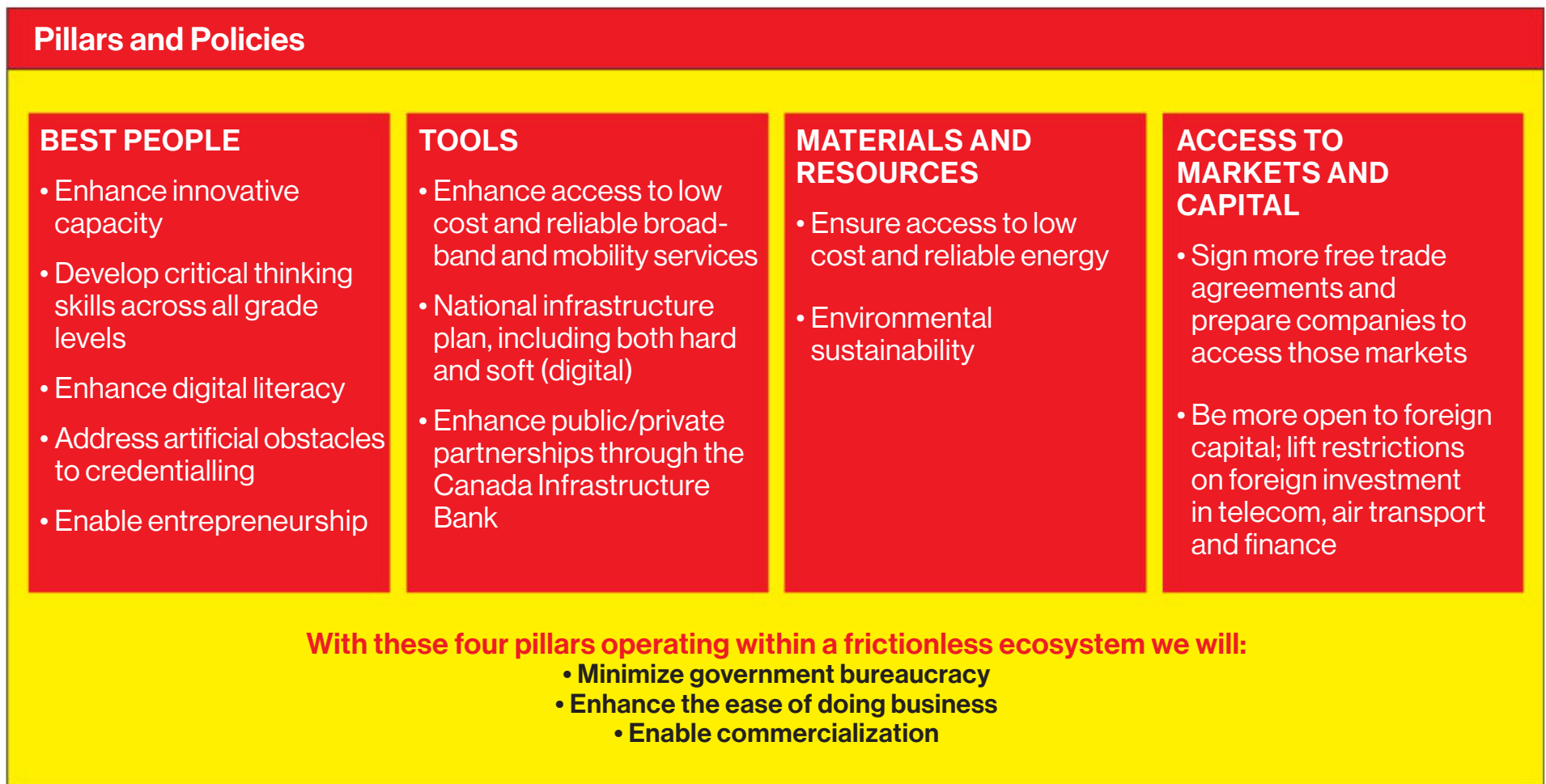


FIGURE ONE

PILLAR 4: Access to Consumer and Capital Markets

Canada must aggressively pursue free trade and investment protection agreements with more global markets. While enhanced access to these markets is necessary, it is by no means sufficient to overcome the significant headwinds we face. Enhanced productivity and innovation are required in order for Canadian businesses to be prepared both to exploit opportunities in new markets and to compete more effectively against the increased foreign competition inside Canada that would come with new trade and investment agreements.

As indicated earlier, many of the obstacles to innovation and productivity in our economy stem from protectionist policies. Canadians are indeed able to compete and win in the global economy, provided they are given the appropriate environment to operate within. Moving away from the protectionist mindset, enabling our companies to be more innovative and productive, opening up to both more imports and inward investment, and opening markets abroad to more Canadian exports and outward foreign investment will allow us to achieve our potential.

It is important to note that despite tariff exemptions within the United States-Mexico-Canada Agreement (USMCA) for imports of intermediate inputs, many companies — particularly smaller ones—are unable to do the paperwork involved to take advantage of these arrangements. Despite the tariff-free access to the U.S. and Mexican markets that come with

the USMCA, many companies pay the non-USMCA (i.e. non-NAFTA) tariff rather than incurring the costs associated with complying with the agreement. The costs of demonstrating compliance on local content are too high and bring friction to the economy.

Canada must strive to dismantle supply management, a system of tariffs and quotas that protect domestic farmers from foreign competition. As noted in a recent *National Post* opinion piece, “NAFTA or not, protecting supply management is protecting an ever-dwindling number of ever-wealthier farmers.” It raises the price of dairy products, encouraging consumption of less healthy alternatives, especially among the poor. This arrangement puts the interest of dairy farmers above that of all other Canadians. In Canada’s agreement with Europe, the Comprehensive Economic Trade Agreement, quotas were put on the imports of cheese, which effectively means that once Canadians eat a certain amount of cheese, they are then forced to eat Canadian cheese.

Although we have made recent progress, Canada must also be made more open to foreign investment. It still has room to liberalize its foreign investment rules in the context of the needs and priorities demanded by the modern economy. Both the mandatory review for investments over the government’s threshold and the sectors that have heavy restrictions on foreign ownership have hurt the economy significantly.



These restrictions on foreign investment must be reduced. In the case of the review, there is evidence that it should be abolished (except for national security reviews) or at the very minimum made even more transparent. As it is currently set up, the federal government can simply reject a potential foreign investment transaction on national security grounds, whereas the decision may actually come across as being for protectionist reasons.

There are strong arguments why almost all restrictions on foreign participation within telecom must be eliminated. There are few insurmountable economic or security justifications for many of these restrictions. In the case of air transport, domestic carriers cannot hold Canadians hostage to take routes that are profitable to these incumbents but sub-optimal for Canadians. When the business case makes sense and foreign carriers are willing to offer a direct flight to an international location, they should be allowed landing rights if a domestic carrier does not offer that service. If there is sufficient demand, then both the domestic and international carriers should be allowed to offer these flights, which would enhance the quality and variety of services available and lower prices. This would enhance connectivity, make our companies more competitive and improve Canadian trade and investment performance in the global economy.

Enhanced competition within Canada would enable our firms to penetrate global markets and win. Increased innovative capacity would bring more cutting-edge exports — both within the resources sector and more broadly — and enduring prosperity. Recall that during the rapid rise in the value of the Canadian dollar during the 2002 to 2007 period, it was Canada's most innovative exports that proved most resilient.

These recommendations can form a new normal for Canada — a move away from low-value exports to those that are much more innovative and advanced. And when this happens, Canadian firms will be better placed to succeed in Asia, Europe, Latin America and elsewhere.

Creating a Frictionless Ecosystem

For all people and businesses to pursue their passions, creativity, innovation and economic opportunity, we need a friction-free ecosystem that promotes rather than impedes their efforts. To

ensure the best overall outcomes for society, governments must eliminate unnecessary bureaucracy and red tape. This theme was reflected in the many interviews we conducted for our book.

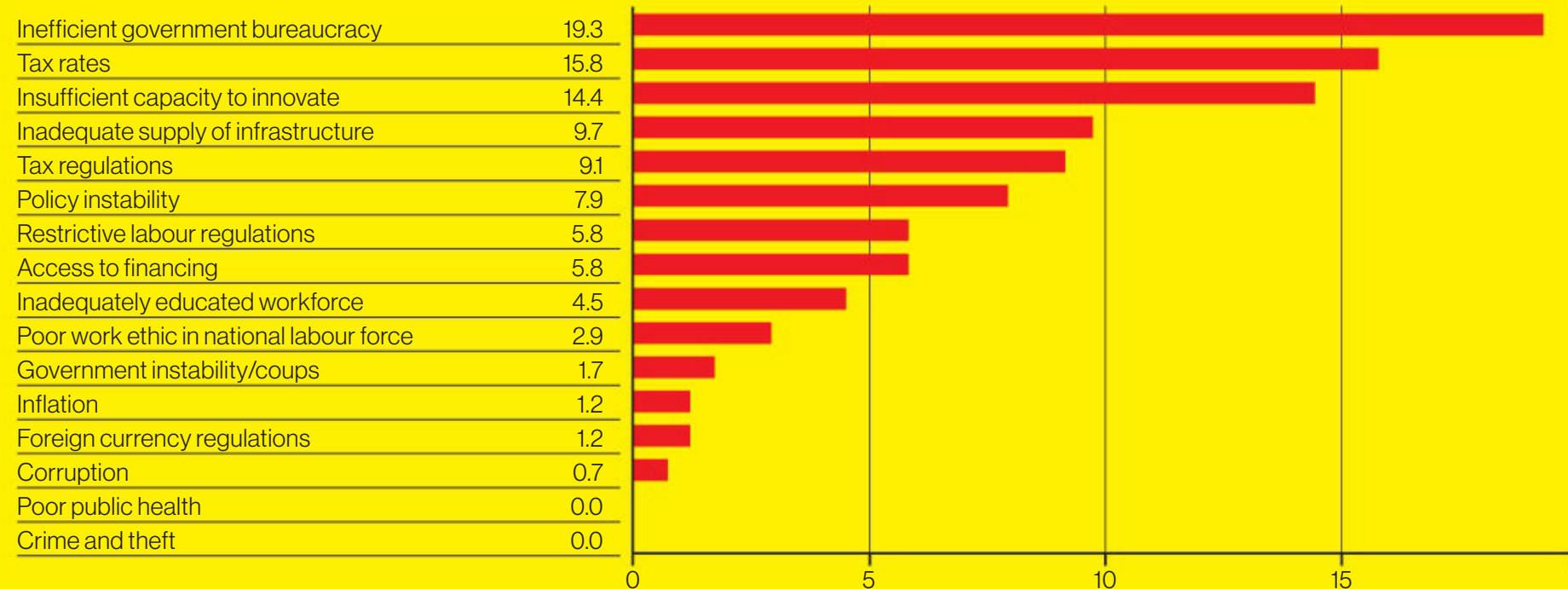
Perhaps the best example was our interview with the CEO of a company that exports to many countries who had recently expanded his production facility, doubling its capacity. However, the opening was significantly delayed, during which time the completed facility sat empty and idle, while his company negotiated with more than one level of government on the environmental front, notwithstanding the company's full legal compliance.

Clearly, this reflects a government bureaucracy imposing unnecessary costs on a productive business creating jobs, capital investments and exports, which otherwise contribute to growing the Canadian economy and tax revenue for the Canadian government. "Canada's regulatory system is smothering business in Canada, thanks to a growing mix of complex, costly and overlapping rules from all levels of government," he told us. A report by the **Canadian Chamber of Commerce**, "Death by 130,000 Cuts: Improving Canada's Regulatory Competitiveness," calls on governments to modernize their regulatory frameworks and give businesses room to thrive.

Guess what tops the **World Economic Forum's** annual ranking for key business challenges in Canada? An inefficient government bureaucracy, followed by high tax rates, insufficient innovation capacity and inadequate infrastructure. As indicated in Figure Two, the top two obstacles reflect challenges working with government; the third and fourth are challenges with both innovation and infrastructure; and the next three once again all involve government policy — tax regulations, policy instability and restrictive labour regulations.

One of the authors of this book (Walid) recalls participating in a Canadian government roundtable in the Middle East in 2016 with an ambassador and two other prominent Canadian executives. The panel was promoting Canada as a place to invest to international investors. The very first substantive question related to policy uncertainty: "If we invest in Canada, is our investment welcome?" During the debrief with participants afterward, it came out that these concerns were the result of the government's unfortunate treatment of **Wind Mobile**. After making commitments to its foreign backers, the Canadian government reneged

The Most Problematic Factors For Doing Business in a Country



Source: World Economic Forum, Executive Opinion Survey 2017

FIGURE TWO

and forced Wind to spend millions in legal and other costs to overcome obstacles placed before it by incumbents in the telecom sector.

Upon inviting the foreign investors into Canada, the Canadian government at the time clearly signalled it had the political will to open up the sector to foreign competition. But when it came time to demonstrate this political will, it retreated: promises for spectrum and tower sharing were never honoured. This has been a costly error and contributes to the significant policy uncertainty within Canada.

The general sentiment of people we spoke to, who were working to start small businesses in Canada, highlighted many regulatory hurdles and the absence of will on the part of government officials to be helpful. The outcome of such obstacles is dire: a stifling of the entrepreneurial spirit and innovative capacity of the Canadian economy and a diminishment in prosperity. This must be addressed immediately, before further damage is done.

In closing

Our road map for Canadian prosperity requires bold policies that address challenges across all four pillars while enabling a frictionless ecosystem. Tinkering on the margins will be insufficient.

The headwinds facing Canada are increasing, and the longer we wait, the further we will fall behind and the more difficult it will be to reverse the troubling trends noted herein.

We invite readers to consider this as a call to action for all Canadians to participate in this national conversation. Only by implementing the changes summarized herein can Canada take control of its future destiny. Despite the challenges we face, the opportunity for shared prosperity remains ours for the taking and has never been more achievable in human history. **RM**



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at the Rotman School of Management, Fellow of the Michael Lee-Chin Family Institute for Corporate Citizenship, and member of the Board of Directors of the David & Sharon Johnston Centre for Corporate Governance Innovation. **Joe Manget** is Chairman and CEO of Edgewood Health Network and Board

Chair of Ontario's Health Sector Audit Committee. They are the co-authors of *Everybody's Business: How to Ensure Canadian Prosperity Through the 21st Century* (Sutherland House, 2023).



THE MENTALLY HEALTHY WORKPLACE: Every Leader's Responsibility

Mental health advocate Poppy Jaman describes how leaders can — and must—nurture mentally-healthy workplaces.

Interview by Karen Christensen

You have set out to equip business leaders to address mental health issues in the workplace. Why is this so important?

While any facet of life can impact our mental health, we spend 30 per cent of our waking hours at work — which means employers have a role to play in helping to address it. The business impact of mental health is also substantial: without mentally healthy workplaces, organizations risk reduced productivity, increased costs and loss of competitive advantage.

Work and mental health are closely intertwined, in that a safe and healthy working environment supports mental health while an unsafe or unhealthy environment can undermine it. If left unsupported, poor mental health can interfere with a person's ability to work. The **World Health Organization** recently released a report that included recommendations to tackle risks to mental health such as heavy workloads, negative behaviours and other factors that can create distress at work. For the first time ever, it is now recommending manager training to build capacity to prevent stressful work environments and respond to workers in mental distress.

Global employers have a real opportunity to make a difference here, not only by tackling stigma and providing support when needed, but also by creating an environment where people

can come to work and maintain their good mental health. For decades we thought about work as being completely separate from our personal lives. A degree of segmentation was normal. Then COVID-19 came along, and the boundary between work and life was completely blurred. But there is a silver lining here: We now have an opportunity to reimagine workplaces — and leadership — in a way that enhances people's mental health.

Just how prevalent are mental health issues at the moment?

Globally, 15 per cent of working-age adults are living with a mental health disorder. These conditions are experienced in different ways by different people, with varying degrees of difficulty and distress. In the worst cases, the situation is dire: Globally, every 40 seconds someone dies by suicide. Without effective structures and support in place, despite a willingness to work, the impact of unsupported mental health conditions affects self-confidence, capacity to work, absenteeism — and the ability to gain employment in the first place.

According to a recent **McKinsey Health Institute** report [*Addressing Employee Burnout*, available online], today's workers are reporting very high rates of burnout and distress. This report showed that while mental health exists along a continuum, the



We now have an opportunity to reimagine workplaces in a way that enhances people's mental health.



majority of employees are likely to experience some symptoms of poor mental health and well-being at some point during their working years. At the time of the survey, 59 per cent of workers reported at least one mental health challenge.

In recent years, the burgeoning mental health crisis has made it increasingly clear that we need systemic change to better support our minds. Here in the UK, and in many other places, demand greatly outweighs the supply: we've got young people on waiting lists to see a psychiatrist for up to two years; and referrals to our Crisis Mental Health Services increased by 86 per cent during the pandemic.

Before COVID-19, many people went to work in the dark and came home in the dark. There was no opportunity to pick the kids up from school, to attend the Christmas play or to be present at family dinners on a regular basis. The pandemic changed all of that for lots of people. The question is, How can we redesign work so that human flourishing is possible every day — not just on weekends and during holidays?

You have developed a framework to help organizations achieve this. Please summarize it.

Our Global Thriving at Work framework [available online] consists of three pillars. The first is to *create a culture of well-being and psychological safety*. This means proactively talking about mental health, creating campaigns and having leaders show their own vulnerability. For example, when a leader shares a story about a tough time in their life and what they did to overcome it, that can be extremely powerful. In big business there is this sense of bravado that you should never show a chink in your armour. But that is what I call toxic perfectionism. If leaders show up every day pretending nothing affects them, we are only going to perpetuate mental health struggles in organizations. I always advise leaders to be brave, not perfect.

The second pillar is to *develop a mentally healthy working environment*. We need to aim for an environment where everyone from junior staff up to the C-suite understands how to recognize early warning signs of mental ill-health — and knows how to have a conversation about it. The third pillar is to *make resources, tools and support accessible*. This includes recording and analyzing data around mental health. If you're not recording absences or how people are feeling about their jobs at different points in time, how can you measure any of the changes you put in place? To complement our framework, we have a Global Thriving at Work Assessment [also available online] that enables businesses to measure their progress in achieving the framework standards and benchmark themselves against their peers.

Are there examples of companies that are already doing this, and best practices to follow?

Definitely. My colleagues and I are working closely with 79 global businesses around the world, including **Microsoft, HSBC, BNY Mellon, Allen & Overy, PwC and Deloitte**. Nobody has solved this yet, but these and other companies have put in an enormous amount of effort to create a mental health strategy. For example, HSBC is going to train all of its line managers in 66 countries on some basic mental health skills. At BNY Mellon, we've been training their employees around the world throughout the pandemic on how to have these conversations in different markets, incorporating cultural nuances. The list is long and there is some amazing work being done, but we are still in the early days.

For me, the ultimate goal is to make a difference for mental health globally. If we've got global companies like HSBC in 66 countries and Deloitte in 140, we can start to impact the entire world through the workplace. The other bit that excites me about the work we're doing is around understanding what works in different cultures. For instance, talk therapy is a very Westernized model, and we already know that this approach doesn't necessarily work in some places like India, where a family-therapy approach is more appropriate due to its multi-generational households.

Businesses are waking up to the fact that they must be part of solving the societal jigsaw puzzle. Health organizations will continue to do their bit, of course, but the private sector can accelerate the learning around mental health through experimentation and innovation.

You believe individual managers should be held accountable for the well-being of the people on their teams. How might this be achieved?

A number of companies we are working with have already started addressing this by expanding their 360-degree performance evaluations. They have added in data points related to mental health and well-being, so that entire teams are being asked whether they would feel able to talk to their line manager about their well-being, whether they were able to get support if they needed it, and whether the business is providing enough information and support around mental health. Then all of this is rolled up into a score that directly affects the manager's performance appraisal. We're seeing a similar thing being done for CEOs of businesses, as well. I can't name the business, but one of our members is testing this out with their Global Chief Executive as part of efforts to create a culture that is healthy and inclusive.



FIGURE ONE

You also believe mental well-being should be reflected in job design. What are some of the key elements to consider there?

That’s the next big challenge my colleagues and I are going to tackle. As we’ve been consulting with our 79 members, one thing virtually everyone has referred to is the punishing culture of long working hours. This seems to be accepted in just about all the businesses we’re working with — and not just accepted, but expected. When I was speaking to colleagues in India recently, they told me, “We have to stay up really late and continue working while the U.S. operations have their daytime hours.” Basically, they are being forced to mirror the time schedule in the West. Just imagine the impact that this is having on people’s sleep patterns — which correlate directly with mental health.

One thing I can say with certainty is that there is an appetite for change. We just don’t know exactly what it will look like. One element is, we need to stop creating jobs where people are paid enormous amounts of money with the expectation that they will only have a shelf-life of two or three years (because they will completely burn out). Instead, we should be creating jobs that have longevity and foster an environment where work is part of the employee’s well-being toolkit — rather than a place to come in and be punished for a few years, make lots of money, then move on.

The other thing is, people are living longer. Studies predict that most of Gen Z is going to have five careers because of how long they will live. Maintaining our physical and mental health for as long as possible — so that we build up reserves of stamina and energy — is not just good for people, it will be good for the economy and for communities. Jobs have to reflect that.

Research shows that certain preventative measures are highly effective in maintaining our positive mental health. Describe the Five Ways to Well-Being Framework.

Each individual’s well-being toolkit will be very personal to them, and we each need to figure it out. The framework I use is an evidence-based one from the UK’s **National Health Service** that has five elements: connecting, learning, giving, noticing and moving.

In my experience, connecting is the most important of the five, and actually, peer support is one of the best mental-health protection factors available. Your peer network doesn’t need to be huge to be strong. As long as you have dependable people to connect with on a regular basis, your mental health is going to be enhanced. Personally, I have a number of friends that I see for different things. With some, we talk about family issues; with others, work; and with others, we go for long walks. These connections are really important for me and foster a sense of belonging.

Learning might sound like an obvious element of well-being, but those of us who sit in front of laptops most of the day have something important in common: We need to learn to do something with our hands. I suggest learning something that actually avoids technology, like a martial art or playing a musical instrument, because it will use a different part of your brain and enhance your mental health in a whole new way.

Acts of giving and kindness, both big and small, improve our mental health by creating positive feelings and a sense of reward. You can achieve this in so many ways. It can be little things, like saying thank you to someone for something they have done for you; asking a friend or family member how they are doing — and

Findings From the World Health Organization's Report: Mental Health @Work

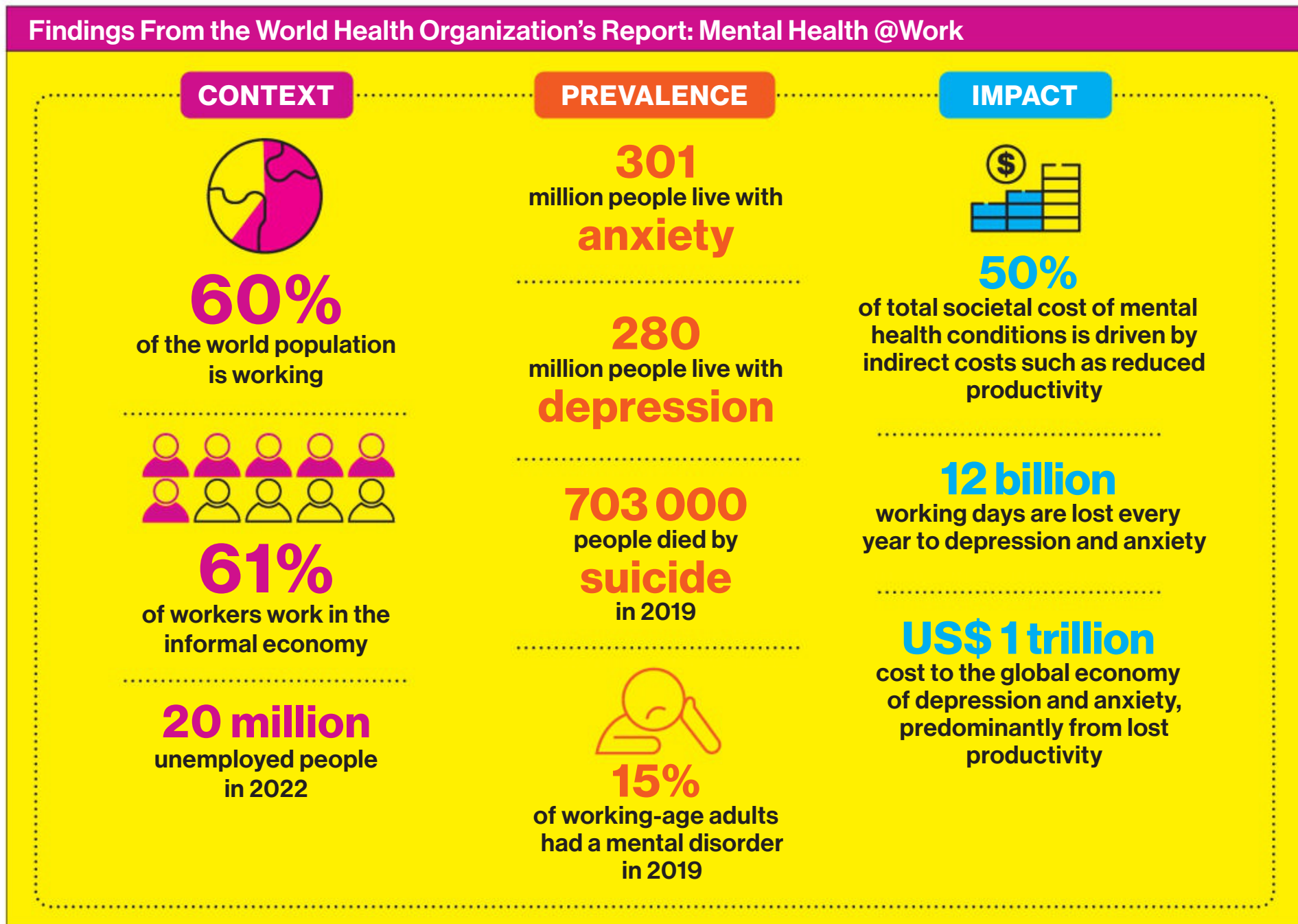


FIGURE TWO

really listening to their answer; or helping out in your community at a school, hospital or senior care home. All of these things will contribute to your feeling of purpose and self-worth.

The fourth element is noticing, which entails paying close attention to the present moment — to your thoughts and feelings, your body and the world around you. Some people meditate and others go for long walks without their phone. Whatever you do, it's about being present and not being caught up in your head — learning to just breathe a little. And the final element is moving. We all know that exercise is good for us, but I'm not talking about running marathons. Even getting up from your desk every 90 minutes and walking around for a few minutes can be very therapeutic.

The key is to find your own version of 'the five ways' and practise them every day. It will be whatever makes you tick, but you need to be conscious about it — because if you can't do

this for yourself, you're not going to be able to advocate for it in your team.

You have said leaders need to learn how to recognize the early warning signs of mental ill-health. What should they be looking out for?

Behaviour that is out of the ordinary or unexpected is usually a giveaway. For example, a star performer suddenly missing an important deadline or becoming very emotional in a meeting. Chances are, something is going on there. To make this a comfortable topic of discussion for your team, I suggest starting with yourself by identifying your own triggers and 'stress signature' — your physiological reaction to stress. The next time you're having a bad day or week, write down what you're feeling, what you're thinking, and how this is being expressed physically. For me, I get headaches, I can't sleep and I become very irritable and micro-



FIGURE THREE

managing. I've been known to send multiple e-mails about the same thing over and over to people, because I can't trust that everything is on track.

Over the years I've built up a muscle so I can recognize my early warning signs — and I've communicated all of this very clearly to my team and to my friends and family. As a result, people can comfortably say to me, "Red flag, Poppy: This week you snapped at me three times!" or "You've already sent me three e-mails about this." Then, we can have a constructive conversation because someone has held up a mirror — one that I myself have advocated for them to hold up.

This approach gives us permission to recognize each other's stressors and start conversations in a factual way. The next time you see a warning sign, you can say, "This is the behaviour you're presenting that is very different from your usual behaviour, so I'm just wondering, are you okay? Is there anything you'd like to talk about?" That is how a mental health conversation starts. It can be that simple.

In every organization and in every personal and family setting, we need to be talking about mental health as something we all have, just like we all have physical health. Let the conversations begin. **RM**



Poppy Jaman, OBE, is Global CEO of the MindForward Alliance. A global authority on workplace mental health, she is also a Director at Re=Balance and a Trustee for The Centre of Mental Health.



Indigenous Economic Strategy 101

Dawn Madahbee Leach — the first Indigenous woman to helm a Canadian lending institution — talks about the first-ever National Indigenous Economic Strategy.

Interview by Sara Wolfe (Rotman MBA '17)

What is the goal of Canada's first-ever National Indigenous Economic Strategy?

This initiative began with the release of a 2020 **OECD** report that recommended that Canada needed an updated National Indigenous Economic Strategy (NIES). Rather than having the federal government develop the strategy, more than 25 National Indigenous Organizations felt it was important that we hold the pen on this initiative on developing this strategy. The National Indigenous Economic Strategy for Canada was released in June 2020 with this vision: socio-economic parity for Indigenous people in Canada. This strategy is a blueprint for achieving that.

Everything about this strategy — from translation services, to printing, academic review, writing, translation — was done by Indigenous people and businesses. The NIES is a great opportunity to transform Canada in a positive way by enabling Indigenous people to drive our own success. That point is very important. This is a strategy to help redress the inequities that have occurred from purposely being restricted from participating in this country's economy. People must learn Canada's true history to fully understand this reality.

What are the key elements of the economic strategy?

The strategy is intended to influence others in developing their own strategic plans or reconciliation action plans. This is a guide for every level of government, every institution, corporate Canada, SMEs, mainstream Canadians and our own people. The strategy covers four strategic pathways: People, Lands, Infrastructure and Finance. Each pathway includes a vision that describes a desired outcome, and I encourage readers to set some time aside to review and digest the complete document, which is available at niestrategy.ca. Put simply, we looked ahead to envision what our communities could be like and included 107 'calls to prosperity' in the document. Many of the recommendations and calls are not new; many are derived from the **Truth and Reconciliation Commission Report**, the **Royal Commission on Aboriginal People's Report**, the **UN Declaration on the Rights of Indigenous People** and even some court rulings.

The objective of all of this is to not only address our land claims and recognize our legal jurisdiction in our traditional territories, but to also work towards having Indigenous levels of education, employment and income equal to that of others in Canada.

Full reconciliation with Indigenous people cannot be achieved without economic reconciliation.

It is also important to develop the Indigenous business leaders of tomorrow. It is critical for our young people to be able to see themselves running a business. So, under Indigenous entrepreneurship, we call for the government to establish a financial literacy and business curriculum for both our youth and adults; for business leaders to develop mentorship programs for our youth; and to ensure that Indigenous entrepreneurs have access to capital and enabling programs to fully participate in the economy.

Under the Infrastructure Pathway, our vision is that state-of-the-art physical and institutional infrastructure and services be put in place to ensure a prosperous Indigenous economy for future generations. And under the Finance Pathway, our vision is that Indigenous peoples and communities can access the financial capital to achieve economic and social prosperity on their own terms.

Under the Lands Pathway, we have the heading Environmental Stewardship, where we call for all levels of government to ensure that Indigenous representatives are included on every federal, provincial, territorial and municipal regulatory environmental body; that Indigenous environmental bodies and people are required as monitors of all energy and resource projects; and that Indigenous interests are paramount in all consultation processes on major resource and energy projects.

How do you define economic reconciliation?

To be clear, full reconciliation with Indigenous people cannot be achieved without economic reconciliation. It is not only the fair and right thing to do, there is also a compelling business case for every Canadian to support this. When Indigenous communities prosper, so do the regions around them. Economic impact studies prove this over and over again. The fact is, sustainable resource development will require our involvement; mitigating climate change will require our involvement; opening doors to international trade will require our involvement; addressing labour shortages will require our involvement; and improving Canada's global standing on human rights issues will require our involvement.

One major call under the Lands Pathway in the NIES is for Indigenous land jurisdiction to be enshrined in the knowledge that the land was never ceded; it was intended to be shared and protected for future generations. For us, 'Land' encompasses all elements including water, air and resources that lay above and beneath the land. Economic reconciliation will be attained only when all land-related claims and issues are resolved.

Achieving economic progress in Canada from an Indigenous perspective will require mechanisms to recognize Indigenous governments as formal decision-makers holding jurisdiction. This would include the establishment of co-management regimes and the development of national and regional Indigenous-led institutions. That's a big part of the NIES. Achieving economic reconciliation will also require ending the marginalization of our people through more effective inclusion at all decision-making levels — including in this country's boardrooms.

How will we know when economic reconciliation is close to being achieved?

For us, it will be very easy to spot progress. Whenever there is a **Canadian Tire** store or a **Walmart** near an Indigenous community and you see our people working there. When you see our people working in the community's banks, in government offices and appointed to Board positions in the big companies. When you see our social licence properly valued in all major developments in our traditional territories and we receive our fair share of the benefits from these developments. And when our communities decide that no developments will take place after being properly educated and informed about the development and that decision is respected.

For leaders who want to get started on making this a reality, what actions do you recommend?

Three things that come to mind right away are procurement opportunities, enabling access to capital and capacity development. On access to capital, I have been managing an Indigenous Financial Institution for the past 35 years. To date, we've invested \$125 million in Indigenous businesses, but only in small increments

with a maximum cap of \$250,000, as restricted by our limited capital. But today, it costs \$500,000 to \$1 million to buy or build a commercial facility or purchase a piece of specialized machinery for that amount, yet that is our limit. We need to expand supports in terms of access to capital.

The fact is, if Indigenous people had the same education, employment and income levels as the rest of Canadians, our country's GDP would grow by about \$32 billion a year. To achieve this, we need to create about 135,000 jobs for Indigenous people. That might sound daunting, but if you break it down by region and industry, it is not an insurmountable goal. In Ontario for example, we're talking about just under 20,000 jobs. Surely, if all education, health or justice institutions, all levels of government, corporate Canada and our own communities took on part of this goal, we could create 20,000 jobs in this province.

Do you feel Canada's business leaders are open to this strategy?

