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NAVIGATING THE **FUTURE OF ONLINE ADVERTISING** WITH **WEB3**

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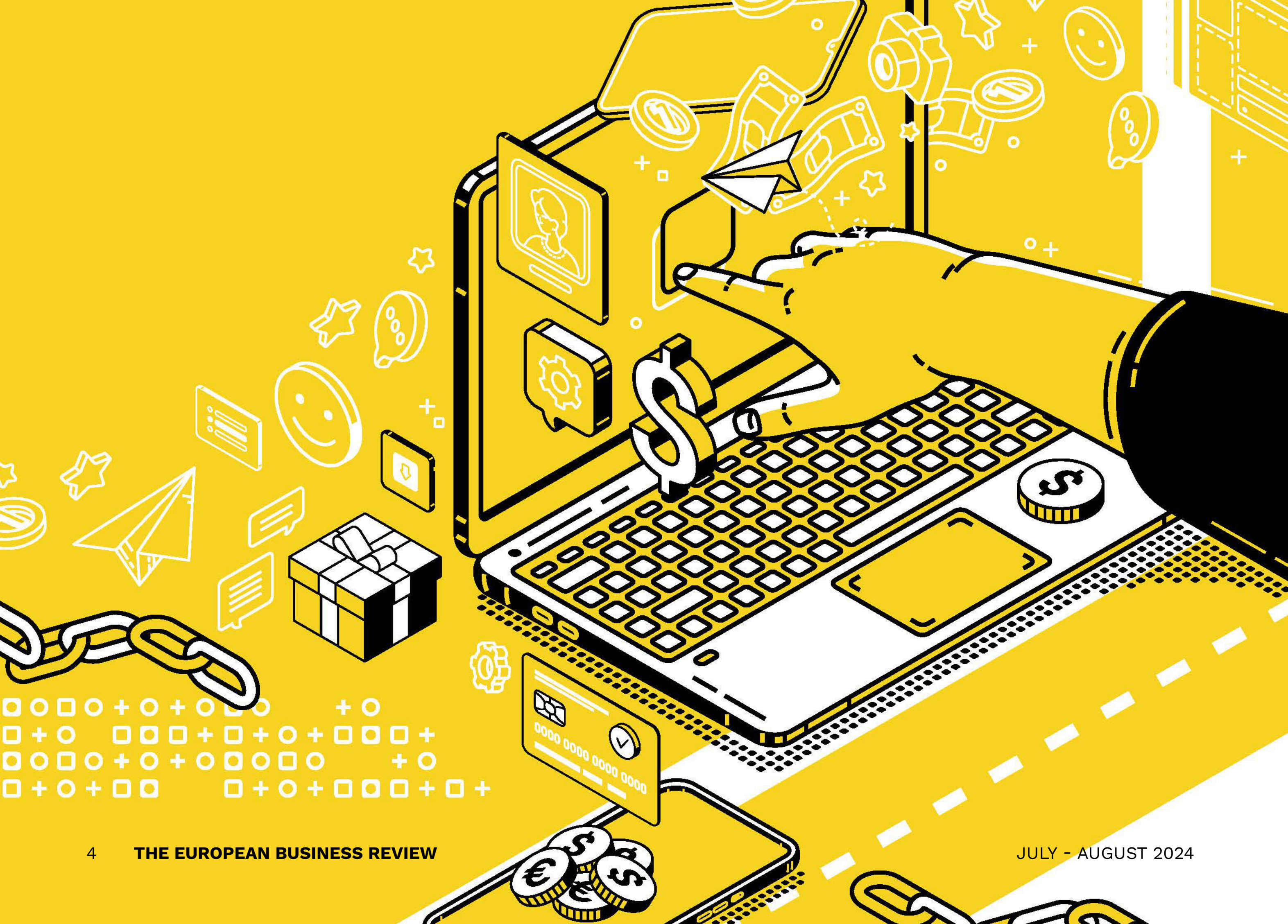
For years, digital ad spend was a steadily growing portion of marketing budgets, reaching over $601 billion globally in 2023[1]. But online advertising faces challenges that mean a transformative shift in digital marketing. Meanwhile, so-called "Web3" has emerged as a medium that can change ad spend *and* how personal information is used and owned online, with implications for how companies, brands, and customers interact.

This article discusses why the online ad model grew and its challenges, how companies are fusing Web3 with advertising, lessons for user engagement, and why this matters.