Already, many leaders have begun to understand that the lands they operate on lie within the traditional territories of Indigenous people from coast to coast to coast. And because of this, many of them recognize that building strong relationships with Indigenous people is simply good business. They know how important it is to employ Indigenous people and to engage us in decision-making in the communities in which they operate. But this mindset needs to become the norm.

This is not about benevolence: Strong Indigenous businesses and economies attract foreign investment, and Indigenous businesses are twice as likely to export as non-Indigenous businesses. The fact is, when we are included, we help to shape and drive the direction businesses go in — particularly with respect to sustainability, the climate and the environment. Investors, shareholders and regulators are increasing their focus on environment, social and governance criteria, and Indigenous empowerment. Investment will flow where there is support for Indigenous participation.

For small and medium-size businesses (SMEs) in particular, the purchasing power of Indigenous peoples is significant.

But if any business wants to have solid Indigenous patronage, it must reflect the community, both in its leadership and in its employee base.

You've been working with small businesses in your community on Manitoulin Island for a while now. Where do you see them in this picture?

Young people's creativity and STEM programs are absolutely critical to the success of this strategy. And progress is underway: I am proud to say that a high school on Manitoulin Island on the Wikwemikong unceded reserve has produced talented teams of young people who have been competing in science competitions across Canada and the U.S. — and winning.

Like everywhere else in the world, innovation is key to our future. But it's difficult to talk about innovation when there is still a significant telecommunications connectivity issue across Canada for most of our communities. This became really apparent during COVID-19, when many of the homes in my community were unable to access online classes for our kids. There were also plenty of problems with healthcare in remote communities throughout the pandemic. That's why there's a whole section on infrastructure in the NIES, along with recommendations.

A couple of nights ago, I was visiting with some teenage Indigenous girls who were in a bead working class, and they were expressing their frustration at not being able to connect to the Internet. Innovation in big city centres enables people to achieve amazing things. But in smaller communities, if we wanted to teach our people how to develop apps or platforms, for example, it is currently impossible. We need to address this urgently, and there needs to be a concerted effort.

Can you share some Indigenous business success stories?

There are institutions that are starting to help First Nations-owned businesses. For example, the **First Nations Finance Authority**, which raises capital through bonds, very similar to municipal loans. This was an impetus for the financing of the **Clearwater Seafoods** deal by the Mi'kmaq people. This is a huge initiative — the largest in Canada — where Indigenous

Four Important Truths

- **IF Indigenous Peoples had the same education and training as non-Indigenous Peoples, the resulting increase in productivity would mean an additional \$8.5 billion in income earned annually by the Indigenous population.**
- **IF Indigenous Peoples were given the same access to economic opportunities available to other Canadians, the resulting increase in employment would result in an additional \$6.9 billion per year in employment income and approximately 135,000 newly employed Indigenous Peoples.**
- **IF the poverty rates among Indigenous Peoples were reduced, the fiscal costs associated with supporting people living in poverty would decline by an estimated \$8.4 billion annually.**
- **IF the gap in opportunities for Indigenous communities across Canada were closed, it would result in an increase in GDP of \$27.7 billion annually or a boost of about 1.5% to Canada's economy.**

communities became the owners of one of the largest Clearwater fisheries in Canada. This was an amazing deal for all parties involved — but if we didn't have the First Nations Finance Authority in place, it wouldn't have happened.

Recently I visited one of the urban reserves in Saskatoon. I remember going there 25 years ago when they first established it, and it only had two small buildings. When I visited recently, I was amazed: there are now several commercial buildings including an eight-story medical building with 41 doctors practicing, and 12 of them are Indigenous. They have a wide variety of retail and commercial offices — and they've actually run out of space. This urban reserve is generating more than tens of million annually, which goes back into the community.

The City of Saskatoon is also benefiting greatly from its urban reserves. They are bringing prosperity to that city — and this can and should happen across the country. It should be happening right here in Ontario; I actually can't believe it isn't. Every major city in Ontario should have urban reserves.

What is the role of Indigenous peoples in achieving carbon neutrality by 2050?

On the educational side, it's really important to have our community members learn the latest insights about critical minerals

and how necessary they are for producing the world's technology, for the vehicles we drive and for the medical equipment we use. It's also important for companies involved in resource development to respect our decisions: If community leaders receive all the information they need about a particular mineral or resource project in their territory, and they *still* say No to it, that has to be respected as climate change will also need no-development green space. Going forward, education will enable better-informed decisions about resource development. The First Nations Major Projects Coalition has a saying that "All roads to net zero run through Indigenous communities."

Are Canada's big banks doing their part?

We are trying to work with the big banks, all of which have Indigenous units. But it's difficult because First Nations loans still need to be double- or triple-secured and are regarded as high risk.

I think the banks need to start using a different framework for evaluating risk. The network of Indigenous Financial Institutions across Canada experience a 92 to 94 per cent success rate on loan repayment. And our entrepreneurs stay in business longer than five years, which is a rate higher than the Canadian average. People still view us as risky, yet during COVID-19, not a single one of our businesses went under. Indigenous entrepreneurs are committed to paying their debt. I think it's really important to understand that regular financing rules just don't apply to our people. And there are definitely ways to mitigate risk without enacting triple security.

What is it that gets you most excited about the NIES?

There are two things. First, I am thrilled that so many people are reading it and starting to include it in their own strategic plans. When we released this report last June, more than 60 countries downloaded copies *on the very first day*.

Notably, we don't get too much into the truth issues in the document because that work was ably documented in the Truth and Reconciliation Commission Report. But I do believe it's important for people on their own truth journey to learn about the NIES, because it will give them hope for the future. That's the second thing that excites me the most about it. Hope is a very powerful thing.

The National Indigenous Economic Strategy



FIGURE TWO

‘Seventh generation’ is an Indigenous concept that is all about looking back and looking ahead. It teaches that our actions today will have their biggest impact seven generations from now. If you look ahead seven generations, what do you see?

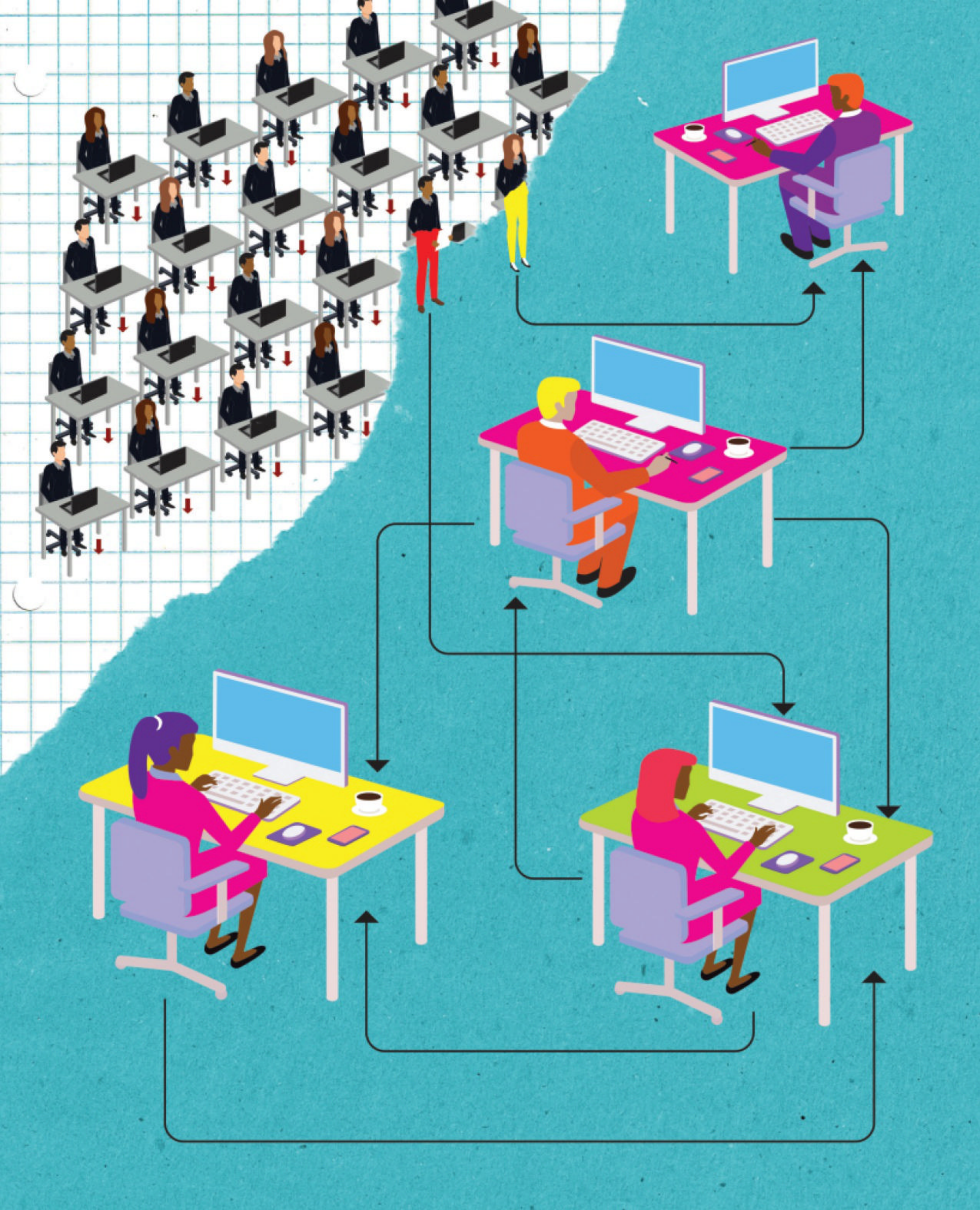
I see prosperous Indigenous communities, right across Canada. I always have. Back in 1988, when we developed the Waubetek Business Development Corporation (WBDC), there were only five Indigenous-owned businesses on Manitoulin Island. Today there are hundreds. I am still proud to be the General Manager of WBDC. I’ve been there right from the start, working alongside our leaders.

I remember we started by sitting in a room together and doing a visioning exercise. We talked about simple things like getting paved streets for our community and more complex things like proper schools to teach our children and good infrastructure. We saw our people gainfully employed, with nice homes and yards. We saw a lot of stability and pride. We also saw our cultural practices coming back to life. And I can say today that I’ve lived long enough to see most of this happen.

I can only imagine what things will look like once our people start helping to guide how Canada moves forward with respect to saving this planet. I know we can do a lot of great work in that regard. One thing I would really like to see in my lifetime is more of our people educated at the highest levels, leading Canada’s largest institutions and sitting on boards. One thing is certain: we’re going to work really hard to make sure this happens. **RM**



Dawn Madahbee Leach is Chair of the National Indigenous Economic Development Board and General Manager of the Waubetek Business Development Corporation. She is a Board Member of Peace Hills Trust, NioBay Metals Inc. and the Centre of Excellence for Indigenous Minerals Development, and a member of the Steering Committee for the Indigenous Innovative Housing Initiative.



REMOTE WORK AND INEQUALITY: LESSONS FOR LEADERS

If workplaces have policies that support healthy remote and hybrid work models, not only will employees and organizations benefit, so will equality in the workplace.

by Carmina Ravanera, Kim de Laat and Sarah Kaplan

AS COVID-19 PANDEMIC RESTRICTIONS have eased, many of us are still working from home. Whether in a hybrid arrangement or working remotely full-time, a lot of people prefer skipping their commute to enjoy a more relaxed working environment. **Statistics Canada** reports that 80 per cent of those who began working remotely during the pandemic would prefer to continue working at least half of their hours at home.

The way that people perceive and experience work has changed drastically over the last two years. But how have marginalized workers, specifically, been affected by the shift to working from home? And what types of work design will best facilitate equity, well-being and opportunity for workers moving forward?

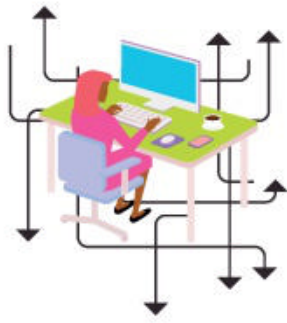
Analyzing the dynamics of remote work with an intersectional lens — one that pays attention to the compounding impacts of gender, race, Indigeneity, immigration status, disability and other factors — allows us to understand how different groups may be experiencing this transformation in work culture. While remote and hybrid work models have improved many workers'

lives, they are also associated with career penalties, work-family conflict, higher stress levels and other mental health challenges — particularly for those who were already experiencing inequity.

Many of these disadvantages come about not because of anything inherent about remote work but because of the biases, stereotypes and social norms surrounding paid and unpaid work. Organizations therefore need to take measures to ensure well-being and fairness for all employees who are now working from home.

Why Remote Work Should Be Here to Stay

Remote and flexible work arrangements reduce barriers to work, contributing to economic equality. For example, caregiving responsibilities — most often done by women — are often easier to take on while working from home. Research shows that remote and flexible work arrangements facilitate women's return to work after childbirth and help them remain in the workforce, leading to economic benefits not only for women but also their



One economic advantage of remote work is being able to work from anywhere—including outside of expensive urban areas.

families and the economy overall. A recent study in the UK found that women with access to flexible work hours and remote work are less likely to reduce their working hours after having children. Another found that mothers who telecommuted during the pandemic were able to maintain paid work to a greater extent than mothers who worked onsite, while fathers' work hours did not differ. It follows that recent polling data in Canada shows that 91 per cent of women want to work remotely at least part time, and 45 per cent of women report that they will quit their jobs if they are not able to do so.

Another potential economic advantage of remote work relates to the benefit of being able to work from anywhere—including outside of expensive urban areas. A recent study conducted in the U.S. investigated home ownership and telework and found that nearly two million households are at a 'telework tipping point' for home ownership: Their jobs can be performed remotely, and they could afford to buy a home in a less expensive nearby locale if granted permanent access to telework arrangements. The researchers found that nationwide, Asian and Latinx renters are most likely to be in this tipping point; while in metropolitan areas, Black renters are most likely. Considering that home ownership is related to generational wealth, access to remote work could significantly benefit racialized families.

Remote work is also linked to improving worker wellness and job performance. Some research on part-time teleworkers has found that when they work from home, they have a higher ability to concentrate and require less recovery from stress after work, compared to when they work in-office. Other research has linked remote work to increased positive emotions such as feeling at ease, enthusiasm and happiness. Studies have also suggested that it may result in higher job satisfaction, organizational belonging, job performance, motivation and productivity, as well as a significant reduction in attrition. Some of these results may come about partially because eliminating commuting allows workers to save time and energy.

Workers who belong to marginalized groups may particularly find that remote work makes them feel more at ease. Re-

search suggests that when they work remotely rather than in the office, women are less likely to experience everyday gender discrimination such as slights and offences occurring in interactions with colleagues or clients (such as being asked to clean the workplace kitchen). And although scholarly research has not yet been released on similar racial impacts, a 2021 study by the non-profit **Future Forum** found that only three per cent of Black professionals report wanting to return to work compared to 21 per cent of their white peers. This is because remote work has allowed them to avoid microaggressions and other demeaning remarks in the workplace while increasing their ability to manage stress. Further, in a small-scale study conducted during the pandemic, persons with disabilities working remotely reported that the majority found it reduced their stress in part because it increased their ability to work safely; although some discussed experiencing distractions at home, telecommuting was still their preferred option.

The Flip Side: Downsides of Remote Work

Although remote work may sound like a catch-all solution for issues of workplace inequality, organizations need to implement it carefully and with attention to mitigating bias, marginalization and isolation.

Even though many people enjoy the flexibility of working from home, remote work does not align with the pervasive and stereotypical 'ideal worker' norm, and as a result, employers may stigmatize their employees for choosing to do so. Traditionally, employees have demonstrated career dedication by working long hours and putting in face time. Remote workers indeed have decreased visibility, which can lead to incorrect perceptions that they work less hard than their in-office counterparts, or that they are less ambitious.

Although people of all genders desire workplace flexibility, it is women whom organizations tend to penalize for teleworking. This is partly because women often make use of formal accommodation policies (which are often targeted towards mothers) while men work remotely on an ad hoc basis, allowing them to

more readily ‘pass’ as an ideal worker. In turn, women face more career penalties, even though they are not the only ones deviating from the ideal-worker norm, while men taking informal accommodations don’t confront the same penalties. In fact, when organizations have formal flexible work policies in place, leaders may use these policies as a signal that they are ‘progressive’ — and therefore not responsible for women’s stalled advancement. They can then deflect attention away from the idea that unconscious bias or discrimination may continue to affect women’s advancement even with such policies in place.

This bias about remote work can have negative consequences, such as wage penalties and fewer promotions, and intersectional analyses point out that these consequences hinge on race, gender and caregiving status. In the U.S., a study found that pre-pandemic, in occupations where remote work was common, mothers working at home most days of the week earned less than mothers working on-site.

Another study showed that compared to fathers, mothers’ earnings are more sensitive to reductions in hours worked on-site: with each hour worked off-site, their earnings decreased more than those of fathers. Research has also found that remote working led to an 18 per cent decrease in the mean hourly wages of Black women, compared to an eight per cent decrease for white women. The researchers suggest that Black women were more likely to be subject to bias for teleworking through being allocated less valuable assignments, for example.

But discouraging remote work is not beneficial for employers: a 2018 study found that when workers perceived their organization to be biased against flexibility arrangements, their job satisfaction and engagement decreased and their turnover intentions and work-life spillover increased. This was true for all workers, including men without children who are the classic ‘ideal workers.’ The bottom line: It is up to employers to ensure that flexibility policies and practices are implemented without stigmatizing workers who use them.

Remote workers may also find that although they enjoy working remotely, it can affect their well-being by dissolving

boundaries between paid and unpaid work. A gender lens is similarly important here, because in heterosexual relationships, it is women who tend to take on more unpaid work. Research conducted during the pandemic shows that when both men and women worked remotely, men’s childcare and domestic work increased, but women’s did as well. When only mothers worked remotely or when neither parent worked remotely, mothers again took on most additional caring and homeschooling. Another study from the **OECD** suggested that over 61 per cent of mothers with children under 12 reported doing most or all extra care work during the pandemic.

The gender gap in unpaid work was largely unchanged during the pandemic, even with the rise of remote work. Scholars have therefore suggested that remote work may be contributing to ‘role congestion’ for mothers, whereby they blend their work and personal lives to an unsustainable degree. For example, they might be more likely to work on weekends or while doing unpaid tasks such as cooking or helping children with homework.

This role congestion can translate into increased stress and other mental health issues. A U.S. study during the pandemic showed that 62 per cent of telecommuting women compared to 43 per cent of telecommuting men reported two or more mental health issues after beginning working from home, including depression, loneliness, anxiety and stress, as well as increased fatigue. Research focusing particularly on caregivers found that mothers who telecommuted during the pandemic reported significantly higher anxiety, loneliness and depression than fathers who telecommuted (there were no statistically significant differences between genders for those who did not telecommute).

This mental-health load is exacerbated when employers closely monitor remote workers online or assume that they are available to check their e-mail at any time of day or night. Establishing boundaries can be difficult when employees feel like they must always be ‘on,’ and monitoring remote workers leads to increased strain.

Finally, working at home might make employees feel lonelier and more isolated. Many of us form close social connections

The Pros and Cons of Remote Work

- **Access to remote work is not equal.** The ability to telecommute disproportionately belongs to higher-income, white-collar workers who are predominantly white and male. Those with poor access to housing and high-speed internet or who experience unsafe situations such as domestic violence cannot readily work remotely.
- **Remote work has mixed effects on well-being.** It can reduce stress and exposure to microaggressions, increase motivation and job satisfaction, and allow for more time spent with family. However, it can also contribute to increased exhaustion, feelings of loneliness and isolation and other mental health challenges, particularly during crises such as the pandemic, and especially for people with caregiving responsibilities.
- **Remote work can increase work-family conflict without other supports in place to prevent it.** Primary caregivers, who tend to be women, may particularly experience an erosion of boundaries between work and care responsibilities while working from home, leading to an unsustainable amount of paid and unpaid work. This comes about partly because of gender norms and stereotypes that result in women taking on disproportionate domestic and care work when compared to men.
- **Remote work increases economic opportunity, such as by allowing workers with other responsibilities such as caregiving to remain in the workforce and by allowing workers to move to less expensive regions.** However, although many workers of different social identities use flexible work arrangements, women and racialized people tend to experience disproportionate stigma and bias for using them, resulting in significant career penalties such as wage reductions and fewer promotions.
- **The impact of remote work on the environment is equivocal.** Although an increase in remote work has the direct effect of reducing carbon emissions due to reduced commuting, increased energy use in homes, increased car use due to workers moving away from urban locales and other indirect impacts may negate reduced emissions.

in our workplaces, and those might disappear when we work from home all the time. In a recent global **Microsoft** survey of 31,000 workers, 56 per cent of remote workers reported that they had fewer work friendships than before they worked remotely, and 50 per cent felt lonelier than before. **Zoom** meetings aren't a good substitute for in-person socialization.

A More Equal Future

Remote work is here to stay — which means it's more important than ever for organizations to prioritize equality and well-being for all employees. Although there is often a focus on how remote work benefits people who have caregiving responsibilities or disabilities, remote work has advantages for all workers — such as increasing their job performance, productivity and positive feelings.

It would benefit both workers and employers if organizations offered remote work options on a regular basis and ensured that these options are not stigmatized or allocated for specific groups. That is, remote and flexible work arrangements should be normalized for all workers rather than being treated as a special accommodation. Leaders should also work remotely to set the example that such practices are acceptable, and organizations can give managers training on the benefits of these arrangements. Further, organizations must ensure that promotions and raises are not based on face time, and that they provide valuable opportunities for networking, even for remote workers.

Making remote work more equitable also necessitates attention to work design. Studies indicate that some forms of work practices and routines (i.e. more traditionally bureaucratic arrangements) facilitate the use of remote work and flexible work policies more than others because procedures are more likely to be standardized, and project documentation is accessible online. This reduces information asymmetry for those working remotely.

Work design for this new world of work must also consider how to foster team member risk-taking, acceptance and trust in hybrid and remote contexts. Because communication among team members is more formal and scheduled when working remotely, it can be more challenging to request help informally or to bounce ideas off of co-workers. This is especially the case for employees who are members of marginalized groups, who may have ongoing challenges gaining acceptance and experiencing trust at work.

In order to facilitate trust and reduce information asymmetry, managers of remote- and hybrid-working teams can be intentional about creating opportunities for team-building and ensuring that policies, procedures and responsibilities are

explicitly outlined and accessible online. If remote or hybrid work is implemented without changes to work design, organizations risk exacerbating the costs indicated herein and reaping none of the benefits.

Initiatives for social support can also improve the well-being of remote workers. Not all workers have strong social networks outside of work, which can make remote work feel particularly isolating. Organizations can facilitate social groups at work, including those that allow for members of marginalized groups to maintain important networks, such as employee resource networks for women, racialized groups and people with disabilities. To avoid having such virtual social interactions feel forced or like a ‘chore’ compared to in-person socialization, care must be taken in designing them so that they create meaningful interaction. To reduce strain and work-life conflict for remote workers, organizations can also eliminate employee monitoring and enforce a ‘right to disconnect’ from work outside of standard working hours.

In closing

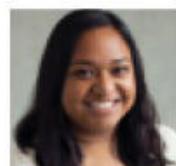
The COVID-19 pandemic provoked a host of transformations for both paid and unpaid work. For many workers, particularly those in white-collar, knowledge-work professions, it provided the opportunity to experience working from home full-time. While some remote workers found that this change allowed them to become more productive, more at ease, less stressed and able to experience more freedom from day to day, for others — especially those in marginalized groups — the shift may have come with increased social isolation, strain and work-family conflict, as well as the possibility of experiencing increased bias that could lead to, or has already led to, reduced career opportunities.

It is important for both organizational and public policy leaders to address this transformation of work with an intersectional lens, and to create policies and initiatives that prioritize well-being and prosperity for all remote workers—not just those who fit the ‘ideal worker’ norm.

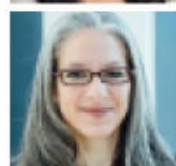
The good news is this: When workplaces have policies that support healthy remote and hybrid work models, not only do employees and organizations benefit, so does equality in the workplace. **RM**

Lessons for the Future of Work

- **Remote work policies must be matched by public and organizational policies that address gendered structures.** Such structures contribute to increased work-life conflict and mental health issues for caregiving women while working from home. Public policies such as affordable childcare, adequate paid family leave and a range of options for flexible work can facilitate more egalitarian relationships and households.
- **Both workers and organizations benefit from policies that remove any stigma of remote work because it increases worker motivation and job performance.** Organizations can offer these options on a regular basis and ensure that they are accessible for everyone and universally appealing to people of all genders and backgrounds.
- **Office workspaces and work design can be transformed to facilitate different forms of work.** Studies indicate that some forms of work practices and routines (i.e. more traditionally bureaucratic arrangements) facilitate the use of remote work and flexible work policies more than others. Flexible work stigma can also be reduced by ensuring information is accessible online, and creating team-building opportunities for hybrid- and remote-working employees.
- **Organizational initiatives can decrease work-family conflict,** such as by ensuring reliable and consistent communication to all employees, establishing that workers know they do not have to work longer hours at home and eliminating employee monitoring.



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at the Stratford School of Interaction Design and Business, University of Waterloo. GATE Founding Director **Sarah Kaplan** is Distinguished Professor of Gender & the Economy and Professor of Strategic Management at the Rotman School. She is the author of *The 360° Corporation: From Stakeholder*

Trade-offs to Transformation (Stanford Business Books, 2019). This article has been adapted from GATE’s report, *The Future of Work: Will Remote Work Help or Hinder the Pursuit of Equality?* which is available online.



THE ADJACENT POSSIBLE:

Opportunities to Shape the World for the Better

There are infinite possibilities hiding in the world around us. Seven principles can help you tap into an expansive field of opportunity, individually and as an organization.

by Nathan Furr and Susannah Harmon Furr

IMAGINE A KIND OF SHADOWY FUTURE, hovering at the edges of the present state of things; a map of all the various ways in which the present can reinvent itself. This, dear readers, is the ever-present state known as the ‘adjacent possible.’

The term was coined by theoretical biologist **Stuart A. Kauffman**, who used it to describe how evolutionary adaptations often find surprising new uses in *At Home in the Universe*. For instance, how feathers, evolved for warmth, turned out to be useful for flying; or how the complex jawbones of fish, no longer useful on land, proved useful for hearing. Kauffman went on to apply the term to underscore that although we may perceive a finite world, there are actually infinite possibilities hidden around us. His favourite example is the screwdriver. Most of us see a single use, but in fact, there are infinite ways it can be used. It can turn screws, wedge a door, be used in a sculpture, for spearfishing, and so on.

As applied to modern innovation by **Steven Johnson**, best-selling author of *Where Good Ideas Come From*, the adjacent possible tells us that at any moment, the world is capable of extraordinary change; but that only certain changes can happen, because good ideas are inevitably constrained by the objects and skills that surround them.

A green sheet of paper can be torn to look like grass while a

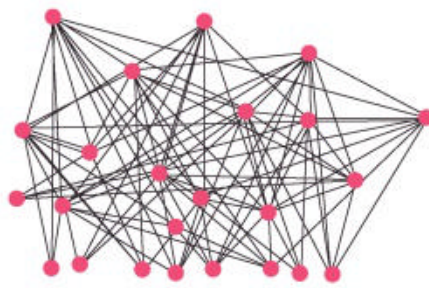
black sheet of paper can be folded into a pair of cool sunglasses. And in a modern world overflowing with data, the possibilities are endless. As **Kumar Srivastava** recently argued in *Wired* magazine:

Looking adjacently from the data set that is the main target of analysis can uncover other related data sets that offer more context, signals and potential insights through their blending with the main data set.

How can we tap into this expansive field of opportunity hovering just out of sight? In this article we will offer up some principles to embrace.

PRINCIPLE 1: PAY GREATER ATTENTION

In the 19th century, surgeon **Joseph Lister** noted something curious: carbolic acid that was used to treat the sewage spread on fields reduced the number of parasites in the cattle grazing there. He wondered if carbolic acid could also decrease the amount of bacteria in wounds after surgery. He experimented and discovered that using antiseptics reduced mortality rates after major operations from 40 per cent to less than three per cent by 1910, saving as many lives as were lost in all the wars of the 19th century.



PRINCIPLE 2: CAREFULLY CONSIDER THE PROBLEM YOU ARE FACING.

Adjacent possibles also reveal themselves when we look thoughtfully at the problems we face. When **Barbara Alink** and her aging mother passed a group of elderly people sitting in wheelchairs, Alink’s mother announced, “Over my dead body will I ever use one of those.” Baffled by her mother’s statement, Alink realized, as she put it, “we live in a society that has caused a divide between people with and without disabilities. Mobility devices emphasize the disability.” Alink is quick to clarify that wheelchairs are “amazing” for people who need them, but 60 per cent of wheelchair users still have some use of their legs, and she wanted to make a device that gave greater freedom for that 60 per cent.

She set about designing a device “so cool that it overcomes the discomfort other people have with the disability.” Using available bicycle parts, she designed the Alinker, which has a tricycle-like frame that allows users to remain at eye level, get around using their feet, and keep their hands free. The device required years of prototyping and she funded multiple iterations on personal credit cards, but in the end, she succeeded in creating a device that allows users to engage with people at face level while also giving them greater mobility.

Alinker users can’t express enough gratitude. For ten-year-old Luca, who required 24/7 care and was always lying on his side, the Alinker has given him his childhood back: he can snack from the countertop, engage with friends and is even learning to swing a cricket bat.

PRINCIPLE 3: QUESTION ASSUMPTIONS

Adjacent possibles also reveal themselves when we *question assumptions*. **Vicki Saunders**, a successful executive, recalls discovering this as a young woman living in Europe when the Berlin Wall came down. She jumped on a train to Prague, where “every sentence was, ‘Now that I’m free, I’m going to do this. Now that I’m free, I’m going to do that.’ Every single person was dreaming. It was absolutely intoxicating.” Amid the elation, Saunders suddenly thought, *Oh my god! I’m free too! What am I going to do?*

When she reframed her own situation, it allowed her to see new and bolder options. “I ended up staying for four years, and

it completely changed my life,” she concludes. After a career in Silicon Valley, she began to wonder why for her it “felt like a burden to be a woman in business. It felt like a burden to be a woman in society.” One day she realized, “I’m not surprised it is hard, because we were not at the table to design this world.” Only four per cent of venture capital money goes to women founders, and five men hold as much wealth as 3.5 billion people.

“How do you solve this?” Saunders asked. “Where are the acupuncture points in the system where you could create disruption so you could open up everything? For me, there were three: finance, education and media. We need to fund women’s ideas.” Inspired by the Native peoples of the United States and Canada, whose wealth was demonstrated by how much they gave away, Saunders began to experiment with ‘radical generosity.’

She founded **Coralus** (formerly SheEO), a perpetual investment fund where women give \$1,100 to become ‘activators,’ loaning to female entrepreneurs at a zero per cent interest rate. This fund is built on “the sanity of women looking at something, saying, ‘That makes sense to me. It is doing good in the world. I’d like to support it,’” Saunders explains. “Fifty per cent of the population have had innovations sitting on the sidelines for generations. We have ideas on how to change things, and we haven’t been able to get funded.” Curious about the kinds of projects Coralus funds? For one, it funded the Alinker.

PRINCIPLE 4: PURPOSELY RECOMBINE THINGS

Adjacent possibles reveal themselves, too, when we *purposefully recombine* things. **Van Phillips** enrolled in medical school because he was curious about creating a better prosthetic after losing a leg in a boating accident. His professors discouraged him, claiming all the prosthetic advancements had already been made. But Phillips argued that while existing prosthetics looked like a leg, they didn’t function like one.

More interested in function than form, he borrowed principles from diving boards, pole vaults and cheetahs to create the Flex-Foot, a carbon fibre prosthetic that works like a spring to help wearers move in ways — including running and jumping — that other prostheses don’t. It has even been used in professional athletic competitions.

PRINCIPLE 5: ASK ‘WHAT’S MISSING?’

Adjacent possibles can also reveal themselves when we ask what’s missing. Designer **Adrien Gardère** is famous for the Melampo Lamp, for which he borrowed the folding mechanism of an Opinel knife to create two positions — straight down for diffuse indirect light or inclined for direct light. Today he designs spaces like the Louvre-Lens museum in France and the Egyptian Museum in Cairo.

Recently he was asked to reimagine Chinese-French artist **Huang Yong Ping’s** installation in Paris’s Grand Palais, which featured a dragon’s silver skeleton wrapping around shipping containers. The exhibit, a commentary on China and global commerce, was well received, and the group supporting it made five to-scale models to recoup some of the exhibit’s cost. When none sold, they asked Gardère to explore why.

He observed the model and noticed something critical was missing: The model did not capture the play of light and shadow through the glass ceiling of the Grand Palais. Gardère set about designing a projector system that recreated the light of the Parisian sun as it passed over the windows of the historic building. The results were stunning, and the five models quickly sold.

PRINCIPLE 6: CONSIDER THE WORST-CASE SCENARIO.

If we’re facing a tempting but risky choice, sometimes adjacent possibles reveal themselves when we ask what the worst-case scenario is. **Steve Blank**, the serial entrepreneur and father of the Lean Start-up movement, began his career as an engineer. He recounts visiting Silicon Valley for a work assignment and being shocked upon opening the *Mercury News* to find page upon page of job listings. Blank decided right then to quit his job and stay. His colleague thought he was insane — back home, positions were scarce. But Blank asked himself, “What’s the worst that could happen? I knew that in this country I wouldn’t starve, so why not try?” Reframing the choice this way, Blank saw a viable adjacent possible, which gave him the courage to face one of life’s scariest uncertainties — joblessness — and ultimately enabled a much more dynamic career than if he had stayed with what was comfortable and certain.

PRINCIPLE 7: QUESTION THE STATUS QUO.

Finally, adjacent possibles reveal themselves by questioning status quo assumptions, like where we can live, how much we need to earn or our definition of a good life. **Lynne Curran**, a tapestry artist featured in the Uffizi Gallery in Florence, Italy, and **David Swift**, an artist and educator who has worked with refugees and people with mental illnesses, are a creative couple who challenge norms. Rich in life but poor in resources, they bought an old house in Edinburgh, Scotland, so decrepit that the assessor suggested they demolish it.