NAVIGATING THE **FUTURE OF ONLINE ADVERTISING** WITH **WEB3**

by Frank Cespedes and Ben Plomion



A HISTORY OF ONLINE ADVERTISING

Since the internet's emergence as a commercial medium in the 1990s, advertising has been its propelling force. Internet ads disrupted the business models of newspapers and magazines which relied on classified and print ads, while allowing Facebook, Google, Twitter, and others to offer their search and social networking services without charge to consumers.

At the heart of this revolution was and is the ability of centralised platforms to track people from site to site via code planted in web browsers – "cookies" – and use personal data to target prospects with relevant marketing. Hence the aphorism, "If it's free, then you're the product."

That system is besieged by evolving privacy practices and regulations, growing costs, and diminishing returns for advertisers, and users' disengagement from those marketing tools.

"If it's free, then you're the product."

PRIVACY

The collection and trading of user data has generated regulatory and company changes. Google, Meta, and Amazon have accounted for about 60 per cent or more of US digital ad revenue for some years, with Google alone responsible for over 27 per cent in 2023[2]. Google has started to phase out third-party cookies from its Chrome browser and, as one observer noted, this privacy-first decision "marks not just the end of an era, but the beginning of a new, perplexing chapter in advertising".[3]

Meanwhile, Meta announced that it was retiring "detailed targeting options" due to privacy concerns and will move toward "broad targeting" which, as Meta itself explained, "essentially means that you're relying on our delivery system to find the desired audience to show your ad to".[4] Similarly, Google introduced an approach called Federated Learning of Cohorts (FLOC), which places people into groups based on their inferred interests. This may increase personal privacy, but brands lose transparency into whom they're targeting and where their ads are running.

Moves like this respond to genuine user concerns. For example, Apple introduced a pop-up window for iPhones in April 2023 that asks people for permission to be tracked by different apps. Within three months, more than 80 per cent of iPhone users worldwide opted out of tracking, according to ad tech firms.[5] But a core value proposition of digital ad media, and a key driver of its adoption in marketing campaigns for the past 25 years, has been the ability to track users and increase return on ad spend (ROAS) versus less-targeted media like TV, radio, or print.

COSTS

Even before this loss of targeting abilities, advertisers saw diminishing returns from digital marketing. With the pandemic, these channels became cluttered and expensive. Average cost per lead via Google Ads, for example, increased 20 per cent in 2021 and another 19 per cent in 2022, and even more in sectors like entertainment, travel, and household goods, while click-through rates declined.[6]

Further, a study analysing digital advertising in 45 countries found that more than one-fifth (22 per cent) of online ad spend in 2023 was lost to ad fraud – deceptive click, impression, and conversion practices and data. As the study noted, "Data provided by popular ad platforms ... provide an incomplete picture of the success of advertising campaigns ... failing to distinguish between how many clicks or views originated from legitimate users compared to click farms or fraudulent bots."[7]

Hence, even as these platforms increase user privacy, advertisers need more transparency in order to achieve ROI, identify and minimise ad fraud, and get what they have paid for. These are inherently conflicting goals in traditional online ad models.

USER ENGAGEMENT

Researchers have long documented the reality of "ad fatigue", when a company's ads become so frequent that consumers become bored or annoyed. Ad fatigue can apply in any medium. But online ads are also susceptible to "banner blindness", which has a similar result but a different dynamic peculiar to that medium. Banner blindness is when internet users stop noticing or even "seeing" ads on a web page.

The psychology of selective attentiveness helps to explain the phenomenon.[8] Over time, users can subconsciously identify and skip ads when they notice a block of text embedded in an image or a different font, colour, or format on the web page. Many people have accidentally clicked on an ad, losing their place and incurring time and hassle costs. Once burned, twice shy; when this happens, people tend to become more ad-averse in their browsing behaviour, whether or not they use ad blockers, which, according to Insider Intelligence, almost 40 per cent of internet users worldwide now do.[9] Moreover, banner blindness tends to be more common among younger generations, who have spent more of their lives online[10] and, ironically, are often the desired targets for online marketers.

With online advertising, brands are paying more but getting less, and have fewer ways to track effectiveness.

With online advertising, then, brands are paying more but getting less, and have fewer ways to track effectiveness; and advertising even more via the medium in order to increase awareness can often *reduce* user attention and engagement. It's reminiscent of Einstein's alleged definition of insanity: "Doing the same thing over and over while expecting a different result!"