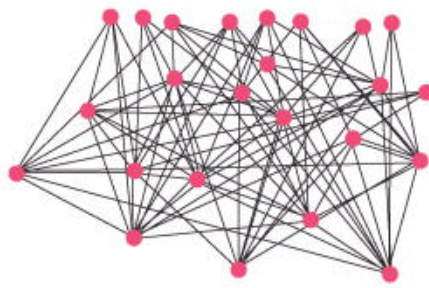
Instead, they transformed it into a gem regularly featured in design magazines with a gorgeous garden. But when a correctional facility opened next door, young men out on ‘good behaviour’ started breaking in, lighting cars on fire and throwing stones through the windows. The anxiety interrupting their work demanded a change. Unable to afford anything with any potential remotely close to Edinburgh, they at first searched the suburbs, but then asked: Why stay here?

They considered Japan but settled on Tuscany, a place they had visited before and loved, and where they found an ancient farmhouse in Chiusi della Verna, the mystical mountainside of **Michelangelo’s** youth. They moved in, again after significant renovations, and now can wake in the morning to see the mist clinging to the hills, walk past the rock Michelangelo painted into *The Creation of Adam* in the Sistine Chapel’s ceiling and take fresh water from the springs that cover the mountainside.

The Limitations of the Present

As Steven Johnson has described it, adjacent possibles are “intelligently curtailed at every step by the limitations of the present.” This may be no better illustrated than by the life of **Buckminster Fuller**, who suffered a series of defeats that left him contemplating taking his own life. After getting kicked out of Harvard twice, he married and then co-founded a company, only to be pushed out of that same company a few years later, just after losing his three-year-old daughter to spinal meningitis.

With no job prospects and a second baby on the way, he wandered the streets of Chicago, thinking of drowning himself so his family could at least collect the life insurance payments. Then,



in an inspirational flash, he considered a shadowy ‘what if’ — an adjacent possible he described in almost religious terms: Rather than giving in to despair and despite his powerless position, what if he tried his best to simply change the world for the better?

From that starting conviction, Fuller went on to write more than 30 books, register more than two dozen patents, invent the geodesic dome and influence tens of thousands as a thought leader for reinventing the future. The year he died, Fuller continued to describe himself in the humblest of terms as “guinea pig B,” summarizing his life as follows:

Now close to 88, I am confident that the only thing important about me is that I am an average healthy human. I am also a living case history of a thoroughly documented, half-century, search-and-research project designed to discover what, if anything, an unknown, moneyless individual with a dependent wife and newborn child might be able to do effectively on behalf of all humanity that could not be accomplished by great nations, religions, or private enterprise, no matter how rich or powerfully armed.

Adjacent possibles are not obvious, even when hiding in plain sight. They always require a creative sideways glance that often starts with a hunch that *something might* be there. One thing I have noticed is that adjacent possibles are usually discovered by individuals who have a deep interest or need. These people tend to be curious, puzzling about the possibility for reasons other than fame or reward.

Lynne Curran and David Swift were more likely to see the Tuscany option because they had spent time there before. Van Phillips was more likely to see the possibility of Flex-Foot because he wore prosthetics and wanted a leg that performed, not one that looked like a leg. Vicki Saunders walked through the ‘rooms’ of her career in male-dominated industries for decades before she could recombine the elements that led her to create Coralus.

Following are some questions to help you explore the adjacent possibles hovering at the edges of your own life and career. These questions can easily be adapted to an organizational setting, as well.

1. What am I curious about? How can I delve deeper into that curiosity?
2. What do I long to do? If I rank-ordered the list, what would be persistent and recurring?
3. What do I care about? What am I already involved with that begs for more of my attention for greater change?
4. What interactions or processes that I am a part of feel inherently broken? Which might be open to change that I could effect?

Once you have alighted on the adjacent possible you want to explore, the following questions will inspire you to be more creative about the resources you may or may not have, as well as about the roles others play in either helping or hindering your discovery and roll-out of adjacent possibles.

5. What skills and talents do I have? Could I use them in new ways?
6. What kinds of people interest me or leave me feeling inspired? What qualities do I admire them for? Do I share some of those positive or negative traits, and could I start to nurture them?
7. What could I stop doing to free up time and energy to explore an adjacent possible? Do I have obligations, relationships, or tasks that could be put off, finished or delegated to free up energy?

Sometimes the most interesting adjacent possibles reveal themselves when we challenge our most quotidian assumptions. These could be simple assumptions, like how things are supposed to work. Once, Nathan and his roommate realized they rarely received guests, so they moved their beds from the cramped bedroom to the spacious living room, where they awoke to the rising sun. But there are even bigger assumptions we live by. What if we could reframe our lives to see them in new ways? Consider the following.

- What beliefs (family, cultural, religious and so forth) have you inherited that might be limiting your ability to find the adjacent possible? If you were born into a family of creatives, innovators or risk takers, experiments might feel

Tools for Embracing The Unknown

REFRAMING	When you reframe uncertainty as <i>possibility</i> , your ability to navigate it increases because your experience shifts from the fear of loss to the anticipation of gain.
REVERSE INSURANCE	An instinctual fear of uncertainty sometimes leads us to forget that we also <i>need</i> uncertainty. Humans need surprise, spontaneity and change — and those things are inherently uncertain.
FRONTIERS	Frontiers can feel daunting, but they are where we do our best work. There are myriad accessible frontiers awaiting us that could transform our daily lives.
ADJACENT POSSIBLES	Adjacent possibles are the infinite ways in which the future can be reinvented, hovering at the edge of our awareness, waiting to be discovered.
INFINITE GAME	Infinite players learn to question the boundaries, the rules and the game itself, reinventing both the games they are playing and themselves.
STORIES	We live by stories, but you need to think about what kind of story you are writing each day and what you would like to be able to pull off the shelf at the end of this year — or at the end of your life.
REGRET MINIMIZATION	How do you make decisions when you don't know the outcome? Simple frameworks used by innovators help you to make wise choices.
APLOMB (DOUBTING SELF-DOUBT)	Self-doubt accompanies the unknown. What we don't realize is how many people, including our heroes and geniuses, share it. There is a better way.
UNCERTAINTY MANIFESTO	A personal uncertainty manifesto or aspirational beliefs in the face of uncertainty can provide resilience when the going gets rough.

FIGURE ONE

natural to you. If not, you might assume that the life you are living is the only one available. Take courage from Fuller's guinea pig B moment, when from a sense of total unworthiness, he intuited that money, fame and power weren't required to change the world.

- Spend some time around people who have lived across cultures and ask them: How has their sense of what is possible changed as a result? One of the greatest perks of being an expat is the way it reveals the made-up quality of much of what we do and how we do it. Take the idea of vacation. In France, schoolchildren have two weeks off every six weeks (with affordable childcare options available to parents who work), and everyone gets at least two weeks off in August (and most take the whole month).

In closing

The adjacent possible is always expanding, and this is true for both personal creativity and global innovation. Discovering adjacent possibles requires two things: a willingness to look for them and the courage to pursue them.

Moreover, adjacent possibles build on each other, in that each step you take into the unknown reveals yet more adjacent possibles in the future. As you consider the potential of adjacent possibles in your own life, recall Fuller's words: "We are called to be architects of the future, not its victims." **RM**



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21st-Century Investing: **THE POWER OF CAPITAL**

Emerging markets authority Asha Mehta describes three mega-themes that are transforming emerging markets, creating a new investing paradigm.

Interview by Karen Christensen

You have built a successful career investing in emerging economies. Can you describe how these economies have changed over the last 20 years?

Today's emerging markets bear limited resemblance to the markets of decades ago. For one thing, the boom-busts of the 20th century have been replaced with more sophisticated central bank policies and diversified industry bases across many markets, including India. A growing consumer class has driven domestics and fuelled these markets, replacing the dependence on commodities that we saw two decades ago.

There have also been great strides in governance standards across both companies and sovereign systems within emerging markets. Today we observe much more promising and standardized approaches to governance structures, which enable these economies to participate in global economic flows. As a result of all this, today's emerging markets are mainstream in every way except for one: in terms of broad asset allocations.

The time has come for this to change. The bulk of global GDP and GDP growth comes from these economies. Today, I see emerging markets in the 'sweet spot' of their development. These markets are highly investable, yet they remain inefficiently traded because asset allocations remain low. They represent a tremendous opportunity to generate alpha.

We used to talk about BRIC [Brazil, Russia, India, China] as being the top emerging economies. How has that evolved?

The term BRIC was coined a couple of decades ago, and in my view it no longer covers all the countries that comprise emerging markets. Certainly, China remains incredibly valid, as does India. But there are a host of other countries within Asia that I consider compelling today, including Indonesia and Vietnam. And there are countries outside of Asia that offer impressive growth opportunities. The Middle East, for example, and specifically, the Gulf countries are showing some of the strongest growth prospects. Certainly, Africa has a couple of promising decades ahead of it, given the demographic shifts occurring there — and that goes for Latin America and Eastern Europe, as well.

Traditionally, emerging economies were thought to have rapid growth because of their low base of development — but today, many of these economies actually have large bases of development. India, China and Korea are examples. In my view, what defines an emerging economy today is what I alluded to before — the fact that the bulk of the investment community has not allocated there yet. So these are countries that have experienced less 'capital deepening.' There are risks associated with that, of course — but tremendous opportunity, too.



The entire banking system across emerging economies is being reimagined and reignited.

Can you tell us more about what you call “profound opportunities” in these markets?

As in the rest of the world, technology is enabling emerging economies to leapfrog ahead. But when I say I’m excited about the technology theme within these economies, I want to be clear that I’m not advocating for investors to buy tech stocks in these markets. Technology is vertically integrated across all sectors, so where I see transformative growth coming is from the infusion of technology across sectors.

For example, in the financial sector, with the adoption of digital currencies. The entire banking system across emerging economies is being reimagined and reignited. This is not only enabling financial inclusion at a pace never seen before in history, it’s offering compelling investment returns as well. Technology is also creating significant opportunities in healthcare, in education and in energy. It is literally transforming the outlook for these economies.

We are also seeing progress on human rights in emerging economies. One example that I’m following closely is the inclusion of more women in the Gulf with respect to business practices. When I started out in my career, I made a visit to Saudi Arabia in the early days of its economic liberalization. At the time, it was very awkward to be a woman visiting a corporate headquarters. But in the 15 years since, the country has transformed its practices and is now enabling women to obtain an education and participate in the workforce. In fact, Saudi Arabia is positioned to be one of the fastest-growing countries on earth in terms of corporate EPS [earnings per share] growth. How? By enabling more women to participate in its formal economy, the country is effectively doubling its productivity by doubling its workforce. As an investor, I want to invest in a more equitable future — one that pays dividends along the way.

Broadly speaking, is growth possible on our depleting planet?

My view is that there are opportunities both in the context of protecting our planet and for rewarding investors who use a sustainability lens. This question definitely has different implications for developed market economies, where investors are facing a future with lower growth than in emerging markets. In emerging markets, there is outsized vulnerability to environmental, social and governance concerns. But, there is also significant opportunity to apply investments to advance the power of capital to achieve both social and environmental objectives in a way that rewards investors.

As an example, developing economies still have tremendous opportunity to grow. The base of development, as I alluded to earlier, remains low in these economies, so the potential for growth is high. There is still room for those who are living in poverty to move into the middle class — and for the middle class to expand its spending power.

You believe the capital markets in developed countries have begun to embrace DEI [diversity, equity and inclusion]. What cues are you seeing?

My book takes readers from China to Chile, from Delhi to Dubai, and it concludes that the largest emerging market on earth is women. There is no doubt that diversity, equity and inclusion have become mainstream and that they are here to stay. I touched on this in the context of Saudi Arabia, but most parts of the emerging markets — and even developed markets — are enabling women and people of colour to participate more in the workforce and in the flow of capital.

I see evidence of this in many places. Most importantly, I see it in the context of new mandates where companies are responding to stakeholder demand to bring more women and people of colour into their workforces. They are holding themselves accountable and their stakeholders are taking note of this. I’m also seeing it from the perspective of the proof point that, wherever you have more diversity and equity in a framework — whether it’s a team-based project or with respect to investment returns — you tend to get better outcomes. For example, research shows that companies with more women on boards tend to outperform.

The ease of capital access today is also transforming the outlook for DEI. Whereas historically, larger firms have been able to drive these mandates, today, we are seeing many more start-ups produce innovative solutions.

You open your book with a chapter about China. Can you outline some of the biggest risks and opportunities within the world’s second largest economy?

In many ways, China is the most complex emerging market on earth, but it is also the most relevant, given its size and scale. In terms of opportunities, the first is growth. China has been one of the greatest growth stories in history. Over the last couple of years, with COVID-19 and the related shutdowns, many people have started to wonder whether its growth profile can continue. Yet looking ahead, China is once again positioned to be one of the fastest growing countries in 2023.

The other significant opportunity with respect to China is its scale, and again, that speaks to the base it is working from. A billion people means a massive consumer class. The country has come a long way in terms of poverty alleviation efforts over the last two decades. Nearly half a billion people have been brought out of poverty. Young people in the country today have literally never known a life of poverty, which is a key change from when I started my career.

From an investment perspective, all of this growth and scale is appealing. Historically, the local market wasn't open to foreign investors, but over the past couple of years it has liberalized and now allows foreigners — including U.S. and Canadian investors — to invest in its growth and gain access to the scale of the companies that are traded there.

At the same time, the risks are real. Whenever I've done research in China and asked provocative questions around ESG or other matters, individual after individual tells me, 'Americans will never understand,' or 'Westerners will never understand.' The level of transparency within the Chinese government remains limited, as does its corporate realm. There is a different culture around transparency in China than in the developed markets.

The other significant risk relates to the fact that the country is run by an authoritarian government. Because of that structure, China has been able to do things that no other government on earth has been able to do, including the poverty alleviation efforts I alluded to before. But from an investment perspective, this means the heavy hand of government can play an outsized role in foreign investments, which presents a risk to capital preservation.

So tread carefully, but do tread, it sounds like.

Yes. That's a good summary. I recommend active management within emerging markets, to augment returns and to mitigate risk.

Near the end of the book you say that we are embarking on "the next generation of investment strategy." What are the key tenets of the new approach?

The premise of my book is to highlight three mega-themes that are transforming the world's markets. The first, as indicated, is that emerging markets are now mainstream in every way except in terms of investor allocations. In the decade to come, I anticipate that there will be a significant flow of capital to these mar-

kets. That is a deviation from what we've observed over the past decade, where those who invested in a single sector or a single country were well rewarded. The next-generation strategy is much more global in nature.

Second is the rise of technology. The next generation of investment strategy is inherently quantitative or systematic in nature. We live in the era of big data, so the ability to take into account massive amounts of information when investing is now possible.

The third megatrend is sustainability. We've come a long way from SRI or 'exclusion-based' investing, and the concept of ESG integration has become mainstream. What's next? I believe the investment industry is trending towards impact and we are asking ourselves: How can we put the power of capital to work — not just to generate returns, but also to build a more sustainable future?

Early on in your career, your investments in the United Arab Emirates earned almost 100 per cent year-over-year returns. Will that type of return ever be possible again?

The short answer is Yes. That happened back in 2013, when the country was upgraded from 'frontier market' to 'emerging market.' It wasn't just one individual security, it was the entire market: It nearly doubled in size due to that upgrade and we saw nearly a 100 per cent return to investors who had exposure to that country.

I love that we're ending on this question because it really points to the opportunities available in frontier and emerging markets. As they enter the global flow of capital, there is enormous opportunity for capital to come into these countries, not only to drive impact, but to deliver returns for investors.

Vietnam is the next country I'm following as one to be upgraded from frontier to emerging status. I can't say whether it will enjoy a 99 per cent market return, but I do anticipate it will be substantial. And there are dozens of countries with the frontier classification following in its footsteps. As they mature, this flow of capital will benefit the investors who are early to invest in them. **RM**



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NON-DISRUPTIVE CREATION: Innovation and Growth Without Disruption

To explore and capture more growth opportunities, we need to broaden our view of innovation to include a concept that has been right there all along: non-disruptive creation.

by W. Chan Kim and Renée Maubourgne

FOR THE PAST 20 YEARS, the battle cry of business has been, ‘Disrupt or die.’ Calls for disruption have rung out across Silicon Valley, major corporate boardrooms, the media and business conferences around the globe. Corporate leaders have continually been warned that the only way to survive, succeed and grow is to disrupt their industries — or even their own companies.

Not surprisingly, many have come to see *disruption* as a near-synonym for *innovation*. But is disruption the only way to innovate and grow? And is it necessarily the best way? Our research suggests the answer is No, and that the overriding focus on disruption has led us to largely overlook another avenue of innovation and growth — one that we would argue is at least as important.

This avenue involves the creation of new markets without disruption or displacement — what we’ve come to think of as non-disruptive creation. Non-disruptive creation creates new

industries without leaving failed companies, lost jobs and destroyed markets in its wake. It offers the immense potential to innovate new markets where none existed before.

If we could better understand this other form of market-creating innovation and how it works, we would be better equipped to achieve it. And so, our research questions began: Is non-disruptive creation about scientific or technological innovation or new-to-the world products? Or is it something different? If different, is it applicable to all regions of the globe or only to certain geographic areas, such as bottom-of-the-pyramid markets where a lack of economic development may mean there are few industries to be disrupted?

Our answer to these questions was that non-disruptive creation can’t be defined as inventive or new technology or new-to-the-world innovation or confined to any specific geographic market or socio-economic level. It is a distinct new concept.



Two Ideas That Changed the World

Some 40 years ago, microfinance didn't exist, but today it is a multibillion-dollar industry that has helped change the lives of many of the world's extremely poor, who today still number nearly 700 million people. How? By ushering in the end of a long era of financial apartheid for people living on less than a few dollars a day.

The industry was founded by **Muhammad Yunus**, who at the time was the head of the Economics department at the University of Chittagong, in Bangladesh. In his university courses, he theorized about sums in the millions of dollars. But after a particularly acute famine swept through Bangladesh, Yunus set out to understand what was at the root of extreme poverty.

What he found was that extreme poverty had nothing to do with the things he taught in Economics class, or with people being lazy or stupid. In their small one-room, dirt-floored huts, Yunus found industrious people who squatted on the floor, carefully doing complex tasks such as making bamboo stools or weaving baskets or sleeping mats for hours on end, earning barely enough to stay alive.

With income so low, the extremely poor would never be able to save a penny or invest in expanding their economic base. But no bank or financial institution existed to cater to the credit needs of these people. Microfinance changed that. In 1983, Yunus officially established **Grameen Bank**, the first microcredit bank in the world, which lent tiny sums to the poor. By solving a long overlooked and unaddressed problem, microcredit enabled people who had previously been denied access to capital to create new microbusinesses, new jobs, higher standards of living — and hope.

This non-disruptive move created the new market of microfinance without replacing any other industry. Microfinance has since ballooned into a multibillion-dollar industry with a staggering 98 per cent loan-repayment rate and plenty of room for future growth. As Yunus has noted, microcredit may not eliminate poverty altogether, but it has ended it for many and reduced its severity for others, building a fairer and more prosperous future for all.

That brings us to Elmo, Big Bird and the adorable Cookie Monster. The world learned about these fabulous Muppets through *Sesame Street*, which created a brand-new opportunity for the world's future — namely, children. *Sesame Street* started in America and rolled out first to Western Europe and other developed countries and then to developing countries. Today the program helps children in more than 150 countries, from America to Afghanistan, Japan and Brazil. It has even reached the middle of the Serengeti and, recently, children in refugee camps.

As most of us who have children know, *Sesame Street* teaches preschool children how to count, name their colours and shapes, and recognize the letters of the alphabet. More than that, it shows preschoolers how to be kind to one another, to accept differences, to control impulses and concentrate. The best part is that children have so much fun watching it that they don't even realize how much they're learning.

Sesame Street didn't displace preschools, libraries or even parents reading bedtime stories to their children. Rather, it created a brand-new opportunity for children and learning by unlocking the non-disruptive market of preschool 'edutainment' that for the most part had not existed before. Today, preschool edutainment is a multibillion-dollar industry. And *Sesame Street* has become the most successful, longest-running children's television show in history, winning 189 Emmy Awards and 11 Grammys.

What Can We Learn?

The concept of non-disruptive creation has three distinctive characteristics. First, it can be generated by a scientific invention or a technology-driven innovation; but it can also be generated without science or technology-driven innovation, as was the case with microfinance, or with a new combination or application of existing technology, as was the case with *Sesame Street*. This is good news for many entrepreneurs, executives and companies that lack the wherewithal or the appetite to invest in scientific or technological innovations.

Second, non-disruptive creation is not limited to any specific region or socio-economic standing. It is applicable to any geographic area of the world. *Sesame Street* was created in, and initially for, developed economies. But microfinance was created in and initially for bottom-of-the-pyramid markets. Opportunities for non-disruptive creation exist in all areas of the world and at all levels of the socioeconomic pyramid. Third, non-disruptive creation is not the same as new-to-the-world innovation. *Sesame Street* is an example of new-to-the-world innovation, because the preschool edutainment industry it pioneered was non-disruptive across the globe.

What all this means is that non-disruptive creation is not the same as, nor should it be confused with, a scientific invention or technological innovation per se, new-to-the-world products or services or certain geographic markets or socio-economic demographics. It is a distinct concept that can universally be defined as *the creation of a brand-new market outside or beyond the boundaries of existing industries*. It is precisely because the new industry is created outside the bounds of existing industries that there is no existing market or established players to be disrupted and fail.

As indicated, although the term is new, non-disruptive creation is not. It's a fact of business life — past, present and future. It applies to for-profits, non-profits, the public sector and even government.

Non-disruptive opportunities may be as large as the cybersecurity industry or of a far more modest scale, but the concept is front and centre for business. The men's cosmeceutical industry, environmental consulting, air-to-ground communication, 3M Post-it Notes, life coaching and smartphone accessories are all examples of non-disruptive creation that unlocked or are unlocking multimillion- and multibillion-dollar new industries and growth, with countless new jobs.

Consider **23andMe**, which created the new market of direct-to-consumer genetic testing. Via a saliva sample that customers mail to the company's laboratory in a special kit, individuals can now understand their ancestry and learn about genetic predispositions such as late-onset Alzheimer's disease, Parkinson's dis-

ease, glaucoma and celiac disease. Previously, most people had no feasible way to know their genetic predispositions. Today the company is valued at more than \$1 billion.

Or think of the windshield wiper, which enables people to see while driving in rain or snow. Before that? Well, simply turn off your windshield wipers the next rainy day and you'll quickly discover that you can neither see nor drive safely. The windshield wiper created a new market without any disruption, and it made our lives safer in the process. Even a non-disruptive creation like Halloween pet costumes is now a \$500 million industry. It creates lots of smiles with the brand-new opportunity for people to dress up their four-footed family members as irresistibly cute tacos, nurses and even superheroes.

As these examples show, when you put on the non-disruptive creation lens, you quickly discover that it has been all around us.

Hiding in Plain Sight

When it comes to innovation, non-disruptive creation has been overshadowed by a near-obsession with disruption. Disruption as it has come to be widely used and understood in practice occurs when an innovation creates a new market that displaces an existing market and the established players in it. *Displacement* is the operative word here, because without displacement, no disruption will occur. So, by disruption, we refer to *the displacement of an existing market by the innovation of a new one*.

As recent research has shown, displacement can occur from both the high and low ends of an existing market. The iPhone, the electronic calculator, the digital camera and transatlantic air travel, for example, all displaced existing markets from the high end with higher price points. The disrupted industries were the feature phone, the slide rule, the film camera and the ocean liner, respectively.

In contrast, **Amazon** (versus book retailers), **Skype** (versus the telecommunications industry) and **Craigslist** (versus classified ads) all disrupted existing markets from the low end, with lower-priced or zero-priced offerings — in line with late Harvard



Non-disruptive opportunities include the men's cosmeceutical industry, environmental consulting, 3M Post-it Notes, life coaching and smartphone accessories.

Business School Professor **Clayton Christensen**'s notion of disruptive innovation.

While the term disruption was popularized to no small extent by Christensen's influential work, we are not referring to low-end or bottom-up disruption, as defined by him. Rather, we use the term in the broader sense: to describe the phenomenon of disruption in which the new displaces the old from both the high and low ends.

Joseph Schumpeter captured the essence of the disruption or displacement phenomenon long ago in his classic description of 'creative destruction.' Schumpeter, who is widely recognized as the father of innovation, introduced the notion of creative destruction in his book *Capitalism, Socialism, and Democracy*, first published in 1942.

Creative destruction, he argued, occurs when an innovation that creates a new market destroys and displaces an existing one. Until Schumpeter came on the scene, most economists espoused the view that competition and incremental improvements in existing markets are the main spur to economic growth, with the overriding objective of fostering perfect competition. But, in a study of historical business cycles, Schumpeter made an important observation: that although competition and improvements in existing products and services are good, diminishing returns eventually set in as buyers' needs are satisfied and profits are competed away.

For Schumpeter, therefore, the real engine of economic growth is market-creating innovation that generates new kinds of technologies, goods and services. New technologies may be either inventive ones or new combinations or applications of existing ones. This creation, however, comes with a hitch: as Schumpeter saw it, it was dependent on destruction. In other words, in Schumpeter's worldview, creation and destruction were inextricably linked.

Creative destruction, he argued, incessantly destroys the old and creates the new. The kerosene lamp, for example, creatively destroyed the candle as the predominant source of artificial light; it was later displaced in turn by the new market of incandescent

light bulbs, much as the horse-drawn carriage industry gave way to and was displaced by the auto industry. Each new market displaced the old one, creatively increasing the value delivered to buyers, drawing in new buyers and opening a new growth horizon in the economy.

Schumpeter's creative destruction clearly offers good conceptual ground for explaining the disruption reality that has been unfolding in the business world of today as displacement has been occurring from both top-down and bottom-up directions in existing industries. That said, the word destruction is too restrictive for a world in which many existing industry players are indeed disrupted but not necessarily killed or fully displaced. Think of **Uber** versus taxis or Amazon versus book retailers. Both disrupted existing industries and shifted lots of demand from the old to the new, but they have not destroyed and fully displaced the old, which still exists, though in a reduced form. Thus, we use the term disruptive creation to describe the creation of the new that disrupts but doesn't necessarily fully displace the old.

In today's disruption reality, Schumpeterian destruction of an existing industry — as in the internal-combustion engine's full displacement of the steam engine — is often the extreme case. To use the term *disruptive creation* is to follow the Schumpeterian notion of new market creation for growth, yet to better reflect and capture the reality, in which the new often coexists with the old, and displacement happens from both the high and low ends of existing markets.

Disruptive creation and *non-disruptive creation* can be thought of as opposite ends of the innovation spectrum of new market creation and growth. On one end is non-disruptive creation, which is about creating a new market outside or beyond existing industry boundaries, while on the other end is disruptive creation, which is about creating a new market within the boundaries and expanding them.

A key factor that makes distinguishing between the two important is their differing impacts on the economy and society. With disruptive creation, the new comes at the expense of the old and its associated companies and jobs, creating a win-lose

Non-Disruptive Creation as a Distinctive Innovation Concept

Disruptive Creation	Blue Ocean Strategy	Non-Disruptive Creation
New markets are created <i>within</i> existing industry boundaries	New markets are created across existing industry boundaries	New markets are created <i>outside</i> existing industry boundaries
All or lots of demand in existing markets is shifted to new ones	Demand created is partly <i>brand new</i> and partly drawn from existing markets	All demand created is <i>brand new</i>
Generates significant disruptive growth	Generates a blend of disruptive and non-disruptive growth	Generates mostly non-disruptive growth

FIGURE ONE

or winner-takes-most economic outcome. Here, growth fuelled by new-market creation incurs industrial and social disruptions, including very real human costs, as the existing market and its established players and jobs are displaced. Such disruptions produce a trade-off between economic and social good as the world adjusts to the displacement.

With non-disruptive creation, in contrast, the new is achieved without disrupting a pre-existing market and its associated companies and jobs. This creates positive-sum growth, because there are no losers, and no market player is made worse off. So growth fuelled by non-disruptive creation occurs without incurring any industrial and social disruption and pain, thus helping to bridge the gap between economic and social good.

Broadening Our View of Innovation

In today's world, innovation is what all companies and countries know they must create to build a prosperous future. While innovation in general is important for economic growth, *market-creating innovation*, in particular, is at its heart. It has been the foundation of brand-new industries and the creation of breakthrough products and services.

Look back 50 years: Few poor people in developing countries thought of going to a bank to finance a microbusiness, because they knew they couldn't get a loan without steady employment or a prior credit history. The situation changed when Grameen Bank pioneered the microfinance industry.

Likewise, even people who could have afforded a cruise could not imagine enjoying one about six decades ago, because it was unknown then. The cruise tourism industry was created just around 50 years ago. Similarly, few could imagine taking a trip into space then. But now we are witnessing the development of the space tourism industry by pioneers such as **Virgin Galactic**, **SpaceX** and **Blue Origin**. Even someone shopping online at Amazon or in a major supermarket has many more choices at a far lower cost than a king of France enjoyed in his day.

These are just a few illustrations of how both non-disruptive and disruptive creations have always been at work in history, continually expanding the industry universe through the creation and re-creation of markets. They are facts of business life, past, present and future. Both are compelling, complementary approaches to new-market creation for growth with different roles to play in creating brand-new industries and re-creating and expanding existing ones.

By explicitly recognizing and including non-disruptive creation in our conversation on innovation, we can fully tap into its distinctive strength. And with a broadened view of innovation that embraces both kinds of creation, we can see, explore and capture potential growth opportunities far more widely.

In closing

As we ponder the many challenges faced by our planet and the human race, we need innovative market-creating solutions. If they can be non-disruptive rather than largely displacing, we can then build a better world in which growth for business can be achieved without socially disruptive consequences. Never forget: The future is ours to create. **RM**



W. Chan Kim and **Renée Mauborgne** are professors of strategy at INSEAD and codirectors of the INSEAD Blue Ocean Strategy Institute in Fontainebleau, France. They are the authors of the global bestseller, *Blue Ocean Strategy*, which has sold over four million copies. Their new book is *Beyond Disruption: Innovate and Achieve Growth Without Displacing Industries, Companies or Jobs* (Harvard Business Review Press, 2023).

This article has been adapted from the opening chapter.



The Adaptive Organization:

FIRST PRINCIPLES FOR BUSINESS TRANSFORMATION

Modern organizations are complex adaptive systems that rely on the underlying dynamic of *emergence* — calling for a whole new set of priorities.

by Joerg Esser

THE MAELSTROM THAT IS TODAY'S WORLD poses an existential risk for businesses around the globe. In the past, being adaptable to change was a nice-to-have feature for companies; today, it is a must-have. A 'get-this-wrong-and-you-might-not-make-it' requirement.

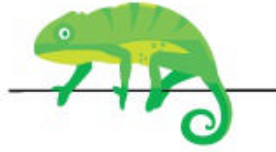
As change rages on and leaders do their best to keep up, it's important to remember that tried-and-tested solutions are precisely that: They have already been tried and tested. In the past tense. And past-tense solutions will not be effective in today's environment. New worlds need new solutions.

The epic challenges don't end there for today's leaders. Even once conceived, vetted and implemented, the vast majority of transformation efforts are unsuccessful. This level of failure is more than an execution gap; it is a signal that we need to embrace a completely different mental model of what we are trying to achieve as we go about adapting.

In particular, we need to do away with one of the fundamental beliefs underlying today's transformations: The assumption

that we are still just trying to get from Point A to Point B. This mindset treats the organization as if it were a machine: Make the necessary changes here and here, flip these switches, turn this dial up or down and the machine will start humming along effectively once again. To be clear, adaptation today is not about getting from A to B, tinkering at the edges or fine-tuning your strategy. We need a revised view of what transformation means. And we can look to a surprising field for some important teachings: science.

In the realm of science, if your theory has too many exceptions — if it fails to deliver in too many situations — then you probably haven't understood the 'first principles'. This approach goes right back to **Aristotle**, who defined a first principle as "the basis from which a thing is known" — the basic assumption that cannot be deduced from any other assumptions. First principles differ from observations. For instance, it had long been observed that the planets move across the sky and that apples fall from trees to the ground. But **Newton's** laws of motion were the first



Complex adaptive systems rely on a specific underlying dynamic known as *emergence*.

to state that the deeper principle of gravity lays behind a whole host of such observations.

Reasoning from first principles forms the basis of the scientific approach. It leads to meaningful, robust knowledge and is needed to make sense of the world and act accordingly. But this approach has yet to catch on in the world of business management. Today's companies, as noted earlier, are not static machines that need to get from Point A to Point B. They are more like what scientists call *complex adaptive systems*. These can be commonly defined as 'systems whose overall behaviour is complex, yet whose fundamental parts are simple, constantly adapting to the environment.'

Complex adaptive systems rely on a specific underlying dynamic known as *emergence* — a concept drawn from complexity theory, which builds upon the work of theoretical physicist **Philip Warren Anderson**. Emergence is the idea that small things form big things with properties different than the sum of their parts when interacting as part of a greater whole. For example, think of ants building living bridges to search for food; and the fact that, if the colony is flooded, some ants use their heads to plug holes while others use their bodies to block water, and so save the colony.

In terms of transforming businesses, it is *this underlying dynamic* that needs to be emulated rather than the specific features of successful transformations. Once you embrace emergence as your key dynamic, it can begin to work its magic, turning your company into a complex adaptive system and empowering it to find new ways to achieve your ambition.

In practice, this doesn't necessarily mean doing completely different things from those you might have done in the outdated 'analyze-conceptualize-execute' model. As indicated, the old approach involves developing a new target outcome for a company, a program or masterplan that is then imposed upon the organization, successfully or (more often) unsuccessfully. Rather than rejecting everything we used to do, the renewed approach to adaptation that I recommend entails prioritizing things differently by ascribing some things greater value than others.

Following are five suggested first principles for successfully adapting and transforming your business in a complex and uncertain world.

PRINCIPLE 1: SCENARIOS OVER PREDICTIONS. In an adaptive approach you spend less time trying to predict the future, which in today's world often means trying to forecast the unforecastable. Working with scenarios that include tipping points allows you to take your teams and other stakeholders along with you on the journey.