HOW WEB 3 CHANGES THINGS

Web1 refers to the internet's foundational stage, defined by information retrieval primarily through static web pages accessed by browsers. Web2 is the current era of social media and digital marketing built on that retrieval system. Web3 refers to technologies where people and brands can interact, shop in a virtual medium, and change how personal data is used, owned, and monetised.

Amara's Law (attributed to the late Roy Amara of Stanford) states that we tend to overestimate the effect of a technology in the short run and underestimate its effect in the long run. This applies well to Web3, which was initially hailed and hyped as the

"metaverse", attracted much attention (and, often, confusion with cryptocurrency and non-fungible tokens like Angry Apes), and then subsided into semi-gimmicky status in most business discourse. But in areas where the traditional online ad model is faltering, Web3 is transforming how companies, brands, and customers interact.

RESPECTING USER PRIVACY

Current digital marketing relies largely on centralised platforms that collect vast amounts of personal data to target ads. Web3 advertising, built on blockchain technology, is a more decentralised approach that offers end users greater control over their data. Users can choose whether they want to share transactional or browsing information in exchange for tailored ads and possibly rewards of various kinds (and how much of that information they're prepared to share), create a specific address or identity just for that brand, or not share any data (similar to the "hide my email" option from Apple). For example, imagine putting up a digital sign that you're in the market for a given type of product, receiving tailored offers during your buying journey, and then taking down the sign when you've purchased. In the Web2 system of cookies, the user is the product; in Web3, the user is the customer and gatekeeper of personal information.

Conversely, information in a blockchain wallet is public, anonymised, and includes transactional and community data, so marketers can identify and deliver ads and promotions to, for example, car enthusiasts. In this approach, advertisers need not choose between respecting the privacy of their customers and targeting them on an individual basis. Hence, a recent study found that 71 per cent of B2C marketers believed that having a wallet address is more valuable than an email address.[11]

Companies are evolving marketing campaigns in this direction. Nike acquired RTFKT, a digital fashion and collectibles brand that uses Web3 to sell digital sneakers and other goods. This is a form of advertising, while opening up new revenue streams for Nike. Louis Vuitton has launched a Web3 mobile game to enhance its marketing beyond stores. McDonald's has filed trademarks for a Web3 virtual restaurant that delivers food online and in person. Budweiser is exploring branding and consumer engagement approaches through these technologies.

Simultaneously, a supporting ecosystem is evolving. "Wallet relationship management" firms now offer turnkey services, while Web3 ad networks like Hypelab and Slise facilitate placing ads in decentralised apps and digital wallets, A/B testing, and measuring conversions and ROAS in real time – and generally at lower cost per click than current digital marketing media. PayPal used this method and found that digital wallet consumers are *more* receptive to its ads, according to Slise.

These initiatives epitomise a broader shift. Marketing here is not based on demographic profiles, but on tailored 1:1 offers without needing to know sensitive user data. It recognises a world where governmental initiatives like the EU's General Data Protection Regulation enshrine privacy as a human right and where consumers also judge brands based on their data collection practices.

BETTER ADVERTISER – USER ALIGNMENT

Like traditional TV ads, current digital advertising is a one-way street; brands spend money to target users who do or don't buy their products. Its dynamic tends to consolidate control at the publisher or platform (e.g., Facebook feed, Google or Amazon search, *New York Times* homepage, etc.). Web3 allows brands and consumers more exchange possibilities and transparency about that spend while respecting user privacy.

Web3 can reduce fraud in digital marketing, which is estimated to be $84 billion globally.[12] Recording ad transactions on a blockchain makes it much easier to verify the legitimacy of ad clicks and the authenticity of a human audience versus bots and fake impressions. This capability is driving the creation and adoption of smart contracts for ad transactions, increasing tracking and trust that ads placed via programmatic methods are efficient and tamper-proof. Verasity, an open-ledger system for Web 3 advertising and payments, works with Amazon to provide advertisers with measurement tools and enhanced brand safety features.

In the future, we are also likely to see smart contracts for user consent. For example, a smart Web3 contract (perhaps framed as a promotion or trial subscription) can execute an agreement where users opt to view ads in exchange for a discount, reward, or micropayments, ensuring that targeting is based on explicit consent. This flips the script on current digital marketing methods; users control which types of data are shared and under what conditions, and they, not just the publisher or platform, can monetise that data. Conversely, brands see better ROI via this explicit opt-in process than traditional promotions, motivating a shift in where and how marketing money is spent.

With Web3, recipients of ads become more active participants, not passive commodities.

ENGAGEMENT

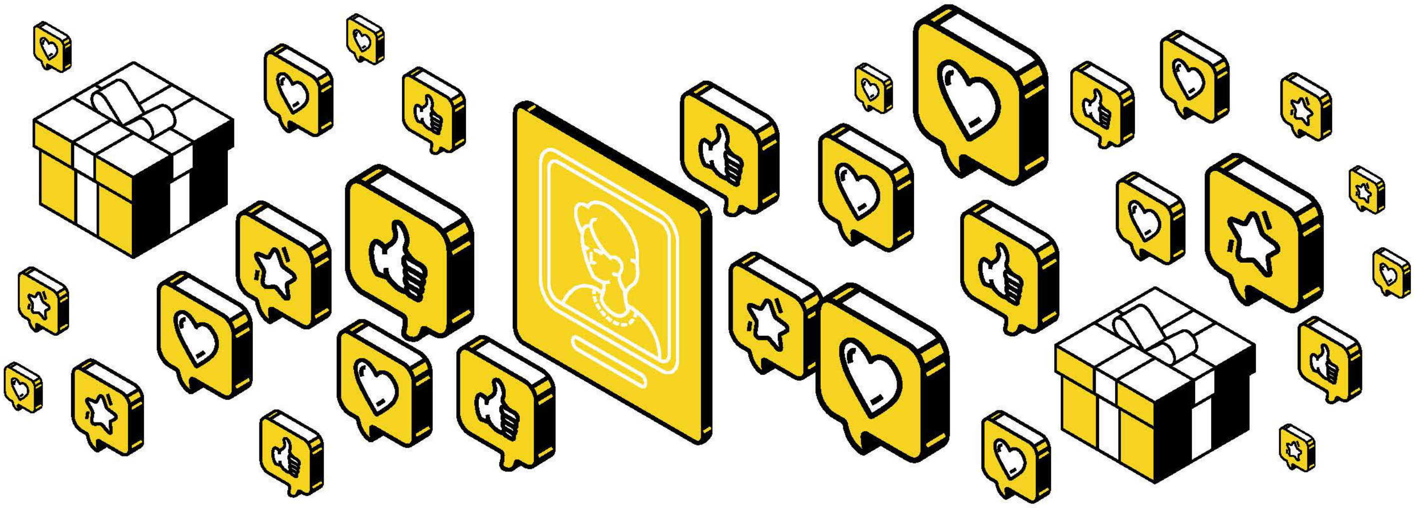
With Web3, recipients of ads become more active participants, not passive commodities. That enables new formats such as immersive ads in virtual worlds that offer unique ways to interact with their audience beyond the scope of traditional digital ads. Coca-Cola used Web3 technology to deliver a branded experience in Decentraland, a 3D virtual world where consumers could opt in and win digital collectibles. Although not a direct advertisement, it built brand engagement, creating significant buzz outside that medium – more than 110,000 Twitter impressions and 90,000 views, plus the 63,000 attendees at the event itself.[13]

More diverse and creative gamification elements are likely as advertisers confront the limits of current digital marketing methods and the possibilities inherent in Web3. For consumers, these interactive approaches increase brand engagement via psychological ownership. Often called the "IKEA effect", after the Swedish retailer that sells self-assembled furniture kits, psychological ownership increases when people invest time or effort in the product or brand. Studies indicate that this sense of active agency enhances customer satisfaction, brand loyalty, word-of-mouth referral and, often, willingness to pay.[14] Most Web3 initiatives currently use token ownership to achieve this goal. But the ability for consumers to actively opt in, track use, and interact in novel ways opens up many other interactive and brand-community possibilities beyond tokens.

Marketers usually say they welcome customer engagement but, a decade ago, the thought of allowing users to freely post comments about a brand on social media, not highly controlled company media, frightened many marketers. Web3 dramatically increases the level of interaction and transparency and it's not easy, especially for established brands, to cede more control. But that's how brands get disrupted and, given the diminishing effectiveness of the current system, survivors will embrace the emerging realities and opportunities.

WHY THIS MATTERS

The resources devoted to digital marketing make these changes a significant business



issue. For context, the money currently spent on online ads is more than the $575 billion in two-way trade between the US and China in 2023. But it's not just an issue for "Mad Men" and an oligopoly of tech platforms whose revenues are overwhelmingly dependent on ad revenues.

If online social media cannot rely on ad revenues, they will no longer be free. And in a world where so much communication, information, and human exchange depends upon online media, it's the poor who will be increasingly shut out. Anyone who cares about equal opportunity should also care about the economics of digital marketing.