PRINCIPLE 2: AMBITION OVER MASTERPLANS. In an adaptive approach the focus is on the ambition rather than on detailed actions. You specify the commander's intent — to use a military phrase — and the rules for realizing that intent, rather than getting bogged down in micromanaged solutions. This avoids the inherent risk of masterplans: that when the plan doesn't work, the organization simply grinds to a halt and waits for new instructions. In an adaptive approach, the organization understands the intent and is able to morph in line with it.

PRINCIPLE 3: THE WISDOM OF THE MANY OVER THE EXPERTISE OF THE FEW. In the new approach you tap into the wisdom of the crowd — that is, your line managers and frontline teams. Essentially, top management delegates responsibility for finding solutions to the people who will ultimately have to implement them—the individuals who keep the business running and have direct contact with customers.

PRINCIPLE 4: HOMEMADE SOLUTIONS OVER STORE-BOUGHT. Rather than using *store-bought solutions* — by which I mean practices you have observed elsewhere, copy wholesale and then try to impose on your own organization — you engage the organization earlier on in the process, developing solutions and customizing them to your day-to-day business. The result is that you will face less pushback on solutions that the workforce sees as 'not invented here.'

PRINCIPLE 5: EXPLORATION OVER OPTIMIZATION. Rather than optimizing your existing systems and processes, explore new horizons, partnerships and solutions. This means looking outside of your organization, checking out potential partners and running systematic experiments. Scientists have developed this approach over many hundreds of years and it has formed the basis for virtually all technological advancement.

Putting The First Principles Into Practice

So, how does all of this work in practice? A couple of examples from my recent work supporting clients through business transformations will demonstrate what an approach based on these first principles looks like in real life.

Over the course of two years, my team and I worked closely with a number of airports on improving their performance. Many of these projects coincided with the COVID-19 pandemic, which of course had a massive impact on air travel and airport operations. With the rug pulled out from under their feet, airport leadership spent the first year desperately trying to predict the future. What would the world look like in the next six months, the next six weeks — or even the next six days?

After trying relentlessly to come up with the best-possible predictions, we realized that, given the extreme level of uncertainty, we should stop trying to pin down the one ‘most likely future’, and instead outline a set of different *possible futures*. In other words, we shifted our priorities from predictions to scenarios.

We did this by looking at specific areas of airport operations, such as passenger volumes: Would they return to previous levels in two years? In five years? Never? And yield: What would airport customers — both airlines and travellers — be willing to pay for in the future? Importantly, we specified the scenarios and how we would act in each one before discussing the probability of one scenario occurring over another. In other words, we considered all possible futures, regardless of their probability.

The impact on the airport’s work was impressive. Accepting that a variety of different scenarios were possible unfroze the analysis paralysis caused by the previous mindset that *everything is so uncertain that there is nothing we can do*. It also enabled us to come up with ‘no-regret moves’ — actions that would be beneficial whichever scenario ultimately panned out. For instance, cutting spending on administration (overhead) was always going to be a good thing; whereas cutting the team tasked with acquiring new airlines for the airport would be good in one scenario but highly regrettable in another.

On another occasion, we were tasked with helping a major European airline become more innovative. The key here was prioritizing exploration over optimization. To open up new avenues of exploration, we first needed to formulate the right question

A Manifesto for Business Transformation

Companies should value:

Scenarios over predictions

Ambition over masterplans

The wisdom of the many over the expertise of the few

Homemade solutions over store-bought

Exploration over optimization

— a ‘big question’ that would stretch the business to expand its value-creation playing field. This turned out to be something that the airline had discussed repeatedly in the past but always rejected as being too far removed from its core business of operating regular flights based on fixed timetables — namely, the idea of offering flights on demand.

Our approach was to break down this audacious idea, exploring how it could be implemented, which external partners could be involved, what new solutions could be found, and how digital tools could make it all possible. This combination of blue-sky thinking with exploration was truly liberating for the company’s leadership, enabling them to become more creative, more imaginative and more daring.

Embracing the Joys of Slack

In all the transformation projects I have worked on, the question of cost is never far from top management’s minds. How much leeway does the organization need in order for the right solutions to naturally emerge? How much freedom-to-dream should line managers enjoy? What extra resources are required for the organization to remain adaptable?

Adaptability does indeed come at a cost. If your organization is super-lean, it won’t have the necessary space to be adaptable. But as indicated at the outset, a lack of adaptability also comes at a cost: the risk that you might not even survive. So whether you’re an incumbent or a start-up, you need to design for a certain amount of ‘sideways shimmying’ by your line managers where necessary.

This harkens back to the shift in perspective I described earlier: If you view a company as a static machine, you will want to optimize it for efficiency, removing anything that could be viewed as unnecessary and streamlining wherever possible. Static machines cannot be easily adapted because that is not part of their design. They have no spare additional resources. But if you view your organization as an adaptive system, you will ensure there are extra resources so it can adapt as required.



These extra resources that allow an organization to be adaptable are commonly referred to as ‘slack.’ Giving your company some slack does not mean giving it extra resources that will then lie about idle; it means giving it resources that will be used specifically for exploration and innovation.

Slack needs to be actively managed. What does that mean in operational terms? Here, I draw on my experience helping companies build slack into their organizations. One way is to look at each of the functions of the business in turn — finance, purchasing, marketing and so on. For each area, the CEO or other senior leaders decide whether to carry out exploration at all and, if the answer is positive, how it should be done — right down to the number of experiments, the acceptable failure rate and so on. The teams you set up then look for ways to improve their current way of working in the chosen area.

Another option is to change your approach to budgeting. Usually, companies agree on a budget for an initiative up front and the project runs until all the resources have been used up. If the budget is, say, for a year, the initiative will run for a year come what may — whether the path it takes turns out to be a Road to Damascus or a blind alley.

In fact, research shows that in the majority of successful initiatives, the original objective changes mid-stream. You start out with a certain idea, then you get smarter, then you adapt. So companies need a more fluid, less static approach to budgeting, too.

I find that the best approach to ‘flexible budgeting’ is a modular one: Don’t budget for what it will take to achieve your ambition, budget for the first critical module only. In the meantime, live with the ambiguity that you have a clear ambition in place but you don’t have it fully planned out in terms of cost — something that will be highly challenging for many organizations. If the first critical module is successful, the thinking goes, you can then budget for the second critical module. And so on, module by module.

Why is this preferable to setting a budget for the entire initiative at the outset? Because it avoids unproductive initiatives running on fruitlessly, just because the money and resources have been allocated. With this approach you also need to check your budgets more frequently — weekly or monthly, for example, rather than annually. In fact, I advise checking the budget for the initiative at every progress update meeting. This is a radical departure from the traditional, static (there’s that word again) approach of setting the budget at the beginning of a project and checking it at the end.

This proposed modular approach to financing innovation — step by step and regularly checking the budget — should not be mistaken for ‘incremental thinking’, where you only think one step ahead. Incremental thinking implies a narrow approach and a highly limited ambition. What I am suggesting is quite the opposite: The ambition itself can be massive, but it is realized step by step, module by module. In fact, not setting a budget in advance for the entire ambition can promote even greater audacity. After all, you are no longer limited to targeting only that which you can plan and budget for in detail, in advance. You can dare to think more freely and adapt as required, no longer imprisoned behind the bars of a spreadsheet.

In closing

The challenge for modern organizations is not to set an objective and move from point A to point B. Complex adaptive systems rely on the underlying dynamic of *emergence*, which, as indicated herein, calls for a whole new set of priorities.

This new approach may meet strong resistance from parts of the organization that are more accustomed to straight lines and fixed frameworks. You may well face pushback from your finance department or even senior management. My advice, rooted in practical experience, is to start small.

In your next transformation exercise, begin with one initiative or topic. Go about instilling the required new mentality in this area first and over time, gradually disseminate the new mindset throughout the organization. In this way, it will be possible to achieve a controlled transition to a new understanding of what continuous transformation — and true adaptation — entails. **RM**



Joerg Esser is a Partner at Roland Berger, based in Dusseldorf. He holds a doctoral degree in Theoretical and Computational Physics and has worked at the Los Alamos National Laboratory, the Santa Fe Institute and Xerox’s Palo Alto Research Center (PARC).

Powerful Leadership Lessons from Former IBM CEO Ginni Rometty

One of the world's most respected leaders, former IBM CEO Ginni Rometty overcame childhood and financial struggles to embark on a groundbreaking career that took her from entry-level engineer to eight years as the first woman CEO of an iconic global company. Rometty delivers a powerful combination of memoir, leadership lessons, and big ideas on how we can all drive meaningful change. This is her story—with lessons for us all.



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Deliberate Calm:

How to Lead in a Volatile World

Leadership expert and former CEO Michiel Kruyt describes the ability every leader needs to master in a VUCA world.

Interview by Karen Christensen

You and your co-authors have written a book about something everyone wishes they could master: deliberate calm. How do you define it?

As our world becomes increasingly volatile, uncertain, complex and ambiguous (VUCA), we are facing never-before-seen challenges without an established toolkit to rely on. Deliberate calm is about recognizing what an external situation is demanding of you and being intentional about your response to it, so that you remain emotionally present under pressure. At its core, achieving this requires a synthesis of four skills: awareness, adaptability, learning agility and emotional self-regulation.

Why is this such a difficult ability to master?

As we navigate life today, circumstances that push us beyond what is known, safe and predictable are often perceived as a threat. We are biologically wired to react in such scenarios by clinging tightly to our old ideas, beliefs and habits — which are not likely to work in the new situation. When things start to go

wrong, we blame the circumstances or other people for our problems and expect them to change, instead of looking at how we can open up and adapt to the new challenge.

To solve the world's most pressing problems, collaboration, creativity and learning are all in extremely high demand. But these things are the hardest to accomplish when people are under pressure in high-stakes situations. The human brain is actually wired to contract under pressure and react to such situations with the exact opposite of collaboration, learning and creativity — which undermines our performance precisely when it matters most.

Thankfully, it is possible to experience these situations very differently.

Once you master Deliberate Calm, you will be able to open your mind to novel ideas and methods, collaborate and find future-fit answers to the challenges you face. This mindset not only helps us achieve our goals regardless of what is going on around us, it also positively impacts our health and well-being.



As we face situations from day to day, we oscillate between two zones: the familiar zone and the adaptive zone.

You believe we experience life in two ‘zones.’ Please explain.

As we face situations from day to day, we oscillate between two very different contextual ‘zones.’ In the book we introduce the Familiar Zone and the Adaptive Zone to bring explicit awareness to the differences between contexts and what they ask of us. What is required to thrive in each zone is markedly different. The Familiar Zone is exactly as it sounds — an external environment that is familiar and known to us. We are typically well prepared for the tasks and challenges that we face here. We recognize the landscape and the rules of the game; we have built up a repertoire of responses, approaches and behaviours that are appropriate to the situation; and we more or less know what to do in order to succeed.

In contrast, the Adaptive Zone is an external environment of ‘uncharted waters.’ To succeed there, we must be prepared to adapt and open our minds to new ways of learning and collaborating. We need to be willing to let go of established patterns and habits. This zone is much more challenging, but it also comes with tremendous opportunities for creativity, innovation and even transformation. The danger here is, if we fail to learn and adapt appropriately, there is also a risk of failure and stagnation. Being aware that you’re facing an Adaptive Zone challenge puts you in a position to choose to make it a learning and growth experience.

What does this adaptable stance look like in practice?

Let me start with what it doesn’t look like: It doesn’t look like someone who always thinks they know the answer. We’ve seen generations of leaders succeed by being really good at being experts, knowing the answer and telling people what to do. *That is not what this is.* Today, change is so complex that it is often very difficult for individual leaders to actually know the answer. Instead, they need to invoke deliberate calm and ask themselves, ‘How can I best mine the wisdom of the people around

me and our other stakeholders to arrive at a good solution?’

In order to do this you need to do two things: let go of your need to be the expert and enjoy learning. Adaptability in practice is about being aware of your environment, how it is affecting you internally, and then choosing the response that is best suited to the challenge without being swept away by your emotions or blindly following old patterns.

What are the first steps towards achieving deliberate calm?

Three things are important. The first is recognizing your environment and what you’re getting into. Are you going into a scenario that is familiar — one where you feel you can handle what is coming at you? Or are you stepping into an environment that you judge to be more adaptive in nature — one where you will need to pay close attention and be open to learning, feedback and input? That’s the first thing.

The second step is to assess whether the stakes are high or low. When the stakes are high and the situation is adaptive, as indicated earlier, we are wired as humans to be closed off and not fully present with all of our senses and our creative brain. And third, once you have answers to the first two, check your mindset: are you in learning mode? Our concept of the learning mindset is very similar to **Carol Dweck’s** ‘growth mindset.’ Put simply, it means you are open to change and learning in a situation. This ability to recognize when the challenge you are facing lies in the Adaptive Zone and to use it as an opportunity to learn and grow—instead of reacting with outdated, ineffective patterns—lies at the heart of Deliberate Calm.

Talk a bit more about the difference between the protectionist mindset and the learning mindset.

In the protectionist mindset, you feel threatened — often unconsciously, so you fiercely protect your beliefs and opinions and look for ways to make your own story/opinion right. You

avoid having to change anything and, instead, blame other people or circumstances. The behaviour that is available to you in this state is what is often described as ‘fight, flight or freeze.’ It is very difficult to be part of a solution in this state. With a learning stance, you are open and willing to change your mind. You are willing to endure conflicts and experience uncomfortable emotions, with the intention of coming out changed and with new solutions.

You write that the first step to detaching from our feelings and thoughts is to practise Dual Awareness. Please explain it.

The dual aspect is about simultaneously being aware of the external situation you are facing *and* your own internal emotional state as you enter it. Only by being mindful of both at once can you be deliberate about your reaction. This is a critical skill for today’s leaders: to be able to read the external reality as objectively as possible, relate it to how they feel about it inside, reflect on the decisions that need to be made, and choose how to best respond and engage. We might be triggered to push our uncomfortable emotions under the surface, but proactively recognizing and accepting them head-on without reacting to them is necessary if we want to evolve and grow as humans and leaders. The ability to do this in the midst of pressure and complex circumstances is the first step towards mastery in leadership, athletics and any other human endeavour.

You have compared humans to icebergs; please explain.

Take a moment to picture an iceberg. Only roughly 10 per cent of it is visible as it breaks through the surface of the water, while the other 90 per cent lies beneath—invisible and unknown. We find it helpful to use the metaphor of an iceberg as a simplified explanation of a complex and dynamic interaction between the brain and the body. Only our behaviour itself is visible to the outside observer, but underneath the ‘waterline’ (and making

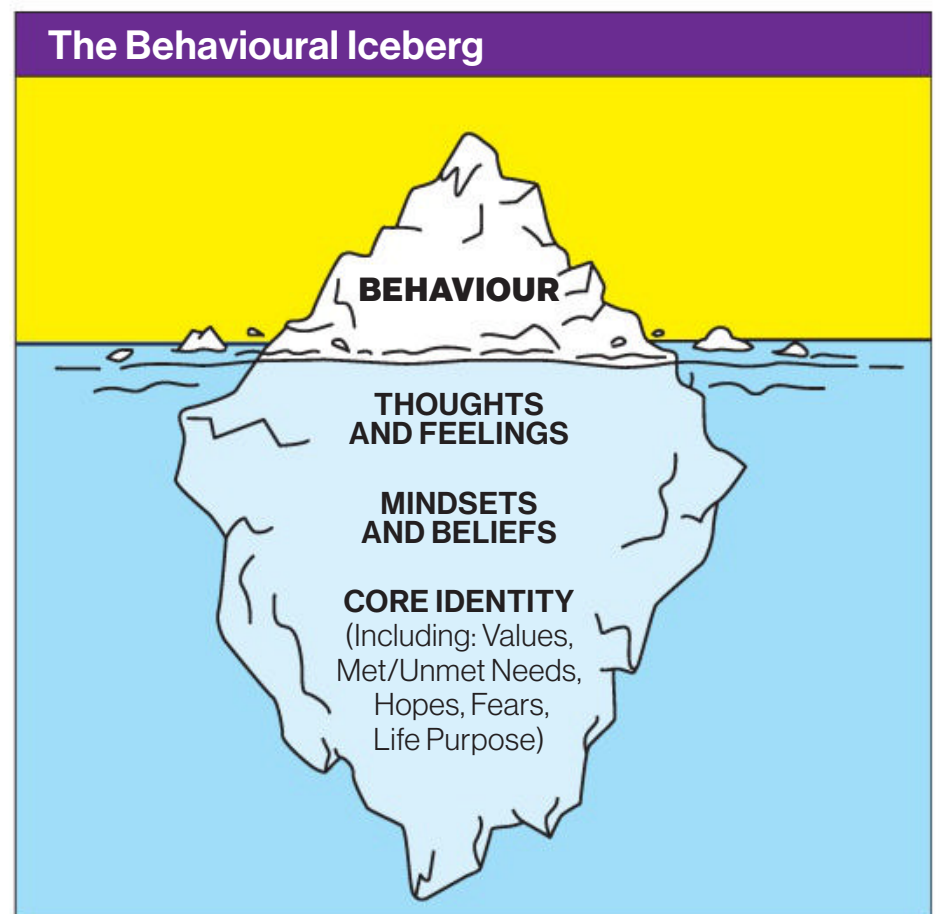


FIGURE ONE

up the bulk of our iceberg) lie our thoughts, feelings, beliefs, mindsets and core identities.

This model can help you explore this often unconscious part of you that is so important if you want to change. Let’s say I want to get better at giving negative feedback. First, I should look at, What do I currently do? I procrastinate, and when I do I have the discussion, I sugarcoat the message. Second, how do I feel when I do that? I feel anxious and careful. Third, what are my thoughts and self-talk like? ‘If only he didn’t have this issue, I wouldn’t have to worry about having this conversation.’ Fourth, what is your belief about giving feedback? ‘If I tell him the truth, it will hurt our relationship and things could get even worse,’ etc.

In this simple example you can see that if I don’t change my internal belief about feedback, it will be very hard to change my behaviour. With this technique you can discover a lot about your behavioural patterns and the underlying beliefs and values. Some of these patterns will enable you to reach your aspirations, while others are unhelpful and need to change.

What is neuroception, and how does it relate to all of this?

I’m not a neuroscientist, so I don’t claim to have all the background on this, but I’ve learned about it from my co-author Jacqui [Jacqueline Brassey] — who is a neuroscientist. Neuroception is the brain and body scanning its environment for danger.



Dedicating adequate time to recharging our batteries sets us up to successfully lead and learn.

In these situations, the vagus nerve has a positive regulating effect. When we pick up cues that our life is in danger, we can shut down, become numb and disconnect from others. This is all based on instincts and conscious or unconscious interpretations that we attach to what is happening to us internally and externally. Without you consciously doing anything, your nervous system actually senses whether a situation is safe or threatening. When a situation is perceived as threatening or unsafe, the nervous system responds and regulates adaptively, but this happens separate from the perception process.

In the book we show how important it is to become aware of signals and states you are in. But neuroception can also happen simultaneously as you develop awareness of what is happening in your brain and body as a result of stress. And it's this awareness that subsequently helps you to intervene consciously in challenging situations.

By mastering deliberate calm and dual awareness, you believe we can build a powerful 'personal operating model'. What's the first step?

A good place to start is by embracing these concepts. These are things that we can easily remember and there are practices linked to them. When you think about your personal operating model, there is a long-term element to it, which includes staying healthy and fit and making sure that you recover from challenging situations. The moment you start feeling tired, it is more and more difficult to be deliberate and calm, because your protection mechanism is activated much quicker when you're exhausted. That's why we all need to have a plan to stay fit, balanced, healthy and energized.

Then there's a shorter-term aspect to the personal operating model, which you can break down into days or even parts-of-days by looking at your agenda and asking, 'Are there situations today where I'm going to be entering an adaptive space?' and 'Are there situations where there will be high stakes involved, either for me or for the people I am meeting with?'

Once you've identified what lies ahead, you can set an intention to manage your emotions. If it's something really major, you might even do a visualization where you mentally go through some of the possible scenarios that might occur. And here's the fascinating thing: The moment you do this, the possible scenarios lose their grip on you. When things actually unfold, typically in a slightly different form from your visualization, you can observe them, live, and say, 'Yup, there it is, as I predicted.' And you can accept it — and remain in learning mode.

Why is it so important for leaders to recharge their batteries regularly?

Dedicating adequate time to recharging our batteries sets us up to successfully lead and learn, and ensures that we have the necessary emotional resilience to handle life's challenges. To recharge our batteries, we need to carve out time in the low-stakes Familiar Zone for recreation, practice and intentional acts of recovery along four dimensions: physical (sleep, nutrition and exercise); mental and emotional (mindfulness, emotional flexibility, regulating moods, having a sense of hope and optimism, creating emotional safety and balance, processing and resolving emotional challenges and 'baggage' over time); social (interpersonal connections and a sense of community and belonging); and spiritual (connecting to a deeper and more expansive sense of purpose, meaning and values). If we allow ourselves to reach a point of depletion without sufficient recovery, it can seriously undermine our health, our well-being and our performance.

Most of us don't think much about our recovery when things are going well. We sleep as much as we can. We eat well when we can. We attempt some type of self-care when we find a bit of free time. But most of us don't sufficiently plan for recovery and don't build it into our routines across the four dimensions. The fact is, the best way to handle life's challenges is by investing in our own well-being before, after and in the midst of a challenge or crisis.

Coming back to underlying beliefs, in the business world, recovery is not taught as something of importance. Yet the best athletes know that muscle growth takes place in recovery. So embracing the fact that recovery is part of your work discipline which enables creativity and resilience is an important first step.

Not surprisingly, what we've been speaking about leads to significant improvements in our well-being. Why is that?

Your well-being dramatically increases because you stop wasting energy on waiting for others to change or getting super upset with what you think are responses from others or the situation you're in. You can basically let go of the reactive mindset and 'own' your own stuff. This sense of agency has a massive impact on our sense of well-being. For me personally, my well-being improved the moment I recognized that there is only one person responsible for my emotions, and that is me. It's not always easy, but it is liberating.

How will we know once we're making progress on manifesting deliberate calm?

It's easier to recognize when you're not being deliberately calm in an Adaptive Zone, because you feel yourself becoming defensive and become reactive. When you are in a learning state, you feel more expansive: You ask more questions than you give responses; and you might smile a bit about the complexity of things. Above all, you are present, so you're able to accept the tense emotions that come with the challenge. And instead of trying to push them away, you accept them.

Over time, you will notice that your capacity to hold uncomfortable emotions dramatically increases, and with that you get better at dealing with complex issues and interpersonal situations. For instance, at this point, I am highly trained to notice when people move into protectionist mode. I can actually hear it in their tone of voice and see it in their body language. Very often it's not about the words people use, it's about how they say things.

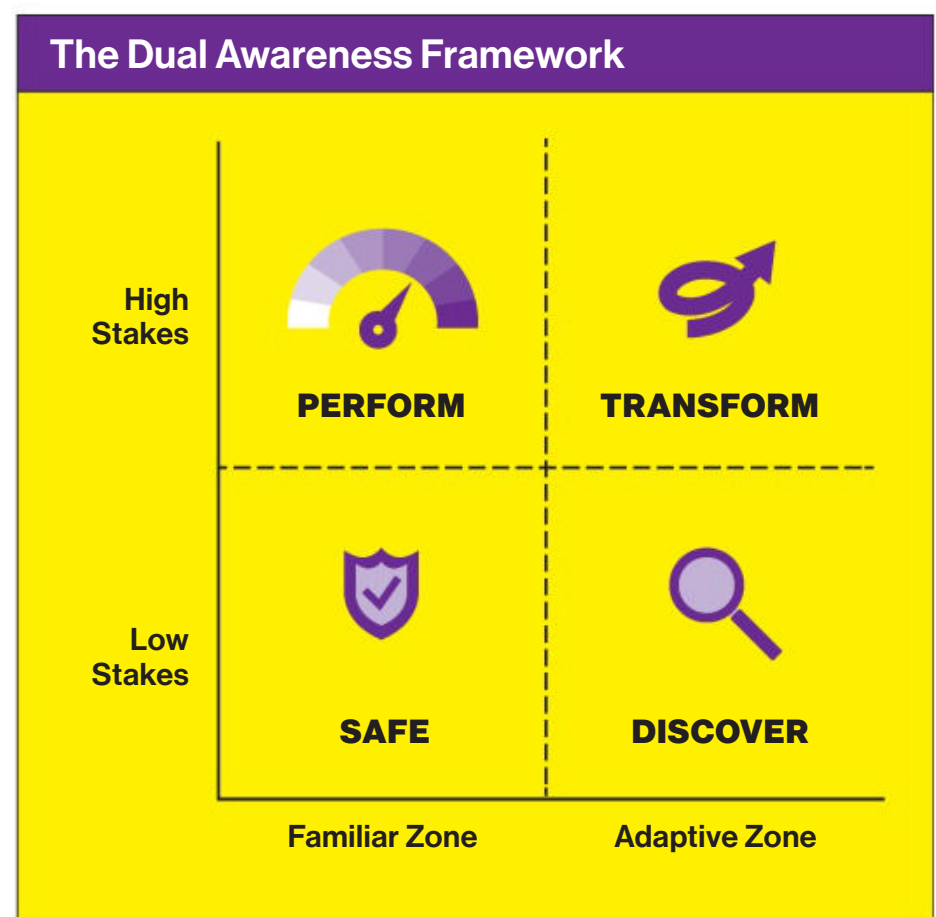
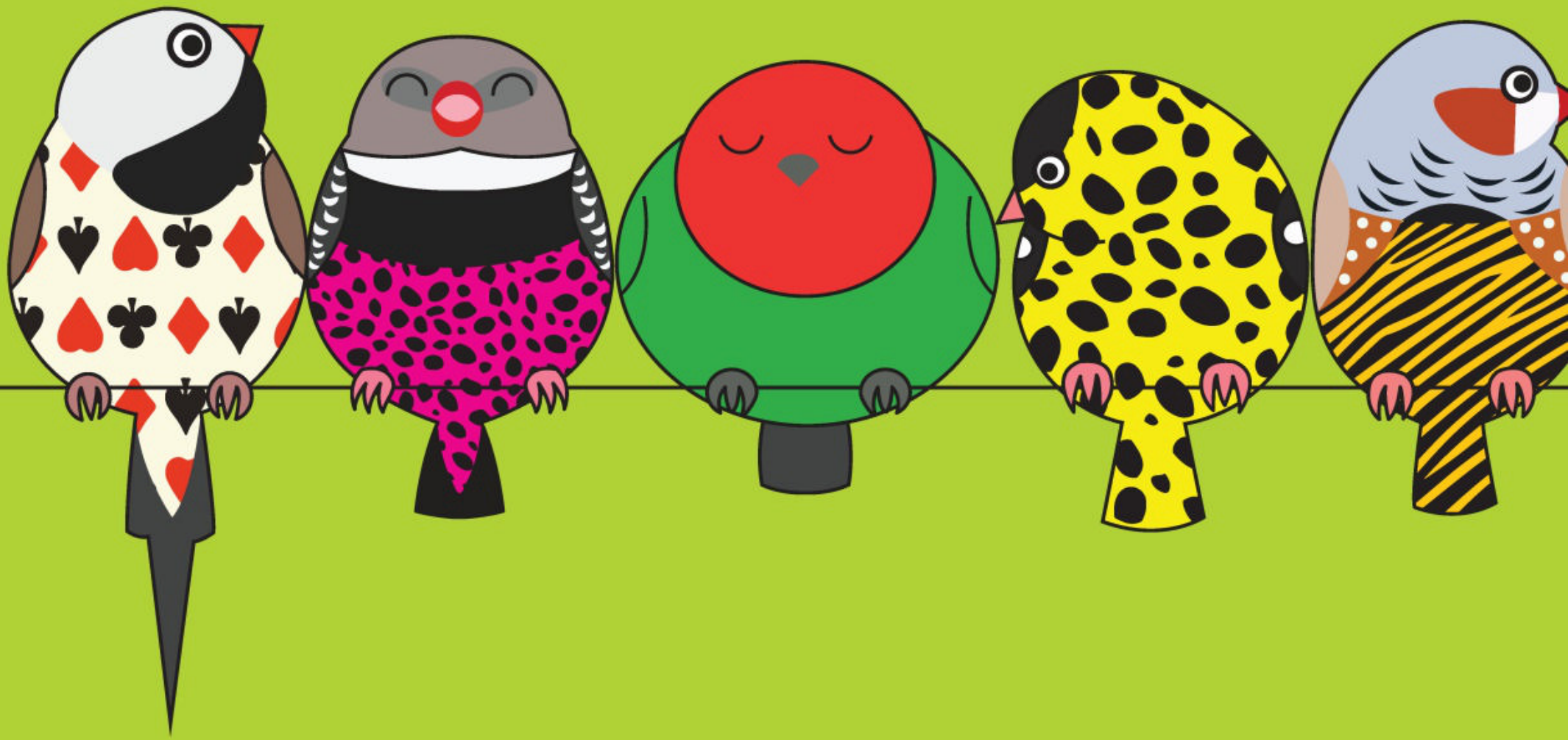


FIGURE TWO

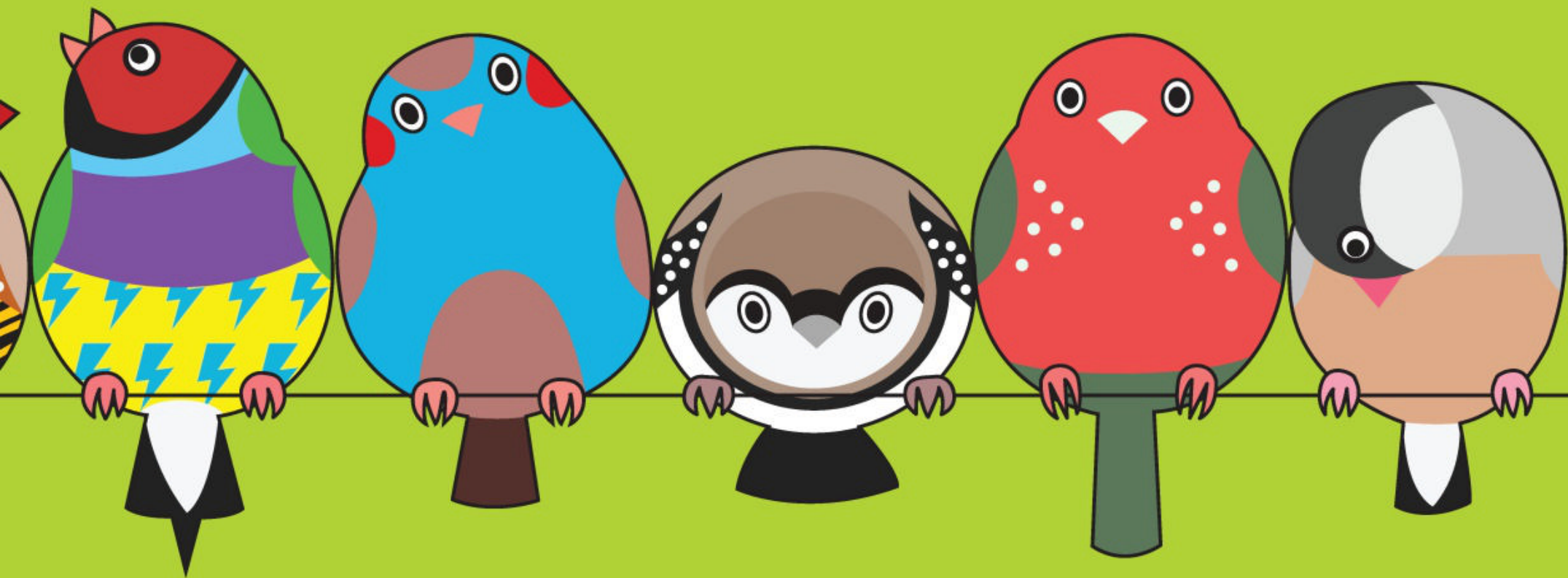
Whether or not we are aware of it, we all operate from default mindsets that colour everything we experience. And one thing is certain: There are an endless number of situations in our lives, both personal and professional, that we could more effectively navigate from a state of deliberate calm. **RM**



Michiel Kruyt is a board room consultant and the former CEO of IMAGINE. He spent 15 years at McKinsey and Company, and prior to that, 15 years at Unilever. He is the co-author of *Deliberate Calm: How to Learn and Lead in a Volatile World* (Harper Business, 2022).



**CREATING A
CULTURE OF
BELONGING**



For leaders, every workday presents opportunities to shape the belonging experience for employees by applying inclusive behaviours and norms.

by *Sonia Kang*

IMAGINE THIS SCENARIO: Your friend invites you to a party, and you agree to meet there, but she is running late, so you go in alone. And then you stand there, waiting, feeling awkward. And that feeling starts to grow, because you don't really know anyone, at least not well enough to walk up and chat. The worst part is, no one comes up to say 'Hi' or offer you a drink; not even the host. Everywhere you look, there are groups of two, three or four, lost in conversation and laughing. It starts to feel like you don't exist. Like nobody can see you. So you shuffle backwards out the front door. Maybe you stick around until your friend shows up, but more likely, you just go home.

What if you experienced these same feelings at work every day? What if you showed up, but didn't feel seen, heard or included? What if that unwelcoming host was your boss?

More and more, leaders at all levels are being asked to make sure that everyone on their team feels like they belong, because if they don't, companies know that employees will walk. On the other hand, if they do feel like they belong, employees will not only stay and feel valued, they will do better work.

So many important and complicated workplace issues affect perceived levels of belonging: racial and gender representation and sensitivity, sexual orientation, physical appearance and disability, to name a few. Add to that the compounding factor of *intersectionality* — how the multiple identity groups that an individual identifies with combine and interact to create their unique life experience. The problem is, leaders are often oblivious to a belonging issue on their team.



Part of being an insider is, you often don't recognize when someone else feels like an outsider.

I recently received a phone message from a former student of mine:

Hey Sonia. A few months ago, we onboarded a new team member. She does amazing work and we get along really well. But at her first review, she told me she likes working here but doesn't totally feel like part of the team: Some of the other employees have inside jokes, sort of like a clique; she doesn't often get asked for feedback, and she's an introvert, so the way we do meetings is tough for her. I feel terrible, like I'm a bad boss.

What does it take for someone to feel like they belong at work? Diversity, equity and inclusion expert **Pooja Jain-Link** is a senior executive at **Coqual** — a non-profit thinktank based in New York City. She defines belonging as follows: “Belonging means you feel seen for your unique contributions, connected to your co-workers, supported in your daily life and career development and proud of your organization’s values and purpose.” The problem, she says, is that many workplaces are not structured to create a sense of belonging for everyone, leading to a greater sense of belonging for some but not for others.

“Whenever someone says to me, ‘Oh, we don’t have a problem with belonging on my team; everyone feels included,’ that statement is probably coming from someone who *does* feel like they belong — which is great. And maybe it is true that all of their teammates feel that way, too. But part of being an insider is, you often don’t recognize when someone else feels like an outsider. And that can lead to the kind of homogeneity we see at many organizations.”

Research indicates that people who have some basic commonalities with their manager are more likely to receive feedback — especially valuable critical feedback that helps them grow and succeed, says Pooja. When there are lines of difference between a manager and team member, such feedback is much more rare. “Feedback breaks down, because there is often some discomfort or fear about saying the wrong thing or offending the employee.” Similarity or ‘insider status’ can lead to a variety of biases, some-

times unconsciously. The challenge for leaders is, how can you break a habit if you aren’t even aware of it?

Ask yourself some key questions, says Pooja: Do you recognize people’s skills and accomplishments equally? Do colleagues have opportunities to recognize each other’s skills and accomplishments? Do employees seem like they’re being themselves at the organization?

“Asking people, ‘How much do you feel like you can bring your whole self to work?’ is a starting point,” she says. Bringing your whole self to work means being able to show up authentically and not feeling like you have to edit pieces of your identity to fit in. It also means feeling like you can be vulnerable—make mistakes, ask questions and take risks. You don’t have to present a perfect version of yourself, she says; it’s enough to be able to be who you are.

Curiosity is a valuable attribute in this arena. As a leader or colleague, when you’re curious about people, you will learn more about them, putting you in a better position to become an ally. You can’t just decide one day, ‘Going forward, I am going to be an ally for group X or group Y’, says Pooja. “It’s about your actions. For example, showing up at meetings and speaking up in support of colleagues of different backgrounds and identities from yourself.” Even managers sometimes feel like they don’t belong, she says. But being mindful of your biases and becoming more curious about the people around you can help you build connections to your colleagues *and* support them.

The Path to Belonging

Let’s look at some practical techniques for building belonging. I recently spoke to **Stephanie Creary**, a professor of management at the Wharton School. “Without a doubt, middle managers are essential,” she says. And Stephanie would know. She has spent a lot of time studying belonging and the role of middle managers. They’re like the connective tissue that holds all of their different team members together. “What this looks like is making sure that you’re highlighting each team member’s contributions as they are emerging. Not only does that make

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PEOPLE AT HIGH-TRUST COMPANIES REPORT:

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Less Burnout



More Energy



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Source: EY's "Creating a Strong Sense for Belonging for All"

FIGURE ONE

people want to continue contributing, it also helps other people understand how all of the various pieces are coming together in support of the team.”

This has probably happened to you at some point: You do a great job on a project and, at the next team meeting, your boss recognizes it. You immediately feel like you belong, not just for the pat on the back, but because your unique contribution has been celebrated. This type of personalization, if you want to call it that, is a core aspect of the ‘employee experience’.

“Increasingly, workers want to be part of organizations that appreciate them for their whole selves,” says Stephanie. “So, what middle managers can do is advocate for spaces where employees can talk about non-work topics — what they’re watching on **Netflix**, what they did over the weekend. And today that often

involves **Slack** channels and various virtual online forums that allow people to connect with one another in an informal way.”

So, make space for informal connections that foster discovery of each other’s not-just-work-related identities. Importantly, these should not be mandatory. Some people want to keep their work lives and home lives separate, she says, and there’s nothing wrong with that. Another thing Stephanie says managers can do is keep their employees in the loop about benefits and encourage them to use them — especially the ones that promote work-life balance.

Employee surveys are showing that work-life balance is a big determinant of belonging. But, many people don’t take adequate time off — even when it’s there for the taking — because they feel like they’ll be penalized for using it. They might miss

out on a great new assignment, or people might think they don't care enough about their career. So it's important for managers to model for team members by taking time away and working from home sometimes when there is a hybrid environment.

As a side note, making sure everyone takes advantage of these kinds of policies can also help reduce inequality. For example, if men also took parental leave, it might lessen the impact of the motherhood penalty — the lower pay and lowered perceptions of competence and career dedication that have disproportionately impacted mothers.

Stephanie's research has also shown the benefits of mentorship and sponsorship in increasing belonging. "Managers can act as mentors and sponsors to a variety of people, but they can also create structures like a buddy system — peer mentoring relationships — that help team members learn how to support one another." So, that might be telling someone, 'As a mentor, you might want to go to this unconscious bias training to make

sure that in the everyday act of mentoring, you're minimizing unconscious biases.'

So, there are a lot of things leaders can do to build belonging. It probably makes sense to be somewhat intentional about it by structuring your approach. Stephanie has developed a framework called LEAP. The L stands for *listening* and *learning* from your colleagues' experiences. People often assume they know what it is that someone else needs, but they don't. The more you learn to listen to the people you are trying to support, the less fear they will have and the less likely you are to actually make a terrible paternalistic mistake, she says.

The E is about *engaging* in different settings. "So if I'm not Black, or if I'm not gay, but I want to be an ally to these communities, I need to go meet them where they are, in their spaces. And in large organizations, that often means an employee resource group. Go to these meetings and listen to people as they talk about their experiences. You're going to hear a lot more

Creating a Strong Sense of Belonging

by Muriam De Angelis

Think of experiences at work or in your personal life where you felt fully valued, understood and 'seen' for all you bring to the table — your background, experiences and skills. What was it about the situation, the environment and the people that created the experience? How did it impact your sense of competence, confidence and success? Now, think of a time when you did not feel valued, understood or seen for who you are. How was that experience and its impact on you different?

Through this simple reflection, we remind ourselves how significant the sense of belonging is and what a powerful influence on performance it can be. When we feel a strong sense of belonging, we feel free to be ourselves and safe to offer different points of view and dissenting opinions, and we believe that our contributions matter. We feel like 'insiders,' a trusted integral part of a team, network or community.

In contrast, when our sense of belonging is low, we feel like 'outsiders.' We feel vulnerable and guarded, we don't speak up easily or offer alternative perspectives and we contribute less, as it doesn't seem to matter.

The degree to which we feel we belong can vary from one person to another, one team to another — and even from

one meeting to the next. Given the increasing diversity of our teams, we can never take a sense of belonging for granted. That is why, as leaders, colleagues and team members, we need to be purposeful and deliberate in cultivating a sense of belonging for all.

Every day brings with it opportunities to shape the belonging experience by applying inclusive behaviours and norms that make it clear to each person that their differences matter. Research proves that the highest-performing teams are diverse and inclusive groups of committed, passionate people, brought together by a shared vision and deeply invested in each other's success. As individuals, they bring their unique experiences, backgrounds and perspectives. As a group, they form the right mix of talent. Inclusive teams build a sense of belonging for all members, elevate a high-trust culture and provide psychological safety by encouraging members to voice diverse opinions, share non-traditional views and ask better questions.

Like an iceberg, many aspects of our identity are not visible to others. For example, someone's identity may include 'being a man, father, artist, accountant, immigrant and introvert.' Distinct

than you'd ever hear by just walking around the office.”

The A is for *asking* about and *appreciating* peoples' work-related experiences. What we often hear from people who are marginalized is, 'People spend so much time asking me about my appearance, or my sexual orientation or my gender; what I don't get asked about often is my actual work.' So instead of asking your co-worker of colour for a systemic racism reading list, engage with them about their work.

And lastly, the P in the LEAP framework is for *providing support*, which is a really important aspect of allyship. Stephanie says it helps to understand the different levels of allyship: Advice and encouragement make up the lower level forms; in the middle are things like nominating someone for an opportunity; and then there's the higher level stuff, like directly helping someone who's having a hard time speaking up for themselves, particularly on something that is controversial. This might mean putting yourself out there by saying to the team, 'Hey

guys, this is what's happening with colleague X, and here's how we can help.'

This propensity to call out inequity or bias because you care about the workplace culture is referred to as 'prohibitive voice.' When Stephanie interviews people who have experienced a microaggression, they often say, 'I just wish someone would have said something so I didn't feel so alone.' These individuals have no way of knowing if it's a) that their leader didn't think what happened was that bad or b) they thought it was bad, but they were too scared to say anything.

Ending the Silence

The bottom line is this: *It's on leadership to break the silence* — to encourage people to speak freely and create an environment of psychological safety. That's the only way to enable honesty and provide momentum for discussions on a variety of issues, including belonging.

aspects of our identity may become more relevant in different circumstances. How much we share of our personal lives, and when and how we do it, differs from one individual to another. In some scenarios, an appropriate personal interaction can include laughing with people and understanding their home situation or their history from their childhoods. Notably, this may vary in different markets, as cultural differences, personality traits (introverts/extroverts) and identity impact how we communicate.

Following are some ideas for managers:

- Look out for those who may feel left out. Give them the opportunity to lead on an engagement and to share their views.
- Look for ways the team can support each individual's personal and career aspirations, needs, interests and styles.
- Encourage people to offer diverse or dissenting opinions. Ask, 'What points of view have we not yet considered?'
- Be clear that differences are an asset and openly share and leverage them on projects. Be explicit about the importance of understanding and valuing cultural and stylistic differences.
- Be an active ally: Identify and address — with permission — the behaviours that make people feel they are not valued,

dismissed, interrupted or overlooked in team settings.

Through our actions, we can shape our environment for ourselves and others by building trust and psychological safety on our teams — making fewer assumptions about people based on what is visible to us, and helping reveal more of what is 'beneath the waterline.'



Muriam De Angelis is the Diversity, Equity & Inclusion Leader at EY Canada. For the past two decades she has developed and implemented programs and initiatives across EY to promote a culture of inclusion, including awareness building, sponsorship and development, networking, as well as supporting employee resource groups.



Belonging can't happen in a vacuum. Senior leaders need to empower managers with the knowledge required to address it.

Managers also need to be aware of the factors that contribute to silence in the workplace. Is every team meeting dominated by the manager, and the rest of the team members don't talk? If so, the stage is being set for people not to speak up when there's a problem. If you actually want people to join the conversation and feel psychologically safe, even when things get tricky, you need to educate your team members — and yourself — about what causes silence, says Stephanie.

“It can help for a leader to say, ‘I would love to hear about the experiences some of you are having that are not so great,’ and setting up individual meetings to discuss these things. Being open to hearing about people's experiences is important to begin to create a culture where more people speak out against negative experiences.” Employees often stay silent for fear of retaliation, she says. “You have to say, ‘I want to assure you that whatever you say to me is not going to come back to haunt you in any way.’” And sometimes that means allowing the person to have a witness present — either a friend, someone from HR or a mentor — while they tell you about their negative experience. Once the silence is broken on a team, something amazing happens: everyone starts talking.

In closing

Belonging can't happen in a vacuum. Senior leaders need to empower managers with the knowledge they need to address it. As indicated herein, this can include celebrating employees, creating space to let them show their whole selves and making time to hear about their negative experiences. Hopefully, these things will remove the burden of ‘code switching’ — of people feeling like they have to adjust the way they speak, dress, act, etc. to be accepted at work.

The bottom line is quite simple: People want to know that they matter. And in the workplace, it's up to leaders to create a sense of validation. So, encourage and model healthy work-life behaviours. Listen and learn. Meet people on their turf. Create an environment where people feel comfortable confronting bias. This might sound like a lot, but it also paints a pretty great picture of the possibilities that lie ahead when belonging is prioritized. **RM**



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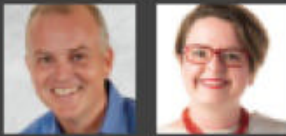
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Experiential Intelligence (XQ): Mindsets + Abilities + Know-How

by Soren Kaplan and Lindsey Godwin



THE COMBINATION for unlocking the door to a successful career path today is changing. Companies such as **Google, Apple** and **Tesla** have become members of a growing club of employers who recognize that predicting candidates' future successes relies on more than diplomas and test scores. What do they look for in addition? Evidence of unique skills, abilities and know-how cultivated from lived experiences that can be leveraged in the ever-changing marketplace.

Reviewing résumés with a deeper curiosity for transferable skills and wisdom gained through unique life experiences gives organizations the opportunity to discover and leverage talent in new ways. Take, for example the background of leaders like **Santhi Ramesh**, who was recently named by *Forbes* as one of the world's most influential Chief Marketing Officers for her contribution to the international expansion of **Hershey**. Peeling back the layers of her résumé, she points not to her formal education, but rather to

her unconventional experience as a violinist as the pivotal competency that has allowed her to excel in strategic marketing and innovation. The real-time, collaborative nature of playing in harmony with other musicians, coupled with the intense discipline and creativity needed to succeed as a violinist, are the skills Santhi learned are critical for both musical and corporate endeavours.

Despite leaders like Ramesh who have recognized that high value competencies are often learned outside of formal classrooms, the majority of organizations still focus their hiring practices on filling postings with narrow job descriptions and preset qualifications. We need new ways to harness the breadth of intelligence that employees bring to the table, including strategic mindsets and abilities that could be leveraged beyond a specific position.

Experience: A New Form of Intelligence

Ever since German psychologist **William Stern** coined the term 'intelligence quotient' (IQ), we have spent a century working to define and measure the construct, using it as a predictor of personal and business success. Nearly three

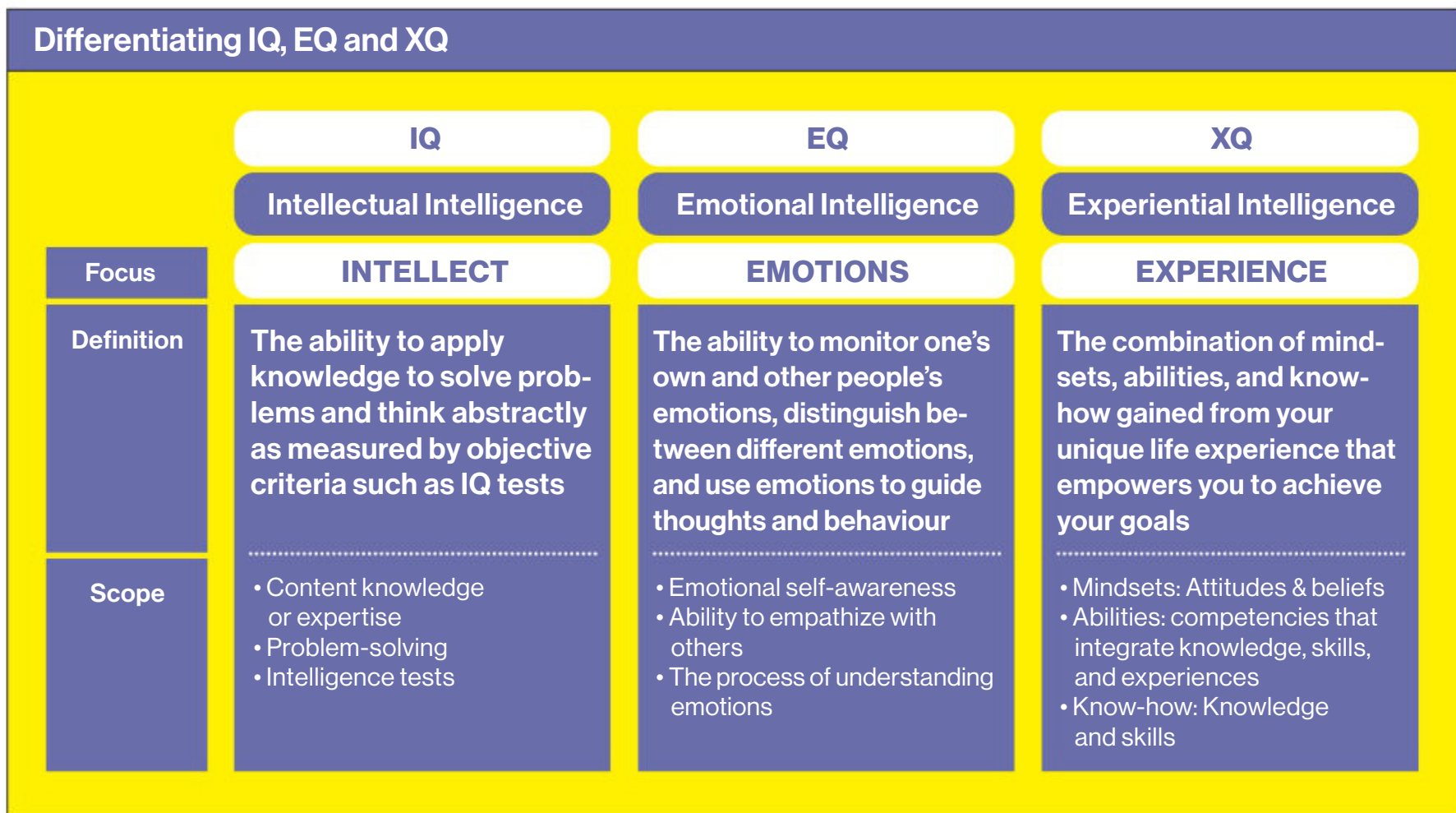


FIGURE ONE

decades ago, we added Emotional Intelligence (EQ) as another necessary component in the puzzle for cultivating effective leaders. While IQ and EQ both remain important elements of success, they are no longer sufficient. Leveraging the assets gained from our experiences is now also critical. Experiential Intelligence, or XQ for short, is like the third leg of a stool that's been propping us up all along but that we haven't been able to see because it's been hidden beneath our seats. As a complement to IQ and EQ, it holds the potential to expand our understanding of what is needed to thrive in today's increasingly uncertain and disruptive world.

Certain disciplines recognize the value of experiential intelligence without calling it by name. 'Extreme users,' for example, are people who spend an inordinate amount of time doing something at the extreme edge of what's considered 'normal.' Market researchers like to talk to these users because their knowledge of the ins and outs of a topic runs deep from their personal experience — much more so than that of the average person. For example, consider someone who loves coffee so much that they test a new brand every time they go to the store. They experiment with different

types of bean grinders and ways to brew the coffee, including French presses, handheld espresso makers, pour-overs, and siphons. Extreme users get to know something so well they become an expert by virtue of their lived experience, and their abilities flow naturally.

Defined as 'the combination of mindsets, abilities and know-how gained from your unique life experience,' the concept of XQ provides a structure to understand how we operate individually, but also collectively as teams and organizations. XQ consists of three elements:

MINDSETS. A mindset is an attitude or belief about oneself, other people, and the world. You may be conscious of most of your attitudes and beliefs, but some are just below the surface of your awareness. Your mindsets can either get in your way or help you achieve your goals. If, for instance, you hold the belief, 'I can't fail or people will judge me,' then you'll most likely shy away from anything that feels risky. As a result, you won't be very innovative, as risk-taking is needed for any type of significant change. Mindsets shape culture when groups of people on the same team or in the same

How to Leverage XQ

Many opportunities exist to surface and leverage Experiential Intelligence (XQ) for organizations:

- 1. Hire for Strategic Competencies:** Seek candidates who possess strategic competencies in the form of mindsets, abilities and know-how who can fill today's job roles while being positioned for growth tied to the organization's future strategies.
- 2. Develop Leadership XQ:** Design experiential leadership development programs specifically focused on eliciting existing strengths while advancing the mindsets, abilities, and know-how needed for the future.
- 3. Innovate Performance Management:** Retool performance evaluation processes around collaborative processes that surface, recognize, and advance people's strengths in the context of team and organizational goals.
- 4. Amplify Diversity:** Establish 'experience' in the form of mindsets, abilities and know-how as part of the workforce diversity agenda.
- 5. Scale Best Practices:** Engage the organization's resident experts in developing tools, templates and business processes and make these assets and access to these internal 'thought leaders' available to the broader organization.
- 6. Transform Culture:** Use the concept of Experiential Intelligence to engage individuals, teams and the broader organization in defining and developing current and future competencies that create competitive advantage.

organization share attitudes and beliefs, which in turn can influence creativity, social responsibility, business models, and more.

ABILITIES. These are the competencies that help integrate knowledge, skills and experiences to respond to situations in the most effective way possible. Abilities allow you to unite your knowledge, skills and experiences to effectively apply what you know. Abilities are specific competencies that bridge your mindsets with your know-how. Great authors, for example, have good writing skills, but many authors also have an ability related to personal discipline. This ability is often tied to a belief that focus and persistence is needed to write a book. This mindset and ability lead to specific behaviors, like setting time aside to write every day and

finding exactly the right words to convey the meaning they want to communicate — both of which then become skills. Your abilities represent broader approaches to how you do what you do, so you can apply what you know how to do in different contexts. Your mindsets guide what you see as possible and desirable, which influences where and how you decide to apply your abilities. Teams and organizations develop and leverage collective abilities of their people too, which are sometimes referred to as competencies or capabilities.

KNOW-HOW. Know-how includes your knowledge and skills. When it comes to knowledge, there's the information and facts you might get from school, taking workshops, reading books, or watching educational videos. That's what we call "formal knowledge." It's learned through some sort of documentation. There's also what's known as "informal knowledge," or "tacit knowledge." Tacit knowledge is learned through experience informally. Tacit knowledge often results from doing something repeatedly over time. We learn tacitly because we spend time practicing something or in the presence of another person, absorbing their knowledge by osmosis. Many organizations use mentoring, coaching, and apprentice programs to transfer know-how to new workers.

When we treat these elements as building blocks, with know-how as the base, abilities in the middle, and mindsets at the top, we get a progression from the tangible to the more difficult to measure. This model also suggests a progression when it comes to self-awareness at an individual level. Understanding that you possess certain knowledge and skills generally comes more easily than seeing your broader abilities. Recognizing that you possess specific mindsets that influence your thinking and behaviour can be even more challenging. The same applies at an organizational level. It's much easier to identify specific knowledge and skills that exist within the workforce, a bit more difficult to define the

Experience may just be the most valuable asset that has been hiding in plain sight.

organization's core competencies, and even more challenging to decipher the organizational culture.

Surfacing and reinventing mindsets (attitudes and beliefs) that shape behaviour (know-how and abilities) is essential for enhancing personal performance and developing high performing team and organizational cultures. And that's why leveraging XQ is a key success factor for leaders, teams and organizations.

It is perhaps easiest to understand how experiences shape us on a personal level. Yet, we also need to consider how experiences also shape us—and are shaped—at the collective level as well. Consider the array of groups that comprise the threads of our daily social fabric: from our families, to teams, to organizations, to communities of which we are a part. We often develop similar mindsets when we have shared experiences with people. This is the foundation for culture: when people develop shared attitudes and beliefs that influence their behaviour.

When people are part of groups with intense shared experiences, like police departments, fire stations and hospital ER departments, very strong cultures can result. Most organizations already understand the importance of shared experience. New-hire 'onboarding' programs give new employees a common experience through training, executive presentations, office tours and other activities that reinforce the company's culture. The goal is to get everyone on the same page quickly so they can hit the ground running in the work environment. Many teams and organizations also create rituals around rewards. When someone who's done something valuable is recognized publicly, the act of doing so becomes a shared experience. Everyone who witnesses the accolades gains an understanding of what's important and valued by the organization. A shared mindset is the result, which usually leads to more of the desired behavior that was rewarded.

In closing

While the notion that our experiences are a key determinant for how we think and act may seem intuitive, we have yet to fully apply this insight to organizations. When we begin viewing experience as a form of intelligence that can be developed and applied, we will better be able to capitalize on the latent mindsets, abilities, and know-how that often go underutilized. In today's hyper competitive landscape, every person is a potential source of innovation, and experience may just be our most valuable asset that has been hidden in plain sight. **RM**

Soren Kaplan is the author of *Experiential Intelligence: Harness the Power of Experience for Personal and Business Breakthroughs* (Matt Holt, 2023). He is a best-selling author, an affiliate at the Center for Effective Organizations at USC's Marshall School of Business and the founder of Praxie.com. He has worked with organizations including Disney, Visa, Colgate-Palmolive, PepsiCo, Cisco, eBay, Medtronic, the American Nurses Association and AARP. **Lindsey Godwin** is the Robert Stiller Endowed Chair of Management at the Stiller School of Business at Vermont's Champlain College, where she serves as the Academic Director of the Cooperrider Center for Appreciative Inquiry. She has worked with organizations including the United Nations, Ben & Jerry's, World Vision and Hershey.

The Clinical Edge in Healthcare Leadership

By Peter Chadwick



FROM HIS YEARS of experience, Professor **Brian Golden** is emphatic about what makes a successful healthcare leader: “I’ve never seen a high performing health system that didn’t have significant clinical leadership,” he says. Whereas 30 years ago clinicians who transferred to management roles might be accused of moving to the ‘dark side,’ today doctors and other clinicians know that the system is driven by multiple stakeholders and complex dynamics — finance, regulation, human resources, etc. So as a leader “they need someone who can speak their language, who is on their side.”

“There is a bit of ‘trust edge’ when clinicians are in leadership roles, because they have been socialized to the end purpose, to the meta purpose — which is to use resources as effectively as they can to care for patients,” asserts Golden. It’s not so much that clinicians who convert to management roles have special medical knowledge, but more that they have the credibility as people who understand the nature of the profession. Leaders with clinical credibility are more

able to be influential in healthcare organizations and as system leaders than those coming from outside — though there will always be notable exceptions.

Otherwise, the characteristics that make a successful healthcare leader are similar to those any leader in a complex, multi-stakeholder environment must possess—critically, the ability to lead through persuasion and influence, rather than through exercising top-down power. (The latter doesn’t work since most hospital-based physicians aren’t employed by the hospital.) Healthcare leaders must have the ability to actively listen, see alternatives, negotiate and resolve conflict.

Much recent thinking around leadership focuses on organizational culture and the need to prioritize values and purpose. Leadership at all levels with space given for individualism, creativity and innovation are widely embraced in progressive organizations today. But do healthcare leaders have time for these things, when they are consumed with technical issues and concerns — operations, finance and risk management?

Unless we innovate, we're going to save fewer lives, because the demand is growing quickly.

Golden has a clear view on this: “We tell our healthcare program participants that we’re not training you to be the Chief Financial Officer, the Chief Risk Officer or the Chief Information Officer; what we’re training you to do is to understand what those people do, to ask them tough questions, and not get the wool pulled over your eyes.” It’s the leader’s role to set the strategy, to establish the mission and the values of the organization and to select trusted people who have the technical expertise and ensure that the job they do is aligned with the organization’s goals.

He sees it as a three-tier pyramid. The broad base represents technical skills — finance, accounting, etc. The next tier, and less common, are critical interpersonal skills. The final peak of the pyramid is conceptual — the ability to see the organization and system as a whole and influence its design and progression. As Golden puts it, “having the ability to not only see all of the moving parts, but to see ways of reconfiguring them. That’s a rare skillset.”

In a busy, highly regulated healthcare environment, innovation, creativity and critical thinking may be somewhat constrained, but to meet the demands of a fast-changing world, they are really important and a key leadership priority. There are hurdles to be crossed and innovation may be slow, but it’s essential. “Healthcare, for the right reasons, is risk-averse,” says Golden. “If our system is designed to (and currently is) saving lives, we don’t want to put that at risk when we make changes. However, unless we innovate, we’re going to save fewer lives, because the demand is growing quickly.”

State-funded healthcare systems, whether in Canada or the UK, have been very paternalistic for many years. The typical approach, observes Golden, was historically “as long as we get you better, we don’t have conversations about the quality of your life or whether you would be willing to give up three years of uncomfortable life for a shorter, comfortable life.” Today, greater focus on patients has prompted the real innovation of appreciating multiple dimensions of success in healthcare.

In a world characterized by rapid technological, demographic and social change, healthcare organizations, as with those in other sectors, are in a constant process of managing change. Historically, planned change was most common, but today we are seeing a greater need to lead *unplanned* change. “With planned change, we understand what we’re aiming to accomplish and the gap between where we are and where we want to be. Then it’s about formulating a vision that aligns with people’s values, selling your idea and creating incentives to motivate people. It’s important to note that if you want new results, you not only have to excite people to get on your side, you also have to create a supportive environment, which means ensuring people have the necessary capabilities and the right technology.”

It takes a very different kind of leadership to lead through *unplanned* change — where, as during the pandemic, there is no rule book. “This is more about the leader keeping people together and pushing decisions back to people closer to the problem,” suggests Golden, “managing their stress level — allowing them to be sufficiently stressed that they are willing to change, but not so stressed that they get frozen in position.” It is then about providing resources and ultimately, making decisions based on experimentation. Here, the approach is, ‘we’ve never done this before; we’re going to try it on a smaller scale and if it works, go through rapid cycles of innovation.’

Artificial intelligence is already and will, in future, offer huge benefits for healthcare delivery, and Golden is an enthusiast. “What AI is trying to do is harness the expertise of the best and provide decision support. AI may not be better than the best radiologist or oncologist, but it will be better than the average clinician in these specialties. It’s not going to lead surgery, yet, but will develop the path.”

The first use of AI was in image matching and diagnostics. More recently, during the COVID pandemic, it was used to help governments make policy decisions about who were the highest risk cases. There is clearly a long way still to

Professor Golden: What is your view on the advent of private healthcare?

As long as there is proper oversight and governance, I am not concerned. There are private alternatives in virtually every other country. I think many people confuse or conflate private *delivery* with private *payment*. We are not talking about preferred access to care as a result of having more money in one's pocket. We have a considerable amount of private delivery already in this country, and this isn't the first time we've seen the need for other options. Approximately 20 years ago in Ontario, we had an incredibly long waitlist for radiation oncology services. Patients in the GTA were forced to go to Thunder Bay or to Buffalo, where it was considerably more expensive. What the Government at the time did was create a contract for private clinics to offer these services. It was paid for by OHIP at the prevailing rate, and in a year and a half, the waitlist was fully eliminated with no extra expense to the province.

We don't have to use the U.S. as a comparator. We can look to the UK's **National Health Service** (NHS); we can look to Australia, Switzerland, Singapore and Israel. There are many other systems with a mix of public and private care. We just need to carefully monitor quality and access. We actually need oversight around these things in both the public *and* private systems.

Another question is whether this will increase capacity in the system or if we're just shifting capacity. Are we going to lose health human resources from the public system to the private system? There is good reason to believe that we can increase capacity; people may choose to work more hours if they work in a private environment. Most physicians in the private system in the UK's NHS spend about 80 per cent of their time in the public system. Importantly the system does provide preferred access to those who can pay privately. That's not what we're talking about in Ontario. OHIP will continue to pay, not patients, whether with publicly owned or privately owned providers.

Ideologically, many people are concerned about a capitalist system emerging. But if we do see a shift — let's say nurses moving from the public system to the private system — that just tells us they're not happy in the public system. Why in the world would we feel comfortable restricting the job mobility of nurses? If done right, the changes we are talking about provide the opportunity for better access to care, better working conditions and high quality care.

—From *The Healthy Debate*: www.healthydebate.ca

go before the technology fulfills its potential.

All organizations are grappling with virtual versus in-person activity. “We do believe the in-person learning and interaction and relationship building is absolutely critical, for the vast majority of learning opportunities, whether it's site visits to **Kaiser Permanente**, or **IDEO** in California, or the **NHS** in the UK,” states Golden. “But we take the view that we don't need you to travel from all over the world just to sit in a classroom. Our program participants' time is precious, so time in the field with leaders and their organizations is incredibly valuable.”

Over the years Golden has seen enormous changes in both the way healthcare systems work and in the medical treatments that have become available as well as what research-based concepts of leadership are taught to students — all of which continue to be constantly changing.

“I started out in the mid-80s, working in this field,” remembers Golden. “It was a very simple world, though we didn't think so at the time. Now, there's so much more we can do for patients, which means the choices are tougher and our responsibilities are greater, from every perspective.” **RM**

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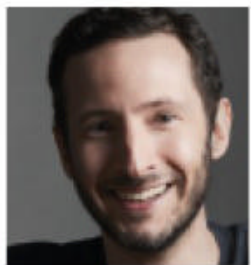
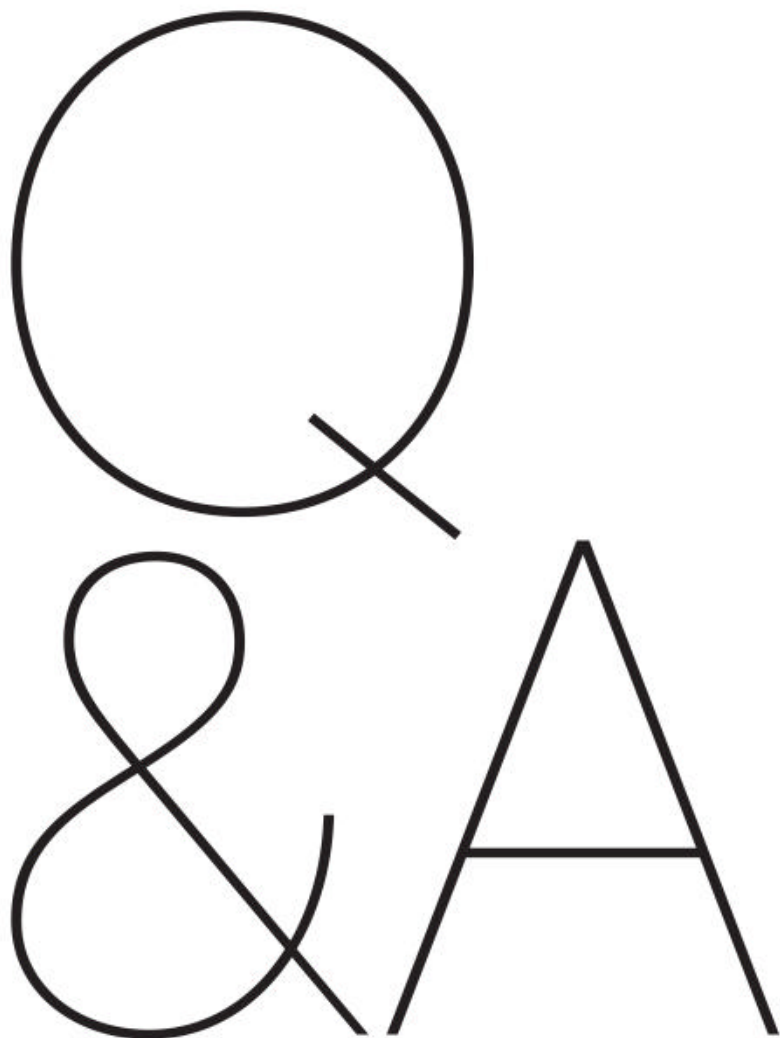
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Here's where it changes.