Privacy online is important, not only as one consumer preference among others, but also as a civic value. There are many examples of cancelling, hecklers' vetoes, and other mob behaviours online (and offline), as well as increasingly intrusive governmental censoring of online opinions. This tendency is corrosive of free speech and advocacy. Web3's enhancement of user privacy has wider beneficial impacts on social dialogue.

Finally, improving ad productivity has macroeconomic implications. As the global economy becomes increasingly services-driven, productivity has stagnated. One reason, as economist Dietrich Vollrath emphasises, is that in services "you are almost always purchasing people's time and attention … the shift into services could account for almost all of the drop in productivity growth."[15] Remember this the next time you hear someone invoke the Davos manifesto about how "the purpose of a company is to engage all of its stakeholders in shared and sustained value creation". Advertising is not only a core business activity; it's also a social issue that affects growth and wider patterns of communication and culture.

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EUROPE MUST INVEST IN TECHNOLOGY, TALENT, AND TRUST TO REALISE THE **POTENTIAL OF GENERATIVE AI**

by Jean-Marc Ollagnier, Jack Azagury, and Dominic King

Could generative AI breathe new life into the old continent? Europe's technology deficit with North America is well documented. Last year, our research explored how the region's lower technology maturity poses a threat to business reinvention efforts.[1] The advent of generative AI, however, presents a chance to catch up, by boosting the creativity and efficiency of Europe's large cohort of knowledge workers. We estimate that generative AI could raise the forecast rate of economic expansion across the region by 0.6 percentage points per annum over the next 15 years.[2]

Europe's technology industry is dwarfed by that of the US, which is home to nearly five (4.5) times as many of the world's 100 largest technology companies.[3] What is more concerning is that companies headquartered in Europe tend to be less tech-savvy than their peers across the Atlantic. Accenture's latest Resiliency Index[4] finds that European companies rank 30 percentage points below their North American competitors on technology maturity, a composite measure of investment in applications, infrastructure, and cybersecurity.[5]

European executives recognise that these technology shortfalls are affecting performance. More than one in five say that enterprise systems deficiencies have a large negative impact on competitiveness. This compares with one in eight executives globally.[6]

NEW TECH, NEW VALUE

How can generative AI help to close the gap? We estimate that, globally, generative AI has the potential to impact 36 per cent of working hours, either through automation or augmentation. Given Europe's relatively high proportion of knowledge-based and language-task-based workers, 44 per cent of hours could be transformed here.[7]

This, in turn, would free up workers to focus on higher-value-add activities. Indeed, by adopting generative AI responsibly and at scale, organisations could boost economic output across the 10 European countries[8] we studied by €2.3 trillion by 2038. This would raise the forecast rate of regional economic expansion by more than half, a major boon in today's low-growth environment.[9]

The pivotal question is, are European companies primed to seize this opportunity?

The early signs are promising. The proportion of "Reinventors" in Europe – companies ahead of the pack in using new technologies and new ways of working to reach a new performance frontier – doubled to 11 per cent over the past 12 months.[10] Moreover, 84 per cent of European executives (vs 80 per cent of those in other regions) say that generative AI is key to their reinvention strategy. And 72 per cent (vs 59 per cent) expect it to significantly improve performance.[11]

Thus, Europe sits at a competitive crossroads. Will it become a "maker" of the rules, governing everything from people to responsibility, and shape this new AI-powered business environment to its advantage? Or will it be simply a "taker", following the lead of China and the US? That will depend on how companies address the five imperatives we explore below.

1 LEAD WITH VALUE

We are still in our infancy in terms of recognising and realising the potential of generative AI. Companies, therefore, need to adopt a value-led approach that fully accounts for the risks and returns when determining which business capabilities to reinvent through generative AI investments. This should include both "no regrets" investments (that offer efficiency and productivity improvements) and strategic bets (that promise a distinct, even industry-shaping, competitive advantage).

Europe can leverage its diversity to build models that are less prone to cultural and linguistic bias.

Early applications have focused on narrow use cases in functional processes that sit across industries. The top three components of the business to which European organisations plan to make fundamental changes using generative AI over the next three years are IT (74 per cent), marketing (47 per cent), and finance (43 per cent). The companies that gain a competitive edge will increasingly pivot from these "no regrets" applications to addressing critical areas of their industry's value chain.

In doing so, the continent can play to its strengths in areas such as engineering and manufacturing in industrials, and capital project management in the renewables sector. The region can also leverage its diversity of cultures and languages to build models that are less prone to cultural and linguistic bias. For example, the multilingual model built by French start-up Mistral AI, which recently secured investment from Microsoft, is better able to overcome the English-language bias apparent in many of the models developed by US competitors.[12]

2 DEVELOP AN AI-ENABLED, SECURE DIGITAL CORE

Companies with legacy systems and siloed data will struggle to realise the potential of foundation models, large deep-learning models that can be adapted to support multiple purposes. This is a particular concern in Europe, given that its businesses spend less in key IT areas such as cloud, mobility, data, and AI compared with their North American counterparts.[13]

To move faster from piloting to scaling initiatives, European companies need to build a strong data and AI "backbone" into their digital core, a secure, cloud-based technology capability that both creates and empowers reinvention. They need to develop both a robust architecture for integrating diverse foundation models, and new capabilities to handle unstructured and synthetic data.

Building data products (high-quality, ready-to-use data formatted so that people and systems across an organisation can easily access it) and developing data pipelines are essential for assimilating the diverse data sources required for generative AI. Half of European companies recognise that they will need to make significant changes to their data strategy as a result.

Business leaders should also challenge their teams to use generative AI as an accelerator. Among European executives, 74% expect it to fundamentally reinvent their IT function (vs 60 per cent of peers globally). A case in point is Unilever's global AI lab "Horizon3 Labs".[14] Here, the consumer goods multinational is working with Accenture, drawing on assets from our AI Navigator and proprietary model "switchboard", which allows users to select a combination of models to address the unique business context.[15] The collaboration aims to surface new applications to enhance productivity, drive efficiencies, and accelerate disruptive and AI-powered innovations at scale.

3 REINVENT TALENT AND WAYS OF WORKING

Generative AI is set to trigger the most significant shift in work since the agricultural and industrial revolutions. Anders Romare, Chief Digital and Information Officer at Novo Nordisk, captures the magnitude of the opportunity succinctly: "The data we generate from clinical trials is just enormous: it's starting to be beyond the human capability to actually sort and understand and digest." He says that generative AI can help aggregate and summarise the vast information to deliver a much "higher quality output".[16]

Generative AI is set to trigger the most significant shift in work since the agricultural and industrial revolutions.

But if organisations adopt generative AI hastily – primarily to cut costs – it is likely to significantly reduce the potential economic gains outlined above. Companies must not overlook the need to reskill or upskill employees at scale. The full potential of generative AI will only be realised through a people-centric approach, in which employers focus on how to apply the technology to boost employee productivity and well-being.[17]

In this context, Europe can capitalise on existing strengths. Companies across the region enjoy a 15-percentage-point lead over their North American peers on the talent metric of Accenture's Resiliency Index, a composite measure that includes diversity, training, and flexibility.[18] As AI expands into more areas, individuals will need to reskill and upskill more often. European companies' leading capabilities in people enablement could therefore be a source of significant competitive advantage.

4 CLOSE THE GAP ON RESPONSIBLE AI

To win people's trust, the unparalleled potential of generative AI must be counterbalanced with an unwavering commitment to responsible innovation. Current limitations, such as "hallucinations", IP infringement, and data explainability, are holding some companies back from investment. Employees, too, are apprehensive; they are three times as fearful as their bosses on the accuracy of tool output, and more than twice as likely to worry about job displacement.[19] Such concerns mean that 77 per cent of European business leaders are approaching associated investments with more caution, compared with 59 per cent of peers in North America.[20]

European companies must move swiftly to earn trust, for example by ensuring that algorithms and underlying data are as unbiased and as representative as possible. The incoming EU AI Act helps by providing a clear, consistent responsibility framework.[21] The Act will support standardisation of responsible AI efforts across Europe, which will translate into easier collaboration and faster development times between companies, as well as enhanced experiences for customers. For example, Vodafone's generative AI chatbot, now in pilot, improves user experience through an AI safety framework that protects customers.[22]

5 DRIVE CONTINUOUS REINVENTION

Just as species continuously adapt to survive, so too must business leaders. Reinvention is not a one-and-done endeavour. Most European executives (59 per cent) say they are at least somewhat effective in executing new strategies and performance goals continuously, but only 22 per cent say they are doing so "very effectively". The companies that build the organisational capability to continuously reinvent, and take advantage of new technologies such as generative AI to do so, will be those best positioned to succeed.