An expert on entrepreneurship and innovation describes why change is so hard for people.

Interview by Karen Christensen

What does the history of the teddy bear teach us about change?

Most people don't know this, but the teddy bear was the subject of a national moral crisis in 1907. It had been created just a few years earlier in Germany, and originally when it was sold in America, it was a toy for boys. It was stuffed with chips instead of cotton, so it had a rougher feel to it. But once it made its way into the home, girls started playing with it, and that was very concerning to people of the time. A preacher in Michigan actually delivered a sermon in which he described the teddy bear as a trigger for the downfall of humanity. The reason, as he explained it, was because when girls play with teddy bears, they set aside dolls; and when they play with dolls, they develop a maternal instinct so they can grow up to be mothers — which at the time was one of few options for girls.

This sounds crazy, but it was taken very seriously by many people. The sermon was transcribed and parts of it were run in newspapers around the country, sparking fierce debate. Schools started banning teddy bears and other preachers picked up the cause. Ultimately, it all amounted to nothing, but I think this is a very instructive story because it shows how people often believe that new wholesale replaces old. That as soon as we have something new in our world, it will radically alter everything that we ever did before. And we fear this, because we like old. Old is comfortable, it's familiar.

Change often feels like we're losing something — when in fact we're actually gaining something.

What actually happens over and over again throughout history (and in our own individual lives) is that we integrate new with old. We take the best of the old and the best of the new and combine them together. We can have a world with *both* — not just one or the other. Children can play with teddy bears *and* dolls. We often make this mistake and blow things way out of proportion because change often feels like we're losing something — when in fact, we're actually gaining something.

You have developed a framework for adapting to change. Please describe it.

During the pandemic shutdowns, it was really interesting to watch some incredibly smart entrepreneurs use that time to pivot and adjust their business models, while others were completely lost. In talking to people I realized that the ones who were adapting didn't feel totally comfortable doing it. In fact, they were terrified too. It was just that they had more faith that something valuable could be on the other end.

I realized that everyone goes through change in the same four phases: panic, adaptation, new normal and 'wouldn't go back.' *Panic* is very familiar, obviously. It is that sense when we see nothing but loss and we have no idea if, or how, we will ever gain something again. Then we move to *adaptation*, where we start looking at the new things that are available to us and start pushing ourselves to meet the new needs of the time. Then we find a *new normal* and gain a new sense of comfort and familiarity. And then finally, we get to the *wouldn't go back* phase, which is the moment where we say, 'I have something so new and valuable here that I never want to go back to the time before it.'

If you are highly adaptable, what you have over other people is the faith that the 'wouldn't go back' moment is going to arrive. That doesn't mean you will know when you're going to find it, but you can move through the most uncomfortable phases of change because you realize they are simply the price to pay. They're the admission fee for getting to 'wouldn't go back.'

Why are crises such a great source of opportunity?

I've asked a lot of people that question, and my favourite answer came from Brian Berkeley, a legal ethics professor. He said something along the lines of, 'a crisis forces us to

shift what we do and what we're collectively willing to take seriously.' Put simply, we all create a filter in our minds to filter-out bad ideas and only allow good, possible and realistic ideas in. And that is reasonable. We all need to do that. We can't spend all day engaging with every single possible possibility.

The problem is that our filters are imperfect, so we will inevitably leave out some great ideas and then focus only on the things that we thought at the time were the strongest. When any moment of mass disruption comes along, it starts to invalidate some of the things inside our filter. Some of these things no longer work, so we are forced to look outside of it. And when we do that, we can discover that some of the greatest opportunities and ideas were ones that we left outside.

People like comfort, so most will not do this exercise without being forced into it. And that is why moments of great disruption and crisis can lead to great opportunities. Number one, we're being pushed to expand what we consider to be possible and number two, as we do that we are also existing in a world in which people's needs are new. Some of the largest incumbents are no longer able to serve people as well as they could before, and that creates massive opportunity for anyone who's able to step up and say, 'let me figure out what people need now and how I can adapt to meet those needs.'

You advise entrepreneurs (and basically everyone) not to cling to tightly to the goals they've set. Why do you give that advice?

This is something I learned myself fairly early on in my career. I had very specific ideas of what I wanted to do with my career: I wanted to be a columnist for the *New York Times* or the *Washington Post*. That never happened; and the place that I ended up has actually come to define my career. I didn't know that *Entrepreneur* magazine existed in the beginning of my career. Hell, I didn't know it existed in the middle of my career.

What I learned along the way is that a goal is a really great thing to have to move towards, because what we all need is some momentum — somewhere to go. If you're stuck in the middle of a forest, you have to pick a direction and start walking. But that doesn't mean that the goal is

In the case of ‘quiet quitting’, what we have is a new phrase for a very old problem.

actually where you should end up. You might discover great new things along the way that are actually much more valuable and fulfilling than whatever you thought your initial goal was. I’ve seen lots of people narrow their focus so much that they turn down every opportunity except ones that seem to advance them towards the very specific thing they have in mind. Sometimes it works out, but sometimes it doesn’t. Sometimes they get where they thought they wanted to be and discover that it isn’t what they imagined. Then they get really disoriented because they’ve never really entertained another idea.

Malcolm Gladwell once told me that “self perceptions are powerfully limiting.” I wrote this down and stuck it on my wall, because it’s so powerful and true. If we define ourselves too narrowly, we will turn down lots of great opportunities along the way, and that can be the biggest missed opportunity of all.

You also believe it’s important for us to recognize the things in our lives that will never change, despite all the change around us. Why is that important?

That is the first piece of advice I give people when they’re asking how to navigate a big moment of change. We have to identify the things that *won’t* change in times of change, because we need an orientation point. During moments of significant change it feels like everything around us is changing, including ourselves and possibly our identities, and that’s scary. You need to look around and see how you can be an asset as things shift. The deeper we can go in understanding our core value to the world, the more we can feel steady and recognize that we will always have something to offer, no matter the circumstances.

You’ve spoken to lots of successful entrepreneurs who didn’t experience success right away. Do you have a favourite story of someone who turned things around?

I do. A woman name **Lena Fleminger** founded a wig store in Baltimore called **Lena’s Wigs**. She ran it as a store front because she understood that to be the only way to run her business. People would come in off the street and they could shop for wigs. But when the pandemic arrived, she couldn’t operate that way anymore. The only thing she could think of is something that she had already discarded because it

seemed like a bad idea, and that was to do appointment-only viewing. She always thought that was a terrible way to run a business, because why would she want to add friction for her customers?

Suddenly, she had no choice. And what she found was remarkable. Number one, consumer happiness went up and number two, sales rose. Why? Because as it turns out, you know who *doesn’t* buy wigs? People who walk in off the street. They like to browse, but they’re not actually Lena’s consumer. Her actual customer is shopping for a very personal reason — usually either religious or medical — and those people actually don’t want random people coming in off the street while they’re trying wigs on. They much prefer a private experience. But because Lena had been operating the business the way the way that she thought she had to operate, she was actually creating a worse experience for the people who do buy wigs and catering to people who don’t buy wigs.

I love that story because it’s so simple. Once she was on the verge of losing this business, she was forced to make a radical gamble, and she discovered that actually there was a significantly better way to run this business all along. And now that she knows that, she can lean into it and benefit from it.

I know that you’ve had some choice words for the phenomenon of quiet quitting and/or quiet firing. I just wonder could you encapsulate your take on quiet quitting and quiet firing?

It drives me crazy when people treat old problems like they’re new. When they do this, they assume ‘there must be a new cause for this.’ In the case of ‘quiet quitting’, what we have is a new phrase for a very old problem. We’re in a situation like where we were with selfies in 2013, where just because the word ‘selfie’ was new, everyone acted like it was the first time anyone had ever taken a photo of themselves.

The problem with quiet quitting is that number one, it is treated as if something just happened that made people dissatisfied at work, which is not the case. And also, it puts too much emphasis on the person who is quiet quitting and lets the manager and organization that they work for off the hook. The fact is, not everyone is happy at work, and those people should seek happiness. A company needs to be alert



to the needs of its employees. People don't just want to show up and do the job they're asked to do. What they want to do is build their lives and careers, and if they don't see a pathway forward, they're not going to show up—or they'll show up in the smallest way possible. That has always been true.

The other annoying term that's being used is 'quiet firing,' where managers are just giving up on people and waiting for them to quit. That's just bad management. We're treating sophisticated businesses like they're half-baked high school romances, where people are just going to continue seeing each other but treating the person badly until they go away. That's no way to run a business.

Fortunately, I talk to plenty of leaders who understand that a focus on meaningful work and creating supportive environments is the way forward. Focusing on these things is actually good for business because you're creating a loyal workforce that is going to stay and help you build a great company culture. All of that gets missed when a situation gets boiled down to a phrase like quiet quitting or quiet firing. I hope I never hear those terms again. **RM**

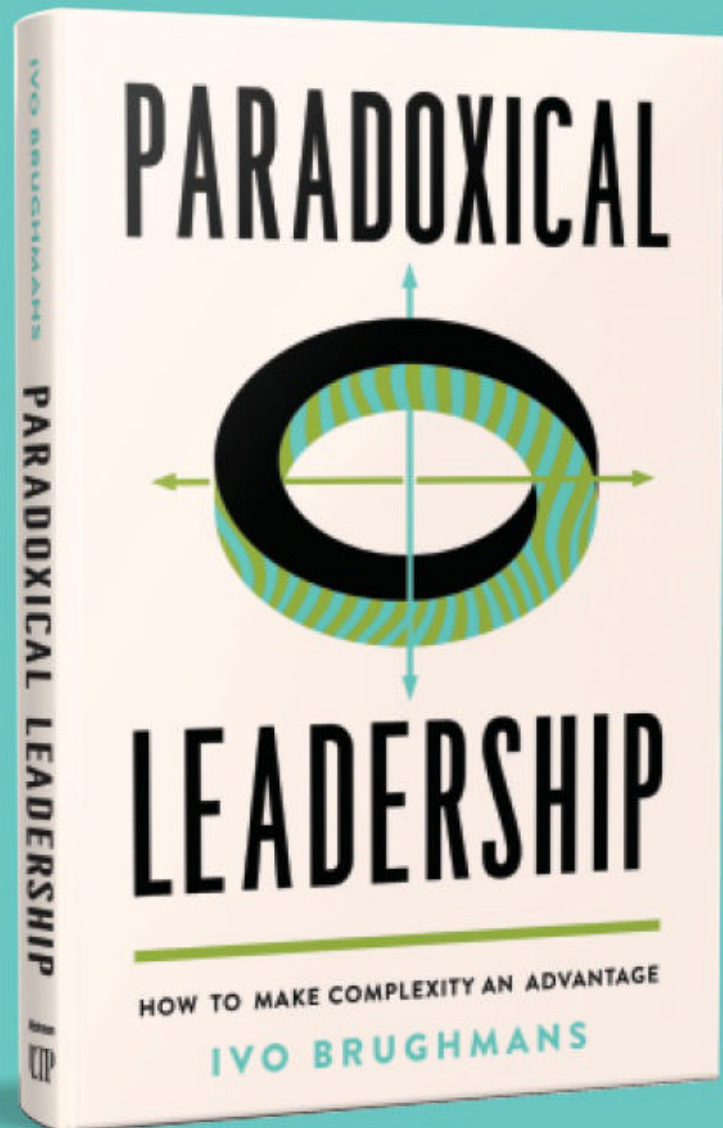
Jason Feifer is Editor in Chief of *Entrepreneur* magazine and author of the book *Build For Tomorrow: An Action Plan for Embracing Change, Adapting Fast, and Future-Proofing Your Career* (Harmony, 2022). He hosts two podcasts: *Problem Solvers*, which is about entrepreneurs solving unexpected problems in their business; and *Build For Tomorrow*, based on his book.

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A bank executive who is working to diversify the leadership pipeline describes her career's mission.

Interview by Karen Christensen

Three 'impact objectives' have guided you in your career. Please describe them.

I crafted these objectives over the years as I thought about the impact I wanted to have in my career and the principles that meant the most to me. The first objective is to support the development of leaders, particularly racialized leaders. I myself have been the beneficiary of lots of people supporting my growth and development and identifying me for interesting opportunities. There have been people in my life who have helped remove barriers for me and, importantly, have helped give me the tools to remove barriers for others. This commitment has come to me through all of those experiences.

The second impact objective is around re-imagining the conception of who and what a leader is. At one point, I worked for an organization that did a really great job of working across sectors to provide advancement opportunities in the Greater Toronto Area. Early in its existence, their definition of 'leader' was very much tied to institutional positions. If you were a CEO or an Executive Director, you were viewed as a leader.

With this narrow conception, we found ourselves in a place where all the leaders we attracted were essentially white men and women. I knew full well that leadership capacity is not concentrated in any particular demographic group, so at that point, it became very important to me to help the organization start thinking about leadership differently. There are plenty of people who are leaders by virtue of the followership they inspire, the influence they hold or the change they've led. It can have very little to do with a title and much more to do with impact. So part of my mission has been around dismantling prevailing views of who leaders are.

My third objective is about connecting institutions and individuals to facilitate positive change. As early as grade school, I found myself with an ability to broker relationships and opportunities, and that skill has been very helpful for me as I've worked to help other people break barriers and blaze trails. I have often found myself in positions where I can connect people to each other and to institutions in order to drive change. And as a result, as I've ascended the

We're looking at how to remove barriers to fuller financial and economic inclusion.

leadership ranks in corporate spaces, I've endeavored to share this 'social capital' with others as a way of driving long-term — and ideally, systemic — change.

After many years working for arts, cultural and civic organizations, you switched tracks a few years ago to join one of Canada's largest banks. What drew you there?

What attracted me to TD was the opportunity to learn, add to my skills and have impact on a massive scale. I've worked in a lot of amazing organizations with some truly brilliant people, but when I think about the financial services sector in Canada, it is the backbone of our economy in many ways. To be able to work for an institution with that kind of influence was a great ambition of mine, so when the opportunity presented itself, I pursued it fiercely.

Your role includes improving the bank's customer experience as well as the 'colleague experience' Please explain that term.

I have a really incredible, varied portfolio, and 'colleague experience' is one aspect of it. Put simply, this pertains to the day-to-day experience of our colleagues throughout the bank. Obviously we are all here to perform different functions and to bring our expertise to bear on different problems, but people spend so much time at work (one third of your life!) that it's very important to consider how that time impacts our well-being. That is an important role for every organization to play. Additionally, the experience of colleagues/employees, has a direct impact on customers, so both are very important.

Part of the work my team does is developing and executing well-being programming to support our colleagues throughout the ranks. During the pandemic, that included providing education on how to keep yourself and your family safe in the midst of COVID-19. This year, our theme is Rest, Reset and Recharge and it includes a whole range of activities and resources designed to support our colleagues well-being.

Another piece of the colleague experience is recognition. People are motivated by working with great people and by receiving development opportunities to help them

achieve their aspirations; but they're also motivated by having their efforts recognized. That recognition can come in many forms. It can be as simple as peer-to-peer recognition, like receiving a note from someone saying, 'Thank you for the amazing work you've done on this project,' or it can come by way of larger scale recognition like our annual top performer programs. So there are different dimensions to recognition, but really it's about acknowledging our colleagues in a holistic way.

Another aspect of your responsibility is ESG. What are some of the key challenges you and the bank are currently tackling?

In terms of the terminology itself, E, S and G is relatively new, but in terms of companies leveraging their business practices to drive better environmental, social and governance outcomes, that's not new to TD (or many other corporations, thankfully). We've been doing a lot of this work through our corporate citizenship platforms for years, but in my role, we look specifically at how our personal banking products, services and processes can positively advance goals related to environmental sustainability as well as social and governance issues. For instance, we're looking at how to remove barriers to fuller financial and economic inclusion. In conversations with community members and employees, big topics that have emerged include intergenerational wealth creation, home ownership and investing.

You have said your 'superpower' is diplomacy in tough situations. What key lessons have you learned about having difficult conversations that are productive?

Many people automatically characterize difficult conversations as being confrontational. I think we need to shift away from the idea of *confrontation* as a bad thing, and think about it instead as 'coming at an issue' or 'coming at a problem'. This way, we're not confronting a *person*, we're confronting a *problem*. If both parties can agree, on the issue they want to address, that takes a lot of the pressure off and can help remove the fear typically associated with confrontation.

Second, I view difficult conversations (and all conversations) as a dance. As with any dance, there are different

The likelihood that Black presence in a community will automatically translate into leadership is slim.

‘moves’ that you can use, depending on the ‘music.’ Sometimes it’s important to pull the move of, ‘Ask some questions.’ If something untoward has been said in a meeting, I might just ask a question like ‘What exactly did you mean by that?’ to give the person an opportunity to explain what they meant — instead of concluding that the way I heard it is actually how they meant it.

Another ‘move’ is to just to say to the other party, ‘This is the impact your comments are having on me’ and invite a conversation about that impact. So again, try to depersonalize the situation and talk about the issue for what it is, as opposed to ‘who said what’ or who they said it to.

Finally, whenever I go into these conversations I try to think about three things: issue, impact and outcome. Are we clear on the issue here? How can we understand the impact that it’s having? And how can we achieve the outcome we actually want? These things are really important when you’re having any difficult conversation.

You once said that “Blackness is a cultural commodity that rarely seems to translate into political, social or financial capital for actual Black people.” Please unpack that for us.

I said that reflecting on experiences I had very early in my career, 20+ years ago, and I think it’s still true. If you were to compare the quantity of Black cultural commodities that are consumed and the rate by which we see Black people in positions of influence, decision-making and power, that ratio is very imbalanced. You can go to a restaurant and see photos of Black people on the walls; you can attend a cultural production and see Black people on the stage. But the likelihood that you will see Black people in leadership positions for that entity is much lower. And likewise, the likelihood that Black presence in a community will automatically translate into leadership is slim.

One of your early podcasts was titled ‘Staying Black on Bay Street.’ Having lived it yourself, what does it take to do that?

In my experience, it has been helpful to have a vision for why you’re there. It could be that you know you can make a lot of money or that you can do something really innovative.

It might be that you believe you can have an impact on the people you work with — and that’s something that has been very important to me.

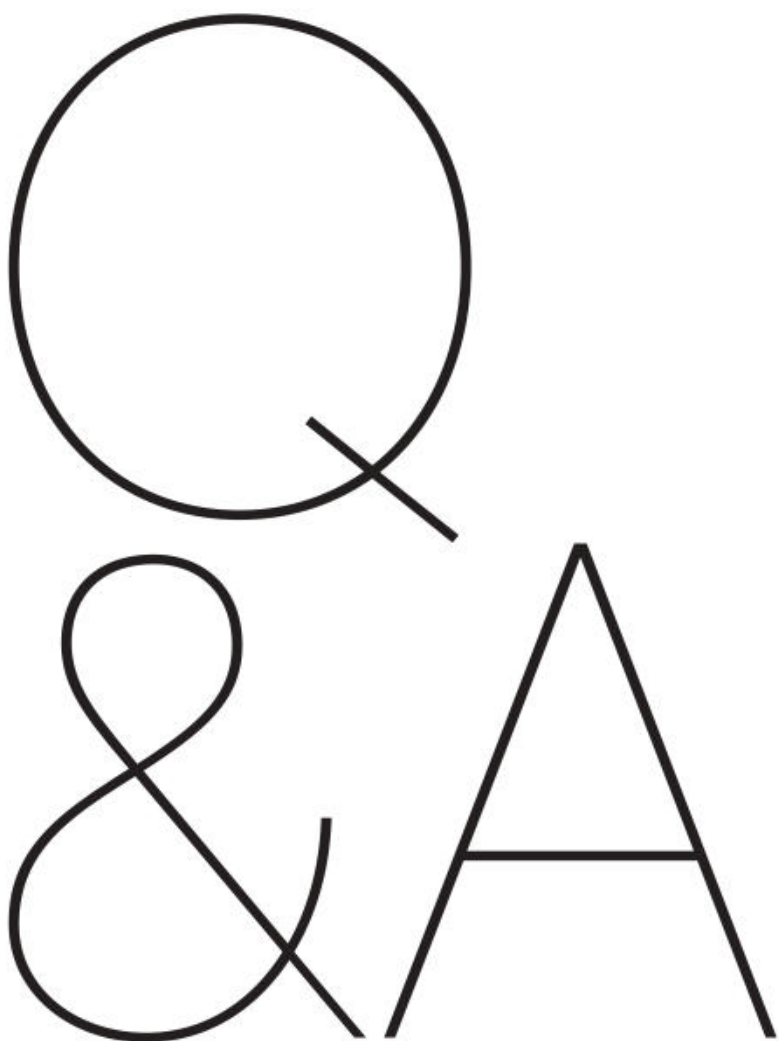
Whatever your reason is, you’ve got to understand why you are there because you will need to lean on that ‘why’ when times get challenging. Your reflection might look something like: I’ve had a hard couple of months, but in general, I’ve still been able to fulfill my vision for why I’m here. Or maybe I’ve had a hard couple of months and I haven’t been able to do anything related to the vision I have for myself. Your ability to move your vision forward can be the gauge by which you decide whether it’s time to go or not.

The second is access to a community of support. It’s absolutely critical to have people around you in your organization or within your industry that you can lean on, connect to, commiserate with, collaborate with, celebrate with and that can be a safe place for you to be vulnerable. The experience of racism on a daily basis over many years can be soul crushing, and you need people to turn to who will understand.

The third element is growth — experiencing growth and being in an environment that supports it. That’s true for everyone, of course, but for many Black folks that I’ve spoken to, the experience of being passed over for opportunities is very real. Some have felt like their career is not accelerating at the rate of their peers who have comparable, sometimes less, experience and education. And research affirms this: Black Canadians with a university degree have a lower employment rate than their white Canadian counterparts.

Leaders at organizations who believe they are committed to diversity, equity and inclusion must examine and address these disparities and disproportionalities directly, so their employees can thrive and their institutions can remain relevant. **RM**

Naki Osutei is Vice President, Canadian Personal Banking Strategy, Colleague Experience and ESG at TD Bank. Prior to joining TD, she worked in Executive Talent Management at CIBC, supporting the development of executives and ‘near-executives’ while also working to diversify the pipeline. She is also the founder of Next Level Presence, a leadership and public speaking coaching consultancy. She joined the Rotman School of Management as an Executive in Residence in 2022.



An innovation expert says industry boundaries no longer define who your rivals are.

Interview by Karen Christensen

You have said the disruption occurring in business today is very different from what came before it. Please explain.

Disruption used to take place *within industries* — discount airlines, online brokerages, steel production. But today's disruption breaks industry boundaries and redefines entire ecosystems. The digital age has so altered business activities that our traditional approach to strategy and competition has become nearly obsolete. Ecosystem disruption isn't about new entrants coming into your market and doing the old job in a new way, but rather *redefining what that job is*. There are multiple games being played simultaneously, so the new risk for leaders is that they could be trying to win the wrong game. Whether it's in mobility, healthcare or finance, it's about redefining the nature of the value proposition.

How do you define an ecosystem?

A business ecosystem is the network of organizations — suppliers, distributors, customers, competitors, government agencies and so on — involved in the delivery of a specific product or service through both competition and cooperation. Put simply, it is the structure through which partners interact to deliver a value proposition. If you think about the world of mobile payments, there are multiple approaches being deployed and each one is an alternative ecosystem. Both from an opportunity side but also from a threat side, there are pressures coming from many different directions into the same space. There's a lot more to consider than the usual industry rules of head-to-head competition that we understood so well.

What does ecosystem disruption look like?

Take the automotive industry. Competition between companies has always been intense, but for a century, it was centred on the same set of well-understood goals. Today's car makers are scrambling to create strategies that make

The way we think about business model offense and defense has to change.

sense in the redefined ‘mobility ecosystem’ that is being reshaped by companies like **Tesla**, **Uber**, electrical charging and promises of autonomous vehicles. There is a diversity of business models and partnerships that present a fundamentally different set of trade-offs.

Ecosystem disruption is not new, but the frequency with which firms are trying to create new ecosystems, and the number of ecosystems they are forced to participate in simultaneously, has picked up considerably. This is the next step in the digital revolution, and leaders need to understand what’s going on.

You believe the story of Kodak holds the keys to understanding the today’s challenge of transformation. Please explain.

Kodak’s saga is the exemplar of what we are getting so wrong when we look at modern competition. It’s the most over-studied story of modern failure, but it has been totally misunderstood. The story that everyone has been taught has Kodak failing because they could not overcome their internal inertia to transition from the world of chemical photo printing to digital photo printing. But this is 100 per cent wrong.

Kodak bet big and *did* transform into a dominant digital printing company: they became the number one seller of digital cameras in the U.S. and a top printer maker. But even as it managed the disruption in printing technology, it was blindsided as *printing itself* became irrelevant in a world of ubiquitous screens. Digital viewing replaced digital printing. Kodak was trying to beat **HP** and **Lexmark**, but the true danger came from the iPhone, **Facebook** and **Instagram** as they redefined the way in which images were consumed.

This is a different kind of disruption, rooted in what I call ‘value inversion’ — and it requires a new set of tools in order to see it coming. Kodak offers a stark demonstration that winning the wrong game is the same as losing. The point of revising the story is to show that any organization that doesn’t have the tools to see and understand the larger ‘game board’ is equally at risk of winning the wrong game.

How do you recommend companies go about defining their ecosystem strategy?

It starts with articulating the elements that underlie their value proposition — the value architecture. This is a new

approach to strategy that I introduce in the book. From there, think about how to construct an ecosystem that pulls it together. When you’re confronting change, which part of the ecosystem is that change impacting? The pressure is not going to be everywhere and all at once. If you can specify where exactly the pressure is, you can be smarter about creating an effective strategy for responding and taking advantage of the change.

Describe how Wayfair and Amazon illustrate this mindset.

The story of **Wayfair** is critically important because it shows how, yes, we have these massive ecosystem juggernauts, but a really smart understanding of value architecture allows a much smaller, focused firm to not just survive but thrive in the wake of a giant like **Amazon**.

From a traditional industry lens there would be no chance that Wayfair could survive; but if we understand the way in which they reconstructed their ecosystem, suddenly not only is it possible, but it’s sensible that firms in that situation can defend themselves quite successfully. That’s actually the subtitle of my book — *How to Disrupt, Defend and Deliver in a Changing World*. The way in which we think about business model offense and defense has to change.

In the context of ecosystem competition, what new skills are required of leaders?

The key leadership challenge that emerges in this scenario is the ability to align independent partners. There is always tension between an execution mindset and an alignment mindset. One isn’t better than the other, but these are different foci that are required in different contexts. If you’re operating in a stable context, the traditional notion of a high execution focus can serve you quite well. But if you’re in a setting where pieces of the puzzle are being re-aligned or are moving around, it’s way more important to focus on driving that alignment in a productive way. Achieving this requires a very different set of priorities and a different set of trade-offs. Rather than the noble virtue of putting an organization first with an alignment mindset, you have to put the *coalition* first in order to get things into place. The traditional military metaphor for business gives way to the diplomatic metaphor of ‘how can we bring things together?’ and ‘how can we keep them aligned as we move forward?’

Most new growth initiatives are coming from situations where boundaries are being redrawn.

The Principles of Ecosystem Defense

PRINCIPLE 1: Modify your value architecture by recruiting and redeploying partners. Illustrative case: **Wayfair** versus **Amazon**

PRINCIPLE 2: Identify defensible ground by finding like-minded partners. Illustrative case: **TomTom** versus **Google**

PRINCIPLE 3: Discipline your ambition to sustain your defensive coalition. Illustrative case: **Spotify** versus **Apple**

Tell us about the ‘Ego-System Trap.’

Companies fall into this trap when they don’t recognize when their growth ambitions are taking them into a new ecosystem. Instead, they focus on expanding their position in the old ecosystem. We see this in the contrast between **Apple**’s success in expanding from smartphones to tablets to smart watches, and all the associated apps; and its stark failure to meaningfully impact health, education, payments, smart home and other transformational ambitions.

The ego-system trap arises when firms define their ecosystems around *themselves*, rather than their *value proposition*. This blinds them to the need to re-strategize the alignment of partners when they cross into new domains. For leaders, overcoming this trap depends on developing an ‘alignment mindset,’ which as indicated, requires skills that are more about diplomacy than authority. Shifting from a ‘company-first’ to a ‘coalition-first’ mindset can be a real challenge for traditional leaders.

In the book, you explain ecosystem defense by pointing to three David-versus-Goliath stories: Wayfair vs. Amazon; TomTom vs. Google; and Spotify vs. Apple Music. Why is defense so important in ecosystem competition?

Ecosystem defense is critical because ecosystem *offense* is everywhere. As I said earlier, Kodak was driven to bankruptcy as a result of collateral damage from a broader trend that they did not know how to see coming. Many firms, however, find themselves squarely in the sights of ecosystem disruptors who are very intentional about eating their lunch.

The notion of needing to confront an Apple, Google or Amazon in your home market is the new competitive nightmare. But there is a systematic way to respond: ecosystem defense must be pursued in a coalition. If you’re facing this new type of competitor that is bringing its own ecosystem into the game, you can’t beat them head-to-head. You have to recruit and redeploy partners, identify defensible ground, and discipline your ambition to sustain your defensive coalition. Wayfair, **TomTom** and **Spotify** each demonstrate a different principle of ecosystem defense, and collectively reveal the keys to success in a future of ecosystem-based competition.

Is there a simple way for leaders to determine if they’re ‘playing the wrong game’?

Anyone who is confronting an opportunity or a challenge that is not about change *inside* of their box but rather *changing the boundaries of what their box* is, is facing this world of ecosystems. It’s not going to be everybody, but most new growth initiatives and vastly more new pressures are coming from situations where boundaries are being redrawn. If you don’t understand this new world, you’re working at a massive disadvantage. Leaders need to rethink strategy and competition in a world where industry boundaries are no longer productive guides to defining who their rivals are. **RM**

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The Perils of Pursuing Originality



IN ANY CREATIVE PURSUIT, there is a delicate balance between novelty and convention. Creative ideas, of course, must be original in some way. But they also aim to provide some sort of value to people, whether that value is aesthetic, entertainment, practical, or financial. Therefore, would-be creatives face a dilemma: in deciding where to dig for that next great idea, how much should they prioritize originality versus areas of proven success?

Sometimes we get that balance wrong. Consider a recent review of a **Michelin**-starred restaurant name **Bros**. The popular food blogger, **Geraldine DeRuiter**, describes an excruciating three-hour affair. Twenty-seven courses of what sound more like exhibits at a haunted house than elevated fine dining. Some highlights include an oyster loaf that “tasted like Newark airport,” a squirt of gelee infused with droplets of meat molecules, a tasting of 12 different kinds of foam, “frozen air” and several pieces of flavoured paper. The *coup de grace*? A dollop of citrus-flavoured foam served in a plaster cast of the chef’s mouth. Absent utensils, diners were instructed to lick the foam out of the plaster cast prompting a scene that the blogger described as something “stolen from an eastern European horror film.”

In the case of Bros., the mistake is rather clear: in striving to create a dining experience that is totally unique and one-of-a-kind, the chef seems to have forgotten the most important element of all: making the food actually taste good. But it turns out that this mistake is a lot more common than you might think. Indeed, when most people think do something creative, their mind races to what’s never been done before: ‘Where is the wide-open space, the untouched soil?’ In turn, they begin digging in areas that seem totally new. But what the science suggests is that rather than looking to what has never been done before, it can be far more advantageous to consider the areas in which successful ideas have been found in the past. In other words, if people’s intuitive ratio is that creative ideas should be mostly novel and only a bit conventional, the science suggests the opposite: they should seek topics and pursuits that are mostly conventional and only a bit novel.

In some of my own research on this topic, my colleagues and I have investigated just how prevalent this bias toward originality might be. We looked at a domain in which most people regard themselves as quite skilled: making sandwiches. Participants in these studies (we called them ‘chefs’) were asked to brainstorm new sandwich recipes for a chain

The highest-impact science tends to be largely conventional but features one new and unusual combination.

of sandwich shops. One group of chefs was asked to design a *tasty* sandwich, while another group was asked to design a sandwich that was both *creative and tasty*. The chefs were told that they would earn bonuses based on how appealing their sandwich recipes were to others.

Before we passed off the recipes for evaluation, we asked the chefs a bit about their process. How much had they focused on making the sandwich original? How much had they focused on taste? As you might expect, chefs in the *creative and tasty* condition said they prioritized originality more than chefs in the *tasty* condition. However, when it came to taste, all chefs said that tastiness was their primary criterion, regardless of which prompt they received. In other words, all of the chefs told us that they cared primarily about taste, and those who were asked to focus on creativity did not perceive any trade-off between the originality of their sandwich and the tastiness of the sandwich.

However, when we gave those recipes to a sample of potential customers, we found that the ‘creative’ sandwiches were significantly less appetizing. That is, although chefs in both conditions said that they focused on making their sandwiches tasty (to the same degree), the reality was that when chefs received the instruction to “be creative,” they seemed to have prioritized originality *at the expense of* taste. Given that our chefs seemed to be somewhat ‘blind’ to the trade-off between originality and quality, we dubbed this phenomenon the Originality Ostrich effect.

Interestingly, the Originality Ostrich effect also seems to exist even for true experts. With the help of a team of research assistants, we coded data from 10 seasons of the popular cooking competition show, *Top Chef*. The coders noted, in each episode, how the contestants talked about their food. Specifically, they looked at mentions of creativity and originality: e.g., Did the chef say they went with an established recipe, or did they try something new? Did they say they tried to be original in some way? Interestingly, we found that instances in which contestants focused on originality dramatically increased their chances of being eliminated. In fact, when contestants explicitly said they tried to be original they were *twice* as likely to have the worst-rated dish and be kicked off the show.

Other researcher teams have observed a similar pattern in very different domains. For example, research by **Brian Uzzi** and his colleagues at **Northwestern University** examined the extent to which unconventional ideas have a big impact in science. In their analysis of nearly 18 million scientific articles, they found a surprisingly robust pattern: the highest-impact science isn’t the most novel. Instead, the most influential work tends to be research that’s largely conventional, but features one new, unusual combination. Kind of like an unexpected spice on your favourite food.

In closing

Of course, originality and quality are not always at odds. **Apple’s** iPhone, **Einstein’s** theory of relativity, or the paintings of **Mark Rothko** are all instances in which a person devised something that was truly novel, while also providing an immense source of value to people. But oftentimes when people seek to be creative, they tend to overemphasize the novelty piece, concocting unheard of recipes that come at the expense of taste, or creating avant garde films that most audiences can’t (and don’t want to) follow.

In my forthcoming book from **Simon & Schuster**, *Digging for Fire*, I show that arriving at great ideas is not a natural gift bestowed upon us at birth. Instead, creativity should be viewed as a process — an adventure of ideas. And like most great adventures, it requires a method, a map and a well-honed sense for where to dig. One of the key take-aways from the book is this: By focusing on the conventional — on areas of proven success — we can draw from what has come before us. Then, when the time is right, we can bring in disparate ideas and approaches. But ideally, only a sprinkle at a time. **RM**

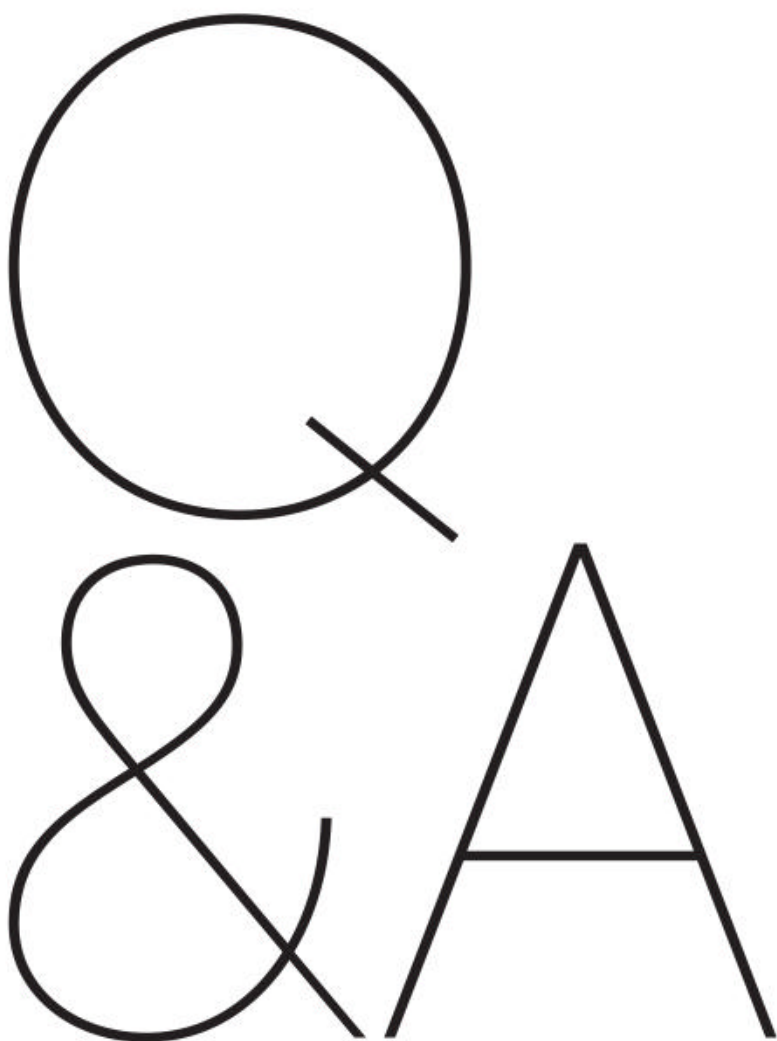
George E. Newman is an Associate Professor of Organizational Behaviour and Human Resource Management at the Rotman School of Management. This article is an excerpt from his forthcoming book, *Digging for Fire: The Science of Surfacing Great Ideas* (Simon & Schuster).

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A quantitative marketing expert describes how to optimize data analytics.

Interview by Karen Christensen

Describe the capability that companies like Netflix, UPS, Amazon and Caesars Entertainment have in common.

These are all leading firms in their industries with respect to *leveraging analytics* as a source of competitive advantage. We now have so much data being generated that companies need to understand what to do with it. ‘Business intelligence’ is the new Holy Grail: it combines business analytics, data mining, data visualization, data tools and infrastructure, and best practices to help organizations make more data-driven decisions.

My colleagues and I have created a useful tool that allows companies to see where they fall on the analytics spectrum. The tool classifies you as either a laggard, a striver or a leader, based on your capabilities. Every company should understand its strengths and weaknesses in this area. That’s the only way for leaders to prioritize investments and allocate resources effectively, and it also provides a benchmark to work from.

Just because a company like UPS or Netflix is currently a data leader doesn’t mean they get to rest on their laurels. You need to use business analytics to gain and *regain* competitive advantage, over and over again. In my experience, the best way to do that is to figure out how to use data to humanize your customer experience.

There are lots of great visualization tools available now to help you figure out ‘what the data is saying’.

We’re just coming out of the pandemic, and many of us have revisited our priorities. The post-pandemic consumer will not waste time or money on experiences that don’t move them — which means companies need to figure out ways to *connect* to people. And the first step is making investments toward achieving this.

Business analytics entails analyzing data to pull actionable insights from it. What are the steps involved in this?

To be able to use data to humanize your customer experience, you need to start with good data. So, step one is identifying what your data needs are. But before you rush out to collect it, see what you currently have on hand and whether you can use or merge some of your existing data with the primary data you decide to collect.

Once you identify the data you need and collect it, step two is about applying the right tools to it. This typically involves doing descriptive and predictive analytics exercises using statistical methods and/or machine learning. *Descriptive* analytics, as the name suggests, is about describing the data. Picture an Excel spreadsheet with millions of rows and hundreds of columns — a typical big data set. You don’t want to have to scan each row to identify patterns manually; you want the data to be summarized in an easy-to-understand manner. That’s the whole art of descriptive statistics, and there are lots of great visualization tools available now to help you figure out ‘what the data is saying.’

Then you can take it to the next level by using statistical modeling and machine learning, which enables data mining and *predictive* modelling. This can help you make projections about future events and assess the likelihood that something will or will not happen. The most advanced companies do both of these things; but they also engage in *prescriptive analytics*, which reveals why you should take a particular action along with probability estimates and confidence levels so you can take a measured step. This final level of analytics enables optimization and the identification of ‘what-ifs?’, leading to informed decisions and actions.

Some thought leaders argue that we can’t expect data to provide both the question *and* the answer. What is your take on that statement?

I disagree. Data *can* help you find the problem to be solved, because it can identify pain points. What question are you trying to answer? Why is it that you feel you need to go out and collect data to begin with? You might need to first do some preliminary data gathering and understanding of the situation to refine your hypothesis. Then you can go out and collect the data to answer that question. This is not a linear process but a very interactive one, where you use data at every stage of the journey. And if you do it right, you can expect data to provide both the question and the answer.

Describe the tool you developed to determine an organization’s ‘analytics readiness’.

Any organization can assess where it falls on the analytics spectrum using the tool we developed. It consists of 22 questions and doesn’t take more than 10 minutes to complete. When a core group of employees completes it, two things happen. First, you gain an understanding of your current capabilities. Like I said earlier, it’s important to understand both your strengths and weaknesses, because this knowledge helps you prioritize investments and allocate resources. The second way it can help is by exposing areas of disagreement. If your workshop participants represent different functions — say, different levels of management or lines of business — their scores will likely be different. And if your representatives from IT and the C-suite have dramatically different perspectives on your firm’s capabilities, that is worth investigating and addressing. You can do this by focusing specifically on the areas of disagreement to come up with a more accurate picture of ‘the truth.’

In data management, we have a term, Single Source of Truth (SSOT), and gaining consensus among your employees enables everyone to have an SSOT. This goes a long way to creating a common language and providing an aligned mindset, creating shared perspective of what it

The job is never done: You need to use business analytics to gain and regain competitive advantage, over and over.

means to have a data culture within the organization. I can't tell you how important that common language is for a company to be succeed in this space.

If I were to look into a highly competent AR organization, what would its decision-making process look like?

First, let me define data-driven decision-making or DDDM. This is the ratio of how much of a particular decision process is data-driven versus instinct-driven. For our *Harvard Business Review* article last year, we surveyed more than 300 executives across industries about the level of DDDM in their organization. Our finding surprised us: These executives said they were purely data-driven only 24 per cent of the time.

This is interesting because in another article we published in the *Service Industries Journal* last year, we showed that DDDM actually plays a critical role in reaping the benefits from being analytically-ready. A simplified summary of our model is this: Picture a chart with 'analytical readiness' to the left and 'level of performance' on the right. DDDM is what sits in the middle. Being analytically ready translates to performance by operating through DDDM. We researchers call this a 'mediating effect.' In English, that means *analytical-readiness alone will not result in enhanced performance*. DDDM is the secret sauce. Even if you are an AR leader, if you aren't actually making decisions based on data, you're not going see optimal results.

Most firms place an emphasis on just getting analytically ready. They ask questions like, 'How can we recruit the right people and increase our analytic skill set?' All of that is important, of course, but that's all about the left side of the chart I described earlier. These are necessary but insufficient conditions for harnessing the power of analytic readiness on performance.

One of the perennial trade-offs in business is exploration versus exploitation. How does AR fit into this picture?

Broadly speaking, organizations use two market-learning strategies. *Exploration* is where you're open to experimen-

tation, and *exploitation* is where you're more inclined to continue building on tested and proven approaches. Which of the two a firm engages in the most will shape how much decision-making is data-driven as opposed to instinct driven.

In our *Service Industries* article, we show that companies that engage in an *exploration market-learning strategy* are more conducive to using more data rather than intuition. Exploratory learning involves normal and unexplored approaches to problem solving. Therefore relying on data is less risky in that context than the decision-making that uses intuition. Between the two approaches, exploratory learning complements a more data-driven versus instinct-driven approach.

As you survey today's landscape, what would you say is the greatest obstacle to extracting value from data?

The greatest obstacle is the culture and mindset within an organization. Keeping data as a siloed departmental resource is a big reason why it is not being used as a strategic asset throughout organizations. Knowledge is power, and groups within an organization often become protective of their data. Depending on its intended use, all data has to be prepped and cleaned, which is the grunt work of all of this. If one department or unit has put in the work in getting the data ready, of course they won't want to share it. But this mindset creates these isolated islands of data that don't get used beyond the original intended use.

This mentality is the biggest obstacle I have seen. Access to clean data is critical across units. It can then be standardized and put to multiple uses across departments. This creates a culture of trust and a shared language, creating the SSOT that I alluded to earlier.

Do you have a favourite example of a business use of data analytics?

Uber comes to mind immediately. They use a tool called COTA (Customer Obsession Ticket Assistant) that incorporates both Machine Learning and Natural Language

Processing to help agents serve customers. Traditionally, if I as a customer had an issue, I would go to the app and scroll through a hierarchy of 'issue types' to select my issue. Then, an Uber agent looked at my ticket and tried to understand the context around my issue. However, not all of the information needed to solve the issue was obtainable through this process.

This new tool has reduced ticket handling time by 10 per cent. It's a back-end support platform that's going to help customer representatives improve their speed and accuracy by looking at other data around similar issues and providing more context. This enables agents to better understand where I'm coming from, what is it exactly that has been failing and what's the best resolution.

Another favourite example is how **Microsoft** redesigned its office for greater productivity and engagement. Back in 2014, its headquarters consisted of five buildings. They did a survey that showed team members felt less connected to each other as the physical distance between them increased across the 'campus.' They wanted to use that key insight as they moved their offices in 2015. The move involved downsizing from five buildings to four. This meant more employees per building, but it also meant less foot travel between buildings. The hypothesis was that this move would both save time and increase collaboration.

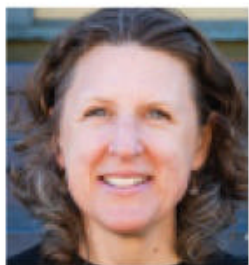
To estimate the time savings per worker, they analyzed employees' calendar data and learned that each employee now spent fewer minutes walking to meetings, which saved a total of a 100 hours per week. This translated into a *half a million dollars saved* per year, both in employee time but also in increased collaboration.

We've all been to meetings where people walk in late, which sets the wrong tone for collaboration. Fixing this issue meant more engineers actually started attending meetings, because now the meetings were far more efficient. That is my favourite example because it's a use case that involves humanizing the employee experience which in turn, increased engagement and productivity. That makes for a powerful best use-case scenario.

Going forward, does every senior leader need to become a data analytics expert?

No, but they do need to have the right team of people around them who understand what analysts do and can lead from knowledge and experience. As indicated, one of the biggest barriers to gaining insights from data is the culture within an organization. And one of the best ways to bolster that culture is making it a top-down mandate. People have to see that the C-suite is walking the talk by making the necessary investments to enable employees to use data effectively. Then, they can consider linking data-driven decision-making to compensation. **RM**

Preethika Sainam is an Assistant Professor of Quantitative Marketing at the Thunderbird School of Management, Arizona State University, where she teaches classes relating to extracting value from data using statistical modeling techniques and data visualization packages.



A design leader with experience in the education, tech and social sectors describes the need to understand *belonging*.

Interview by Carolyn Drebin

You begin your book by describing two concepts: belonging and othering. How do you define these terms?

Belonging is the fundamental need for human beings to be recognized for who we are. When we feel we belong, we feel valued. We feel seen. Belonging brings out the best in everyone, regardless of the environment. ‘Othering’ is the opposite: it involves actions that are intended to set people aside. For example, when we project our opinions on someone else, or make a person feel like they are not supposed to be there. The extreme version would be that the other shouldn’t even exist, but there are far more subtle versions.

Belonging and othering often come in the form of systemic and institutional structures that are purposely built, which is why I like to intersect these concepts with design. If you examine how belonging is constructed within an existing system, you can identify moments where you can create change. The fact is, we can consciously design how people work and live together.

Why is belonging so crucial in every aspect of life — whether we are at home, at work or out in the world?

As human beings we pick up subtle cues as to when, where and how we can really ‘show up’ as our true selves. This impacts our ability to learn, to work and to grow. It affects and contextualizes us in almost every scenario. We need to be able to show up as we *really are*, not just as stereotypes or projections of who we are. Those are two common, subtle moves of othering.

Whether you’re a parent, teacher, community organizer or leader of any sort, your group is unlikely to thrive if its members don’t feel welcomed, included and valued for who they are. Diversity, equity and inclusion initiatives should always include efforts to understand what it feels like for individuals and groups to be a part of your particular group.

You believe design is the route to creative problem solving in this arena. Please explain.

Communities of every scale or configuration can be designed to increase belonging and decrease othering. We are often in situations where we accept a context as it has always been. But we need reminding that the world — everything around us, everything we encounter in life — has been designed in a specific way, which means that it can all be re-designed.

It isn't about merely *noticing* problem areas, it also demands *caring* about fixing them.

Key Moments in Belonging

- **Entering:** Sets the stage
- **Participating:** Authentic participation
- **Code Switching:** Moving between aspects of our identity
- **Contributing:** The more you belong, the more you contribute; the more you contribute, the more you belong
- **Flowing:** The rhythm of a group and/or your place within it
- **Dissenting:** Understanding how to work through conflict
- **Diverging and Exiting:** The feelings that exist for those who leave and those who stay behind

In my work, I seek to have people embrace Design Thinking to help us understand the feeling of belonging. You can't design for belonging in the same way you would design a physical environment, because it's a feeling. The role of design in belonging is to support outcomes, not mere outputs. As leaders, we can create, investigate and design new approaches to the problems of belonging.

What does it mean to 'excavate a context'?

Context excavation entails taking steps to understand what is going on there. It involves *noticing* and *caring* with respect to the multitude of layers each individual possesses: their various identities, their gender, their history, their race. Armed with this understanding, excavation means examining what in your environment is and is not working. It involves digging deep through the various layers to design and build greater belonging. This work can intersect with the work being done in organizations around diversity, equity and inclusion. As indicated, it isn't about merely *noticing* problem areas, it also demands *caring* about fixing them. And this is not a 'one and done' situation. It's about learning and knowing where the harm may lie, and figuring out how to make repairs on an ongoing basis.

What are 'levers of design' and how do they impact belonging?

The levers include physical spaces, roles, groupings and communications. My goal is for leaders to open up the toolbox of design to build more belonging in each lever. We are constantly getting cues from our environment and our situations about whether or not we belong. The levers can be designed to influence how people feel.

This all starts with leadership. You can't do for others what you cannot do for yourself. Before you begin, paying attention to your own journey and your own contexts will help you understand where and when belonging can thrive — and where it often needs work. It's important for leaders to be able to spot trouble areas and 'lift people up' beyond invisible structures. Research shows that when people want to quit or change jobs, 50 to 75 per cent of the reason is feeling a lack of belonging. It's critical for leaders to focus on the crisis of belonging and to design creative ways to work on it. Belonging is an active construct: Your culture is being built every single day.

How can maps be used to understand belonging?

Maps are powerful tools for active thinking and I invite people to get started on this by using a map to lay out their own journeys. When and where did they feel a true sense of belonging? Or the opposite? This is a great place to start. Journey mapping is especially powerful for teams, because together, you can then look across each individual map to notice patterns.

Maps invite us to think differently than if we were just asked a specific question. We can return to them, add to them, notice differences and similarities. We can map feelings and history. Cognitively, mapping allows us to stretch our understanding. These levels of specificity can also help us see what we might design differently. They become part of 'the excavation of understanding.'

Dissent is one of your levers for designing belonging. How can dissent make us feel like we belong? Wouldn't it be the opposite?

Dissent is actually a form of engagement. It involves acknowledging that you are present and part of a community, and that you want to make changes within it. It can be a

Where Do You Belong?

Grab or download a map and pinpoint where in your city, town, school or community you feel and see belonging for yourself or others.

Then ask yourself: how do you know?

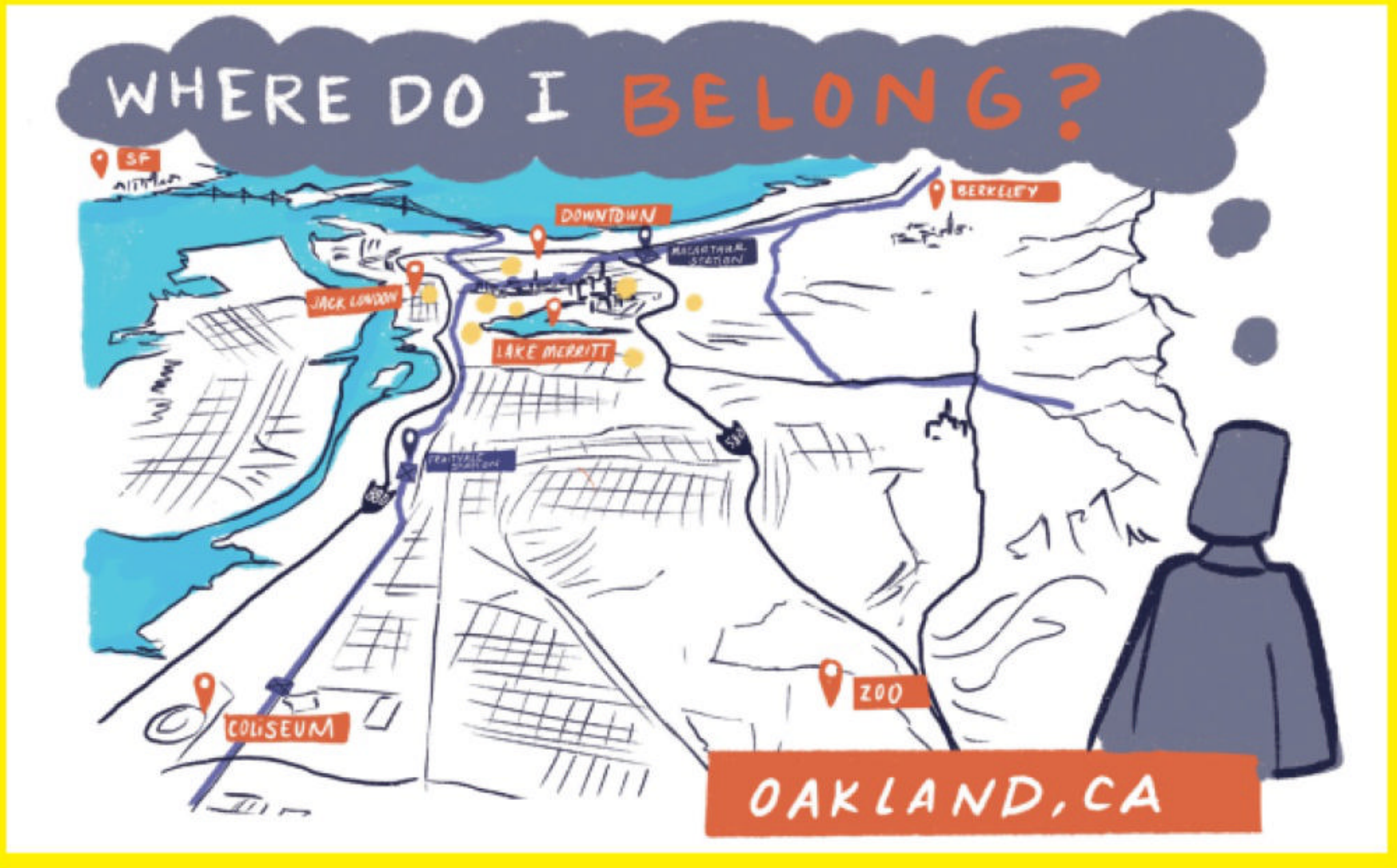


FIGURE ONE

profound moment of critical feedback. In many spaces and cultures, particularly within work culture, we don't do a very good job of making space for dissent. We rely on old mechanisms: performance reviews, specifically-timed reports, etc. Allowing ourselves to give and receive critical feedback organically may be awkward initially, but it allows us to show up and share what is really happening. It's an effective way of seeking out and understanding opposing views. It's about getting into the spirit of trying new things. It may get messy at times. But it works.

Why is this topic so important at this particular point in time?

At this moment in our history, we are primed to really think about what belonging means. We are coming out of a global pandemic. We're in the midst of a racial reckoning. We are bombarded with images of violence and extreme examples of othering.

On the bright side, we are poised to make progress towards building greater belonging and reducing othering. There are many organizational efforts underway to build greater diversity and inclusion. There is a lot of work to be done, and there is no going back. But it will be worth the effort, because belonging unlocks the best in everyone. **RM**

Dr. Susie Wise teaches at the Hasso Plattner Institute of Design (the 'd.school') at Stanford University and coaches with the Mira Fellowship. She is the author of *Design for Belonging: How to Build Inclusion and Collaboration in Your Communities* (Ten Speed Press, 2022). The Design for Belonging Toolkit can be downloaded at designforbelonging.com.

Designing Your Legacy



EVENTS OCCUR UNEXPECTEDLY to all of us at random points throughout our lives. Some of them can spark sudden and drastic changes; others make themselves felt slowly and over time. What about you? Are you hearing the slow, dull murmur of dissatisfaction in some parts of your career or life trajectory?

In 2019, I was in a serious car accident and sustained a traumatic brain injury. My life was put on hold as I lay in my bed recuperating, followed by seven months of daily rehabilitation — all of which gave me some time to question how I'd been living my life. Those months led to some permanent changes: I changed how I work by taking frequent breaks from screen time; I committed to stop drinking alcohol for my healing and gave up coffee — a big one for me. I made these changes because I wanted to recover as quickly and completely as possible. I had a purpose.

A client recently came into a session and said to me, “I can't take it anymore. My boss isn't listening to a word I say about what we need to do for our sales team. I'm completely fed up.” Sure, in that scenario, we can all imagine needing to make a change. But what about a scenario where you have a dull, nagging thought in your head that says, ‘Maybe I can do better; but maybe I can't? To be safe, I better stay where I am.’

It doesn't have to take a near-death experience for you to decide you deserve better. You can decide, right now, to take matters into your own hands and make a change. In doing so, you open yourself up to pursue a purpose larger than yourself and make a meaningful impact.

We're all here to pursue various roles as we impact the world. Who and what we involve ourselves with during our time on Earth becomes the legacy we leave behind. Your sense of purpose is derived from feelings of being valued and making an impact. Know that it will inevitably twist and turn as you walk your unique path. As a result, it's best not to attach your entire sense of purpose to a single role, whether at work or personally.

Your ‘calling’ changes as you move through the seasons of your life. So, be present about where you're being called now to make the most of your current season. If the call feels unclear, one way to hone in on it is to explore your unique set of gifts. The way you use them will evolve and change, but they will always be core parts of who you are. Consider the following gifts of character and skill as you contemplate moving toward your purpose in life:

LEADERSHIP: You love to have a vision to tackle. You're drawn to motivating others to work together toward common goals.

ADMINISTRATION: You enjoy bringing order to chaos. You're detail-oriented and can help bring visions to life.

TEACHING: You enjoy supporting others to learn and grow. You thrive when sharing information, one-on-one or in groups.

KNOWLEDGE: You're an avid learner. You derive joy from studying and exploring information.

PROPHECY: You are willing to share uncomfortable truths. You help people by being direct and speaking up boldly.

DISCERNMENT: You recognize the true intentions of others. You can assess if someone is genuine by closely observing their words and actions.

ENCOURAGEMENT: You inspire others to be enthusiastic. You are a good counselor and motivate others to act and serve.

SHEPHERDING: You find that people regularly confide in you. You enjoy walking alongside and looking out for others along their path.

FAITH: You act with the belief that everything will work out. You remind others to be bold and unwavering in difficult times.

STARTER: You love to start things and delegate the details. You often see the gaps in a situation and how to fill them.

SERVICE: You are willing to step in and tangibly meet needs. You enjoy hands-on work and practically helping others, even if it's behind the scenes.

MERCY: You empathize strongly with people who are hurting and meet them where they are. You cheerfully give compassion and don't judge others for past mistakes or struggles.

GIVING: You give freely, liberally and joyfully. You love to share with others and fulfill their needs, even if you get nothing in return.

HOSPITALITY: You make visitors, guests and strangers feel at ease. You enjoy using your home to entertain guests.

Which of the above gifts resonate with who you are? Which come more easily to you than others? Have you noticed yourself using some of them regularly in your life? Which ones would you like to strengthen?

Simon Sinek, British-American author of *Start with Why: How Great Leaders Inspire Everyone to Take Action*, believes inspiration and purpose are what motivate us. The word 'purpose' has become a bit clichéd. 'Find your purpose,' experts say. Well, rather than finding it, Sinek says that you can define it yourself. Take the lead here and define your legacy yourself. Why are you spending your time the way you currently are? Why are you doing the job you're doing? Why are you still doing things the way you did five or ten years ago?

The more you ask yourself why, the closer you will get to your real purpose, the reason you embarked on your career path in the first place. And if you think you've had a series of jobs rather than a defined career, I'd offer up the idea that perhaps there are similarities and benefits from those jobs that are crafting themselves into a meaningful career across multiple roles and industries. Money is not a deep enough answer. There's always something more to why you're doing things the way you are right now.

James Clear is the author of *Atomic Habits: An Easy & Proven Way to Build Good Habits & Break Bad Ones*. The main premise behind his argument is that you change your habits by deciding to change who you believe yourself to be. Your perceived identity directs your actions. If you believe you're an author, you start doing author-y things, like writing and publishing work. If you decide you're a runner, you

ASK YOURSELF

- **What kind of person do I want to be?**
- **How do I want to leave the world a better place than it was yesterday?**
- **Where in my career might there be room to bring more purposeful action?**
- **What do I want to leave behind as a result of my efforts in life?**
- **What small actions can I take to prove to myself that I'm becoming the person I want to be, daily?**
- **How do I currently derive meaning at work?**
- **How can I turn my dissatisfaction into an opportunity for growth?**

-From *Memorable: Lessons to Leave a Legacy*

will run each day. Decide you're a singer and you'll sing and perform whenever you can. If you believe you possess the capabilities to be a certain type of person, then you'll practice them and continue improving.

Start believing you're successful at what you do, and you'll start thinking of and doing things that you believe a successful person in your position would do. Clear's is a simple model:

1. Answer this question: What type of person do you want to be (e.g. adventurous, successful, a CEO, a writer, a kind parent, a good friend, etc.)?
2. Prove it to yourself (and others) with small wins on a regular basis.

I'd take this a step further and add that everything in your career and beyond has to do with your perception. Your perception of your purpose is based on your self-imposed limitations, fears, strengths and experiences. Only you can define it based on what you perceive to be the best fit. Check in with yourself about what you've perceived as your purpose so far in your head, then cross reference that with your actions to bring Clear's point to light. If you think you're meant to work with animals but your actions don't line up with anything related to them, that's your moment of reckoning. Be honest with yourself and decide if it's truly your purpose or if it's what you think you 'should' be doing. Have you been running up a corporate ladder only to discover in your thir-

ties or forties that you think being a stay-at-home parent is truly what you want? We often think the grass is greener on the other side. So, always test out your assumptions before jumping ship.

In closing

Developing your purpose is not a linear exercise. Instead, it entails a series of different projects, roles, tasks and skills. Perhaps you don't need an outward-focused purpose at all, but a guiding star to identify what type of person you want to be at the identity level, as Clear suggests. If you're being the type of person you want to be — kind, resilient and adaptable, for example — then the actions you take as a result will define what you go on to create.

The truth about your greater purpose is this: it will slowly be revealed to you over the course of your life. Your job is to be open to aligned opportunities as they come your way, so you can use your experiences to become the best version of yourself. Because in the end, life isn't about obligations or completing tasks. It's about contribution and meaning. **RM**

Kalyna Miletic (BCom'14) is the author of *Memorable: Lessons to Leave a Legacy* (Sunbury Press, 2022). Named by *Business Insider* as one of the top 25 most innovative career coaches worldwide, she is Founder and CEO of two companies: Chiefly and Kickstart Your Work. Her podcast is called *Lead Today*.

Coming Soon: Global Standards for ESG Performance



WORLDWIDE FOCUS ON CLIMATE CHANGE, continuing disruptions from the pandemic, social movements and demands for equity have forced companies from every corner of the globe to act on their environment, social and governance (ESG) initiatives.

The ESG acronym refers to the non-financial plans made by companies to measure their ecological footprint, equity and social impact. It covers the following metrics:

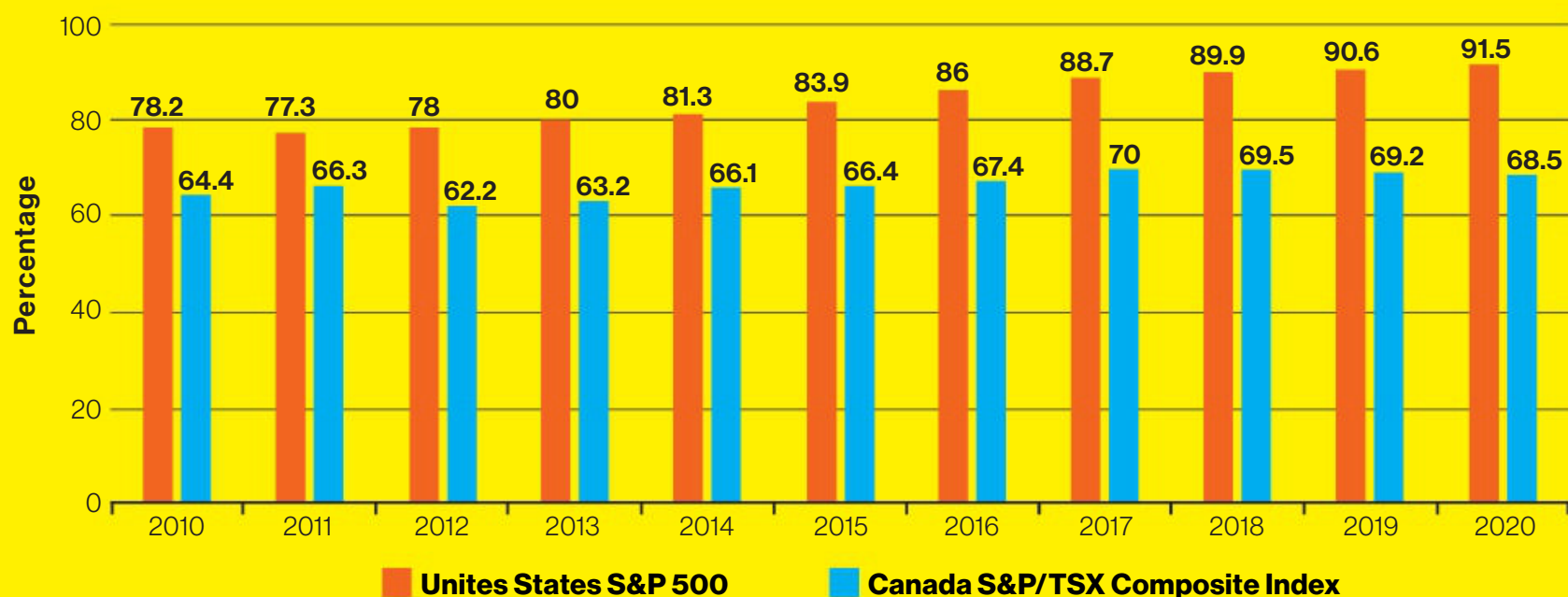
- **Environmental indicators** such as greenhouse gas emissions, waste generation, water security and climate change risk strategy.
- **Social indicators** such as employee and supplier diversity, data protection and privacy, community socio-economic outcomes, pay equity, worker health, safety, and human rights.
- **Governance indicators** such as board independence and accountability; board oversight of executive performance and compensation; and board oversight of company strategy, risk management, performance and disclosure.