In recent years, European companies have rapidly transformed to meet challenges ranging from the pandemic and supply chain disruption to the energy crisis and high inflation. Generative AI has the potential to bolster reinvention efforts and open new performance frontiers, but only if companies double down on technology, talent, and trust. It's an opportunity that Europe must seize.

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AI and machine learning are revolutionizing the banking industry. Although the phenomenon offers unprecedented opportunities for efficiency and innovation, these advancements inarguably come with significant challenges. In that light, Victor Dan explores the transformative impact of AI on banking and the critical need for vigilant risk management.

AI IN BANKING

THE DOUBLE-EDGED SWORD REDEFINING FINANCIAL SERVICES

by Victor Dan

In the ever-evolving world of finance, the integration of artificial intelligence (AI) and machine learning (ML) into banking operations is rapidly transforming the landscape. This technological revolution brings with it unprecedented opportunities for efficiency and innovation, but also significant challenges and uncertainties.

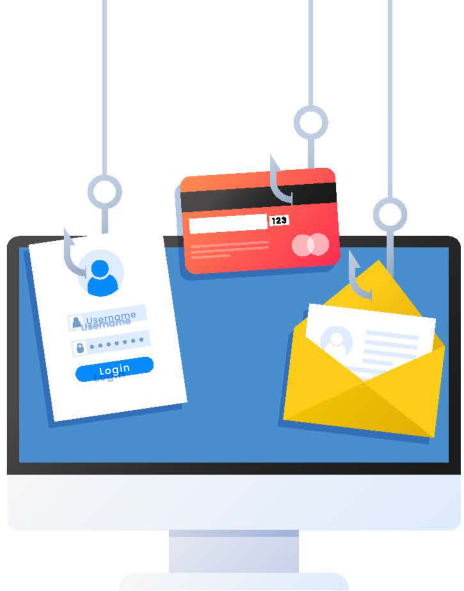
Pablo Hernandez de Cos, Governor of the Bank of Spain and chair of the international Basel Committee on Banking Supervision, emphasized the critical need for vigilance in a Monday address in Washington.

“My main message is that the use of AI in banking raises important prudential and financial stability challenges,” de Cos said, warning that AI and ML models, if left unchecked, could potentially amplify future banking crises, posing a significant threat to global financial stability. “When it comes to banking, it is critical that banks anticipate and oversee the risks and challenges posed by AI/ML – both at the micro and the macro level – and incorporate them in their day-to-day risk management and governance arrangements,” he said.

The Basel Committee on Banking Supervision is poised to address these issues in greater detail with an upcoming comprehensive report on the digitalization of finance and its regulatory implications. This report aims to provide a clearer road map for banks and regulators navigating the complexities introduced by AI technologies.

Across the landscape of financial services, AI has indeed emerged as a game-changer, revolutionizing the way banks and financial institutions operate and interact with their customers. McKinsey Global Institute estimates forecast that AI could potentially add between $200 billion to $340 billion annually to banking revenues worldwide, underscoring its pivotal role in driving industry transformation.

One of the most notable impacts of AI in banking has been the enhancement of customer experience. Advanced AI technologies such as chatbots and predictive analytics



have revolutionized how banks interact with customers. Chatbots powered by AI now provide round-the-clock customer support, with Bank of America's "Erica", for example, having processed over 1.5 billion interactions since its launch, setting a new standard for accessibility and responsiveness in customer service.

Moreover, AI-driven data analysis has empowered banks to delve deeper into customer behaviors and preferences. By analyzing individual financial activities, banks can offer personalized financial advice that enhances decision-making and fosters stronger customer loyalty.

Innovative applications of AI also extend beyond traditional banks to neobanks, where AI's adaptability shines in shaping user interfaces and experiences. These digital-first banks leverage AI to continuously refine app interfaces based on user interactions, ensuring that features and functionalities are intuitively accessible and relevant to each customer's banking habits.

At the forefront of this revolution are industry giants such as Amazon Web Services (AWS), Cisco, Microsoft, SAP, and IBM, each leveraging AI to redefine banking norms. AWS provides scalable AI solutions that bolster fraud detection and personalize customer experiences, while Cisco's AI-driven networking solutions fortify cybersecurity measures and optimize network performance. Microsoft Azure and SAP offer tailored AI services empowering financial institutions with predictive analytics, regulatory compliance tools, and streamlined operational workflows.

AI's impact also extends through banking into the insurance industry, where it is revolutionizing practices such as dynamic pricing and usage-based insurance (UBI). These advancements enable real-time risk assessments and personalized pricing models, transforming how insurers interact with customers and manage financial transactions.