Over the past two decades, issues related to ESG have impacted corporations' profitability and long-term financial viability, as evidenced by the increase in severe weather events, dangerous infrastructures, and troubled world economies. In addition, the 2008 financial subprime crisis shed light on the relevance of investor decisions and the centrality of their role, the progression in public awareness as it relates to social responsibility, and the significance of good governance practices.

As a result, the financial sector and many corporations in other industries have taken steps to amend their strategy to reflect sustainable long-term value creation rather than short-term profit. Stock market and investor activity support this trend with investment in 'intangible assets', often in sustainable new technologies. Intangibles are non-monetary assets that cannot be seen or measured but have risen in value compared to tangible assets like cash. A 2021 report from the **Royal Bank of Canada** (RBC) found intangible assets comprised the majority of enterprise value for most companies. As indicated in **Figure One** (on page 118), nearly 70 per cent of Canada's S&P/TSX Composite's market value derived from intangibles, compared to more than 90 per cent of the United States' S&P 500's value in 2020.

Intangible Asset Market Capitalization

Percentage of Intangible Asset Market Capitalization, Canada S&P/TSX Composite Index and United States S&P 500



Source: "Navigating 2021: 21 Charts for the Year Ahead" by Bloomberg and RBC Economics

FIGURE ONE

The RBC report's findings show Canada lags behind the U.S. on this measure, with intangible asset allocation remaining largely flat for the past decade. In addition, the report reveals that Canadian corporations need to invest more into research and technological development by building their intellectual property and by finding ways to retain it within a global economy increasingly focused on sustainable development.

The fact is, many investors now make their financial decisions only after they understand a company's pledge to ESG. They realize that companies with good ESG metrics tend to outpace competitors. A 2022 global survey by **Capital Group** found steady growth in the adoption of ESG by investors. As **Figure Two** shows, in 2022, 26 per cent of investors said ESG was 'central' to their investment decisions. This number was down slightly from 28 per cent in 2021. **Figure Three** demonstrates that Europe is ahead of other continents with investors who say ESG is 'an integral factor' in their investment decisions (93 per cent Europe vs. 79 per cent North America, 88 per cent Asia-Pacific).

As Figures Two and Three indicate, a growing number of companies have responded by issuing yearly performance reports on ESG to avoid both environmental and corporate brand damage and negative impact on financial earnings. Recent worry over companies shifting their focus from ESG to the financial market crisis has largely subsided

as environmentally responsible companies have demonstrated that they are less exposed to systematic risks. Overall, studies show that companies with high ESG ratings earn comparatively higher stock returns and experience lower volatility than low-sustainability focused companies.

Sustainable ESG investing is forecast to exceed US\$41 trillion in 2022 and US\$50 trillion by 2025, which is 30 per cent of the projected total assets under global management, according to **Bloomberg**. While ESG disclosure reports consist of the three ESG metrics, it can be observed that focus is mainly on the environment and social metrics and not on governance. The lack of attention to governance metrics likely stems from the broad availability of governance information in other disclosure documents such as proxy statements and investors' justified focus on the environment.

The Role of ESG Rating Agencies

Increased calls by stakeholders for accurate information to assess corporate performance on ESG issues has set off a new industry of ESG rating agencies that provide companies with quantitative evaluations of their ESG data, ratings and rankings. And faced with the growth in regulations and standards in the past few years, these agencies have intensified their demands for more comparable and consistent ESG metrics from companies.

ESG Adoption Levels

Question asked: Which of the following statements best describes your organization's overall stance on ESG investing?

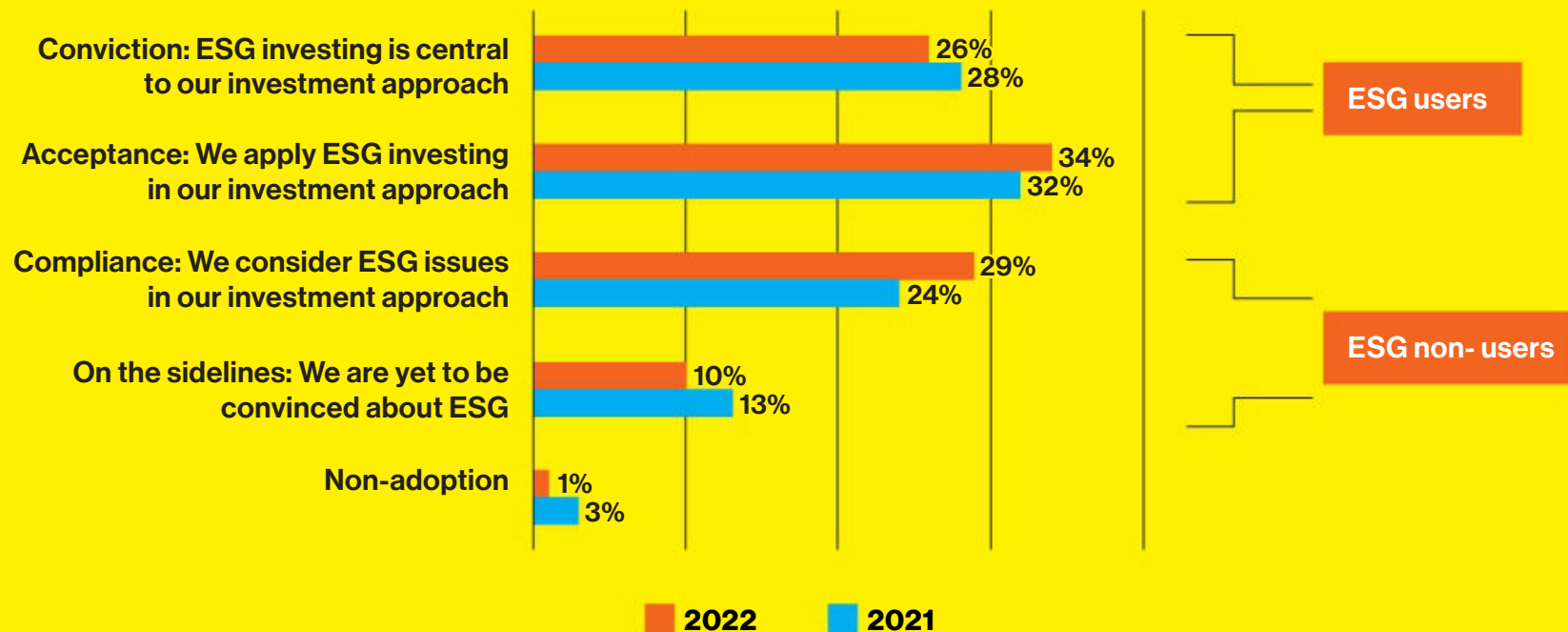


FIGURE TWO

Currently, ESG reporting is done on a voluntary, unregulated basis because the data is mainly nonfinancial information that is external to established auditor and regulatory oversight. Under these conditions, corporate executives have had the opportunity to take part in ‘greenwashing’ by overstating their sustainability records. Fully aware that this may be happening, ESG rating agencies often disagree among themselves over the quality and credibility of ESG reports issued by corporations.

These disagreements do not serve investors or corporations, because they undermine the reliability of valuations and create capital market uncertainty. This disunity has prevented the formation of something that capital markets and investors alike sorely need: a global standard that embraces the interrelatedness of ESG data.

In addition to greenwashing concerns, inconsistencies in ESG ratings stem from six reasons:

1. Theoretical differences. Raters may have different beliefs about the idea of what constitutes ‘social responsibility.’
2. Commensurability. There is a need for across-the-board consistency in the ratings that ESG raters give when they measure the same metric such as employee health and safety for multiple companies.
3. Differences in the ESG raters’ perceptions of what constitutes exceptional ESG performance.

4. Different ESG rater indicators (e.g., supplier performance and employee management) and different rater weights (e.g., equal, back-test, industry-specific) have been used, which can influence a companies’ financial performance outcomes.
5. Discrepancies in ESG rater data imputation methods that are used to replace missing data with substitute values. When the data gaps involve a variety of companies and times for different ESG metrics, big disputes occur among ESG raters with different gap methods. For example, the demise of **Lehman Brothers** in 2008 marked the start of the global financial crisis and revealed the limitations of traditional measurement models on corporate performance and risk analysis. After 2008, the ESG rater agency industry began to consider ESG information as necessary in providing a better assessment of corporate performance and, in place of traditional measurement models, used a content analysis method. If ESG rating agencies compared different companies’ sustainability data in 2008 and 2009, different methods would have been used in each year, resulting in incomparable data, which would not have accurately reflected the issues being measured.
6. Benchmarking based on how corporate data providers define their ‘peer group,’ which can be key in determining their performance level.

ESG Adoption Levels by Continent

Question asked: Which of the following statements best describes your organization's overall stance on ESG investing?



FIGURE THREE

The Dawn of Global Standards in Canada

Debate remains over the details of what standardized ESG disclosures might feature and include. The root of this challenge is that, given ESG's broad scope, it affects every business in unique ways, and the particular issues companies face can differ vastly from within their industry, geographic location, culture, and life cycle, among other considerations.

To reduce market confusion and compliance costs in ESG reporting, global and Canadian monitoring and regulatory bodies have intervened in an attempt to unify ESG disclosure standards around the world. In June 2022, the Independent Review Committee on Standard Setting (IRCSS) in Canada recommended the Canadian Sustainability Standards Board (CSSB) be set up and operational by April 2023 to manage ESG reporting amidst calls for better transparency and comparability of ESG data from companies. The CSSB arose alongside the global effort to standardize ESG reporting metrics, and as a result it works with the new International Sustainability Standards Board (ISSB).

The ISSB launched in June 2021 to develop a global baseline for sustainability disclosure standards, and to help consolidate the plethora of existing standards. When the global standard is finalized, the CSSB will review it before endorsing it to ensure that the global standard is suitable for

the Canadian economy's high number of resource-extraction companies and small- and medium-sized businesses.

As Canadian companies await the implementation of global standards, they cannot remain idle. Following are five recommended actions leaders can take in the meantime.

1. Expand your ESG disclosure strategy to address ESG materiality in your sector

Material ESG issues include the governance, environmental, or social issues that can impact the financial condition or operating performance of companies. Refer to the existing standards (e.g., SASB or GRI) for insight. For example, SASB will inform a company in the chemical industry (e.g. **Dupont**) that chemicals, water and labour practices are among the material topics that need to be managed.

Critical stakeholders such as employees, investors, local community members, regulators and the public should be consulted for their insights to identify business priorities that leaders may overlook. The company assessment and stakeholder assessment can then be combined to prioritize topics that are important to both — which can lead to a corporate competitive advantage.

Companies that have built sustainable operating procedures into their practices have already established a competitive advantage.

2. Implement a strategic PESTLE & SWOT analysis through an ESG outlook

Conduct a sustainability-based PESTLE (Political, Economic, Social, Technical, Legal and Environmental) and SWOT (Strengths, Weaknesses, Opportunities, Threats) assessment. The PESTLE analysis helps to uncover ESG trends linked to material issues. For example, a question to consider might be: What type of political regimes in supplier regions might affect supply volatility, ethical challenges or our corporate reputation?

The SWOT analysis helps companies assess their current position in managing the material ESG issues that the PESTLE analysis identified, directing them to matters that need attention. For example, if an oil and gas company wants to assess its rank, the SWOT analysis will identify competitors who use micro refineries to remediate and transform waste oil into usable diesel fuel as well as the stragglers who do not remediate, among other issues.

3. Use key performance indicators (KPIs)

Companies should be using KPIs to guide them in the right direction and also to divert their attention when needed. For example, when ‘product availability’ is a top challenge in the retail and consumer sector, KPIs can be used to assess the risks in the supply chain and potential solutions.

4. Develop an ESG governance structure

Companies can create an ESG committee that is cross-divisional and focused on ESG best practices with access to the most recent news, technologies and tools. The ESG committee should work with other board committees (e.g. audit), human resources and executive leadership across corporate divisions to build a sustainability culture, which research has shown improves employee recruitment, retention and productivity.

5. Track the return on sustainability investment (ROSI)

Companies that use the Return on Sustainability Investment (ROSI) methodology link their sustainability strategies and financial performance to create stronger business cases for current and future sustainability initiatives.

In closing

The move towards a global baseline standard for ESG disclosures has accelerated in recent times, but companies that have built and implemented strategic, sustainable operating procedures into their practices based on ESG standards have established a competitive advantage in the global marketplace. Oversight from their boards of directors will ensure that their ESG performance measures remain on track — and profitable — over the long term. **RM**

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Innovating in Canada: Challenges and Opportunities

Interview by Megan Haynes



There is widespread worry that growth and innovation in Canada are slowing down. Why is that?

If you think back to the early 20th century, with innovations like airplanes, electricity, automobiles and home appliances, the world was changing very quickly. Today, the number of people doing scientific research is much higher, partly because of population growth. As a result, you would think we'd have 10 **Thomas Edisons** today for every one we had back then; but that is not the case. Per dollar that we spend on R&D, the amount of social value and innovation we are getting is actually lower now than it was in the past.

There were some clear examples of widespread innovation and diffusion happening early on in the pandemic: Offices rapidly shifted to telework technology; businesses retooled their manufacturing plants to accommodate new consumer needs like masks and PPE; and companies from pharmaceuticals to clothing labels turned their attention to contributing to solve the crisis. But despite this significant wave of new activity, true innovation didn't fare particularly well.

What role does teamwork play in that slowdown of innovation?

Teams are incredibly important to the innovation process, and teamwork took a big hit during the pandemic. The sharing of information between colleagues has been proven to be an effective driver of discovery. Even Edison — the supposed lone-wolf inventor — had a whole factory of researchers at his disposal. Generally speaking, innovation happens in labs, by groups. Even within academia, every year, science papers are written by bigger and bigger teams. And in fields that are more advanced, team size and lab size are also growing. The reason being, in today's data-rich environment, it's very difficult to know all the stuff you need to know to make an improvement to the status quo. With COVID-19, knowledge transfer was made more difficult, and we are seeing the consequences.

Can you describe the two main ways to transfer knowledge?

The first is via *direct* knowledge transfer, like me sharing some information with a colleague that I think she would benefit from; and the second is *indirect* knowledge transfer.

Canada's monopolistic industries like telecom and air travel are pretty much sheltered from any need to innovate.

This can take the form of, say, a casual conversation with a peer that sparks an idea or unintentionally resolves a problem; or bringing new talent into a company — say, a new programmer or project manager who introduces a different approach to a traditional process. When the pandemic hit, both forms of knowledge transfer were affected.

That said, every time researchers have looked at this, the amount of time spent in meetings for a given team has gone up. How can it be that everything is less formal and structured in workplaces now, yet we are spending more time talking to each other and innovating less? It's because 'communication distance' has become a bit degraded. If you can only communicate with text messages or by phone, conversation is not as easy. You can't rely on verbal and nonverbal cues like you can in person.

The other thing we've noticed is that with more remote work, the number of new people each person communicates with has fallen — by a lot. While some teams became more tight-knit over the pandemic, this likely came at the expense of interactions with other departments, which can be hugely beneficial to the innovation process. Those serendipitous moments — meetings with colleagues from across the way, after-work drinks, industry conferences — stopped, in some cases for two whole years, leaving, at least temporarily, a pandemic-sized hole where knowledge transfer used to be.

You have noted that even pre-pandemic, Canada was spending half as much of its overall GDP on research and development compared to countries like the U.S. What are the implications of that?

In both the private and public sectors, we simply don't devote as many resources to R&D as other countries, and there are big debates as to why that is. In part, it's because our economy is based on things like real estate and resources that are just less R&D intensive. But also, it's because our government has made the choice not to invest as much as our peer countries.

So, not only are we heavily invested in low-innovation fields, our monopolistic industries like telecom and air travel are pretty much sheltered from any need to innovate. And

finally, our higher tax rates make innovating here much less attractive than, say, in the U.S., where big wins are always going to have bigger payoffs. Not to mention, countries with lower tax rates tend to attract better inventors as immigrants.

So, going into the pandemic, Canada was already at a disadvantage; and as you see it, the situation is only going to get worse. Why is that?

It's not because of the looming recession, necessarily, but because of interest rates being higher. For a long time, low interest rates and a healthy economy meant that companies could take risks in terms of how they invested their money. Long-run projects tend to be easier to finance because the cost versus overall risk is lower. When interest rates go up, firms have to shift their money from long-term projects to short-term ones, because stuff that happens five, 10 years in the future is just too discounted at the rate they are able to borrow money.

So, in a rising-rate environment, how should companies retool their innovation pipeline?

When the cost of capital is high, you need to be really judicious about long-run projects, because as indicated, you just don't get as many 'shots.' So you probably want to shift to an innovation system that has shorter-term milestones so that you can cut off projects that don't progress quickly. That will allow you to try really long-run things without having to sink five or 10 years of capital into those projects early on. Given the current state of affairs — and the fact that innovation wasn't exactly booming in the 'before-COVID' times — perhaps it's time for companies to innovate their approach to innovation.

You also believe it's time for governments to step up. What do they need to do?

As companies stare down a recession and higher interest rates, and look critically at their R&D spend, it's time for governments and other public institutions to step up. Places like universities, which facilitate basic research — on which

Given the current state of affairs, it's time for companies to innovate their approach to innovation.

other research can be based — are crucial.

Incentives are a big issue. Say I come up with a mathematical algorithm that is very useful for machine learning. Obviously, it's not patentable, so once people see it, they can go develop their own product with it. It could be the most important algorithm ever in that sense, but as its creator, I won't make any money from it. So how much incentive do I have to do that type of work? Not much. That's why for certain types of innovation, we find it's really important to use non-market mechanisms.

For very basic research (whose application to products is not immediate), there is a role for the public sector, either through directly funding research or subsidizing certain types of R&D through the tax system. The government can also play a useful role in removing roadblocks to commercializing that type of innovation. For instance, until 2016, 'syndicated investments' were illegal in Ontario. Syndicates are where a local lead angel investor brings along a group of investors who trust that lead's judgment about a start-up — and they are really useful for getting money to high-upside firms in places that don't have a big existing start-up ecosystem.

If innovative firms can't get money, how are they supposed to bring innovative products to market? At the university level, some schools make it very easy for faculty to license their research, and others make it very difficult, causing huge differences in the amount of publicly-funded knowledge that eventually shows up in products and services for people to use.

Now that offices are bustling once again, how does the innovation mindset need to shift?

As serendipitous moments begin to take shape again, it's worth remembering that amazing ideas don't just come from a small team of people working together in a lab: It's

the other people at the company, too, as well as those from outside of the organization's walls, who contribute to the innovation process. Companies should understand the costs of secrecy in their innovation process. The fact is, great ideas are more likely to come from outside of your company, because there are so many more smart people who don't work for you, then who do.

It's really important to be able to draw on those external ideas, and that requires a certain amount of openness. Very secretive research and development means your ideas never leak out. But also, no one hears about the things you're doing and offers you feedback and good ideas in return. **Ralph Waldo Emerson** once said, "ideas are in the air," and they literally are — they're not all written down somewhere on a piece of paper. Anything that blocks the informal transfer of knowledge can be really damaging for your organization's ability to innovate. **RM**

Kevin Bryan is an Associate Professor of Strategic Management at the Rotman School of Management. This interview originally took the form of a podcast on *The Executive Summary* is the Rotman School's new monthly podcast offering a quick digest of research insights and innovative thinking from the faculty of Canada's leading business school. You can find it wherever you get your podcasts.

Why Empathy Can Be So Hard



I RECENTLY SPOKE at a conference for CEOs in North Carolina, and after I gave my presentation, an enthusiastic gentleman came over to speak with me. He told me how great my presentation was and how he worked with “coloured people” back home and how impressed he was with how “articulate” I was. If this gentleman had approached me like this three or four years ago, I would have ripped him apart for his total and utter offensiveness. But I am an empathetic work in progress, and although in my head I was like, What in the world?!?, I took a breath and listened for understanding, not for accuracy.

UNDERSTANDING #1: This CEO was genuinely excited to speak with me about my presentation and wanted to learn more.

UNDERSTANDING #2: This individual gave no sign that he intended to offend me.

UNDERSTANDING #3: If this individual grew up in a rural area, with limited exposure to people who were not white, like him, and that is all he had known, he may not understand that saying ‘coloured people’ and ‘people of colour’ are not one and the same. Therefore, he may not understand the offense.

Now, I want to make perfectly clear that my listening for understanding does *not* mean that I shouldn’t have addressed his ignorance. It just means that I needed to do so with empathy. It is in these moments that I draw on the wise words of my mentor: “Nicole, do you want to be right, or do you want to be effective?” I’m not going to lie; I do still want to be right most of the time, but I also understand that there are circumstances when it is more important to be effective. This was one of those circumstances.

Had I jumped on my first ‘What in the world?’ thought, I would have instantly alienated him, and what would that have solved? I’d have walked away irritated, and he would still be ignorant. So, we engaged in conversation and built a rapport that led to an opportunity for me to explain, in a way that he could productively process, why most Black people would find his terminology offensive.

Whenever I am shocked by anything another person does, it is a sign that I need to lean-in to empathy. Let’s assume no one is in danger and we have time and space to engage in empathetic listening. In this case, both were true. I asked him questions as if he were using the sensitive language. These were the questions I would typically ask a person excited to talk after a session. What have you done related to leadership training on the topic thus far? How can I be helpful?

I listened to his answers, and it turns out, he had done some incredible work already and wanted to work with my firm. I listened more and smiled, as I always do. Then, before he walked away, I asked him to work on something for me — to use the term ‘people of colour.’ Without pause, he said, “Absolutely!”

I know all exchanges won’t be that easy or simple, but how many more conversations could be more effective if we started with empathetic listening?

Empathy is Hard

Empathy requires experience, and until we’ve walked in another person’s shoes, we may find it difficult or impossible to understand the emotions they are experiencing or why they do the things they do. It isn’t fair to judge others based on our own experiences, but we do it all the time. This is not

If you believe that each of us has the same inherent worth, you believe everyone is worthy of empathy.

because we are bad people. It may be that we simply haven't developed empathy yet, or maybe we do practice it, but we've fallen into an empathy trap.

The truth is, whether you are born with a tendency to be empathetic or you consciously practice empathy daily, we are all what I call 'evolving empathizers.' Empathy is imperfect, and we never arrive at a final destination where we can say, 'Got it. I don't even need to pay attention anymore, because I empathize with everyone in every situation.' That's never going to happen, because a) if we felt all the feelings of everyone around us all the time, we'd be too drained to ever get out of bed in the morning, and b) life experiences constantly expand and change our perspectives and the perspectives of others, and we can't understand those changing perspectives without continual effort and awareness.

So, how do you overcome empathy traps? By being aware of what they are and paying attention to when you are prone to them. Trust me, no one is immune. Take a moment to review the empathy traps below and honestly acknowledge which ones you have fallen into. And don't forget to celebrate the ones you've overcome.

THE STINGY EMPATHIZER. The stingy empathizer chooses who is and isn't worthy of their empathy. We can easily fall into this trap without realizing it, especially when it's a perspective or situation that is drastically different from our own. Someone who has never lost a job or who has never had to face a difficult challenge on their own may perceive someone who is living on the street and begging for money as someone who has no one to blame but themselves for their situation.

But if you believe that each of us has the same inherent worth, that we are deserving of the same dignity that we each believe we deserve ourselves, then you will believe that everyone is worthy of empathy. In that mindset, you will be able to recognize the person who is homeless as an individual — a son, daughter, sister, uncle, mother, father, veteran, artist, athlete, teacher, firefighter — who lost their way. They made some bad decisions — who hasn't? Or some bad decisions were made for them. Maybe they were laid off, and before they could find another job, they fell behind on their rent and were evicted. It's damn near im-

possible to look for employment when you have no place to live, because your days are consumed with where you will sleep each night, how you will find food, clothing and bathroom facilities. Just, imagine having no support network to help you in that situation.

I can imagine. There have been several times in my life when my network was instrumental to me. When I started my consulting business, I was afraid because I thought the move represented a lack of stability. One of my friends asked me what was the worst that could happen. I went through almost all the worst-case scenarios. Based on the people I know and the access I have, I could end up being homeless, but for me that wouldn't mean living on the streets. I am privileged enough to have family and friends who would allow me to live with them for a little while.

Everyone doesn't have this access, and it often has nothing to do with personal choices. My friend's question gave me the courage I needed to take a bold step. And then because he remembered what he thought and felt when he started his firm, he took this intellectual exercise a step forward: He offered to meet my basic financial needs any month I couldn't afford to pay myself. I never needed him to make good on that promise, but knowing he understood my challenges and supported me was empowering.

Any time you have asked another person to listen to your story and understand what you are going through, you have sought and, hopefully, received empathy. If we all seek it, shouldn't we all offer it as well?

THE RELUCTANT EMPATHIZER. The reluctant empathizer is someone who has developed their empathy muscle and puts it into practice, but who on occasion finds themselves holding their empathy back. Unlike the stingy empathizer, it is not because they don't think the individual or group is deserving; rather, it is based on concern for the consequences of displaying their empathy. When the idea that 'empathy equals weakness' is so prevalent in our society, it can be easier to sit on the sidelines and withhold empathy than to risk being perceived as weak or unaligned with the majority.

If you've ever been bullied and your friends watched from the sidelines and then empathized with you in private, or you've been the friend who stood on the sidelines, you

know what I'm talking about. And this isn't just playground stuff. It happens all the time in the work environment and in public and social settings. The desire to empathize is there, but instead, we choose to turn away.

THE IMPATIENT EMPATHIZER. Impatient empathizers listen for understanding, and they empathize with the person they are listening to, but once the exchange has happened, they want the other person to move on already. Empathy just doesn't work that way. It entails supporting a person through the time and space they need to work through their feelings or circumstance.

This impatient form of empathy often occurs when we have experienced a significant loss and everyone around us is ready to move on. The funeral is over, the sympathy cards have been sent and homecooked meals delivered, so why aren't you back to work, school, life as usual? When we find ourselves unable to understand, to empathize why someone continues to feel the way they do, we do have another choice: We can offer grace and kindness instead of pushing them to get over it or move forward before they are ready.

THE NATURAL EMPATHIZER. Some people are born with an already developed empathy muscle that enables them to empathize without having to think about it. But natural empathizers can fall into the trap of thinking they don't need to work their empathy muscle, that they don't need to pay attention to how they empathize. They may not understand that we are all evolving empathizers who must continue to strengthen our empathy muscles. I have also experienced natural empathizers who set themselves above those who have not come to empathy naturally and don't believe they have the potential to be empathetic. The traps that natural empathizers fall into are true for anyone with a natural skill or talent. The key is to recognize the potential traps and do the work to avoid them.

THE JUDGING EMPATHIZER: The judging empathizer judges those of us who may not always be on top of our empathy game. In those instances, judging empathizers may not say it, but they are certainly thinking, 'What is wrong with you? How can you be so unempathetic?' Rather than judging

another's lack of empathy in that moment, take the opportunity to be a nurturing empathizer by helping and encouraging others to develop their own empathy muscle.

THE NURTURING EMPATHIZER. The nurturing empathizer doesn't fall into any of the empathy traps. This is the empathizer state that we should all aspire to, because these are the people who are willing to help others on their empathy journey.

Read through the list of personas again and be honest about which traps you have fallen into. Think about those scenarios and ask yourself, If I had provided empathy in that situation, what would that have looked like? Who would have benefited from my empathy? How would I have benefited?

In closing

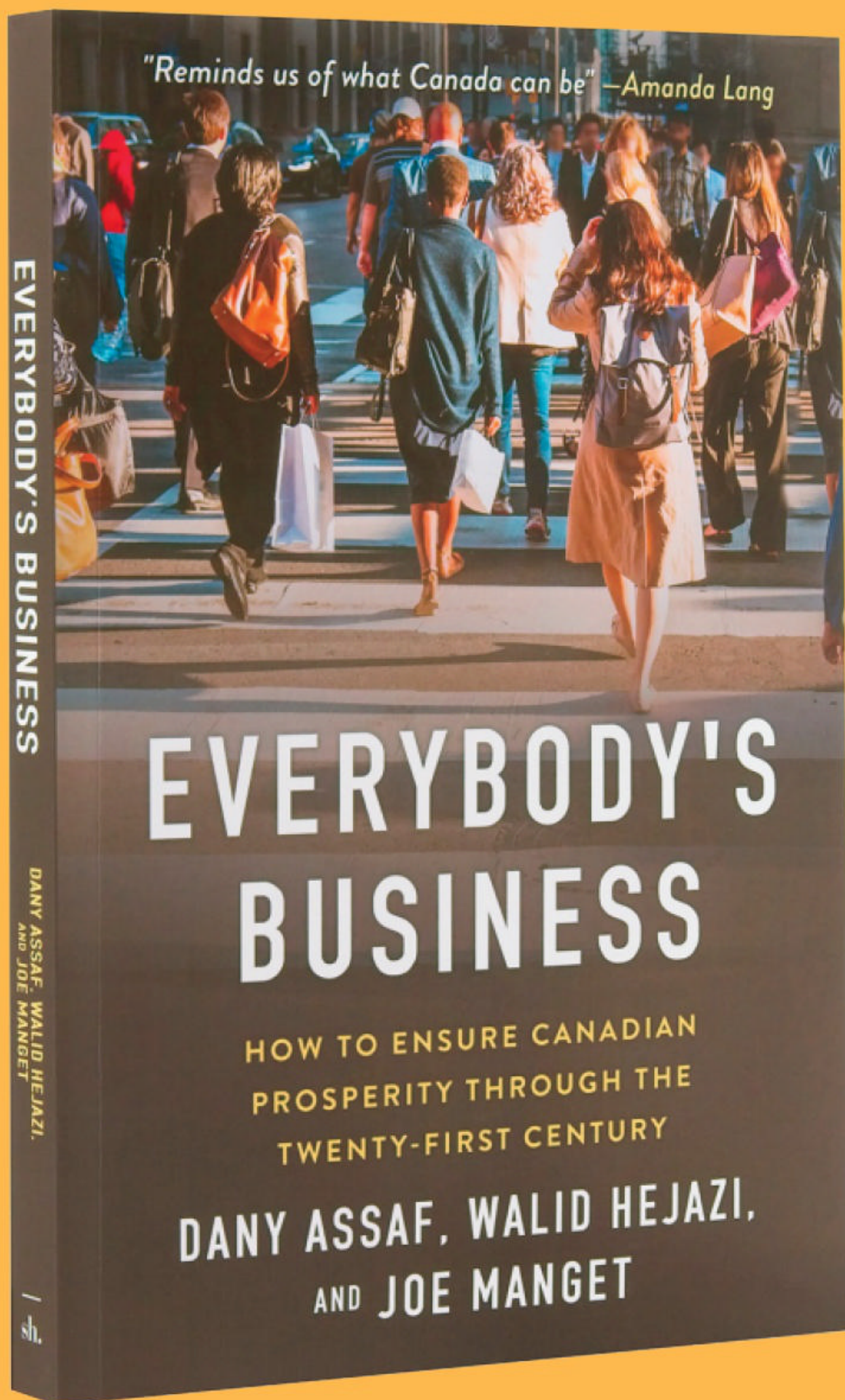
Having worked on my empathy muscle for many years now, today, I can now simply look at a person and feel when they are not okay. I love author Leslie Jamison's description of empathy as a kind of travel:

Empathy requires us to be a respectful guest who is there to observe, reflect and seek to understand another personal experience. To be able to develop the ability to feel another's experience, we must extend ourselves to travel across our borders and into someone else's experiences, allowing us to peer into someone else's feelings, thoughts, and ideas to find where they intersect with our own.

With a foundation of empathy, we can make progress together. We can make great decisions, parent well, lead effectively, and do most things in the world that involve people and do them well. I invite you to join me in the Empathy Revolution. **RM**

Self-professed Empathy Revolutionary **Dr. Nicole Price** is CEO of Lively Paradox. An engineer with a EdD in Leadership, she is the author of *Spark the Heart: Engineering Empathy in Your Organization* (Forbes Books, 2023).

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MAY 26 | 8:45 AM - 4:15 PM | IN-PERSON

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Marcus Collins

Branding and marketing expert; Head of Strategy, Wieden+Kennedy NYC

Daniel Debow (ROTMAN JD/MBA '00)

Entrepreneur and innovator; VP of Product (Demand), Shopify

Maja Djikic

Psychologist specializing in personality development; Associate Professor and Director of Self-Development Laboratory, Rotman School of Management

Sheena Iyengar

Researcher; Author, Speaker; Professor of Business, Columbia Business School

Gave Lindo

Digital media expert and executive; Head of Content Programming, TikTok

Gloria Mark

Author and productivity expert; Chancellor's Professor, University of California Irvine

Adam Gopnik

Acclaimed author and commentator; Writer, *New Yorker* magazine

Chris Strikes

Award-winning filmmaker

+ More speakers to be announced

MAY 3 | 5 - 6 PM | VIRTUAL EVENT

Rising Together: How We Can Bridge Divides and Create a More Inclusive Workplace

Sally Helgesen

Leadership expert; best-selling author

MAY 8 | 5 - 6:15 PM | IN-PERSON & VIRTUAL

Generative AI: Are we ready for the future?

Philippe Beaudoin

Co-Founder and CEO, Waverly

Avi Goldfarb

Professor of Marketing; Rotman Chair in AI and Healthcare, Rotman School of Management; Chief Data Scientist, Creative Destruction Lab

Ivan Zhang

Co-Founder and CTO, Cohere

MAY 9 | 5 - 6 PM | VIRTUAL EVENT

Thinking Like an Economist: How Efficiency Replaced Equality in U.S. Public Policy

Elizabeth Popp Berman

Director, and Professor of Organizational Studies and Sociology, University of Michigan

in conversation with: Karen Chapple

Director, School of Cities, University of Toronto

MAY 23 | 5 - 6 PM | VIRTUAL EVENT

4 Short Talks About Next-Level Leadership

Featuring 4 contributors from *Rotman Management Magazine's* Spring 2023 Issue

JUNE 14 | 5 - 6 PM | IN-PERSON & VIRTUAL

How to Work With (Almost) Anyone

Michael Bungay Stanier

Founder, Box of Crayons; Best-selling author

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