Advanced AI technologies such as chatbots and predictive analytics have revolutionized how banks interact with customers

Earnix, for example, has been at the forefront of the Insurtech revolution since 2001, transforming insurance and banking sectors with its analytics-driven pricing and product personalization solutions. Earnix's platform integrates AI and machine learning to optimize pricing strategies and enhance customer engagement across diverse markets. Its SaaS capabilities in dynamic real-time pricing and usage-based insurance (UBI) have attracted market giants like USAA, Lloyds Banking Group, and Toyota Financial Services.

AI is also playing a crucial role in the fight against money laundering. Traditional rule-based approaches to combating financial crimes often lag behind the sophisticated techniques employed by criminals. However, AI algorithms can analyze vast volumes of data and identify patterns, anomalies, and potential risks in real time. This allows financial institutions to stay ahead of the curve and detect suspicious activities more effectively.

Moreover, regulatory bodies are encouraging financial institutions to adopt innovative AI solutions for fighting financial crimes. This has led to a significant interest in machine learning among industry leaders. IBM's Watson platform, for example, supports applications from fraud detection to personalized marketing strategies, using machine learning and natural language processing to enhance decision-making processes and customer experiences.

Investors are increasingly recognizing the transformative potential of AI in banking and insurance, channeling substantial resources into this burgeoning field.

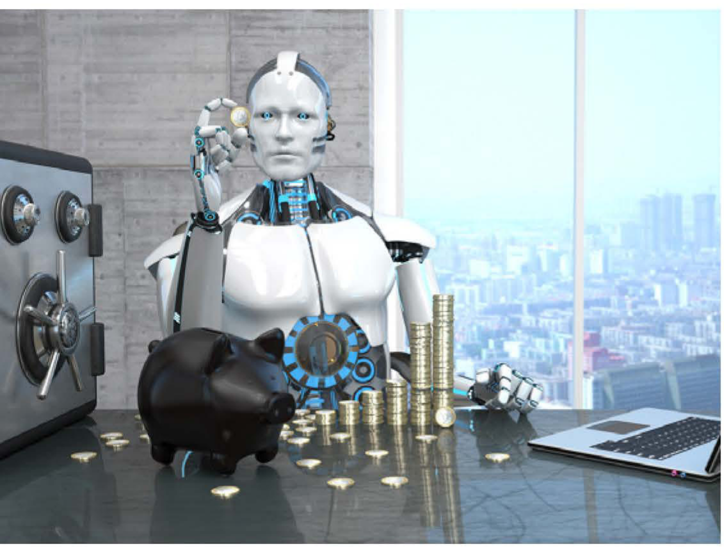
Jerusalem Venture Partners (JVP), for example, stands out as a venture capital firm with a strategic focus on thematic investment in AI technologies. Under the leadership of founder and chairman Erel Margalit, JVP has committed to fostering global partnerships and supporting Israeli startups at the forefront of AI innovation.

At their recent annual meeting in New York, JVP highlighted investment in companies in the field, including Earnix, ThetaRay, and Coro. These firms are advancing AI applications in fintech, insurtech, and climatetech, reflecting the broader trend of investors prioritizing technologies that promise significant industry disruption and growth.

ThetaRay is a prime example of a fintech company specializing in AI-powered analytics for financial crime detection, delivering trusted transaction monitoring and customer risk assessment solutions. Built on hyper-dimensional, multi-domain big data analytics, ThetaRay's platform operates in near-real time, offering new levels of speed and accuracy in threat detection while minimizing false positives. Its solutions empower banks, fintechs, and regulators to combat money laundering and fraud effectively, enhancing operational efficiencies and reducing compliance costs across global financial ecosystems.

The challenge lies in discerning illicit transactions amidst the vast legitimate ones. AI emerges as our most promising solution.

"Globalization and digitalization have propelled us forward, yet they've also exposed vulnerabilities in our payment systems," said Peter Reynolds, CEO of ThetaRay. "The challenge lies in discerning illicit transactions amidst the vast legitimate ones. AI emerges as our most promising solution to ensure the integrity and security of financial transactions."



Looking forward, the future of AI in banking promises even greater advancements and widespread adoption across diverse applications. However, the journey towards AI integration is not without its hurdles. Data privacy concerns, regulatory complexities, and ethical considerations loom large as banks navigate the adoption of these powerful technologies. McKinsey advises a centralized AI operating model initially, allowing banks to build expertise, align strategies, and manage risks effectively.

As the financial industry stands on the brink of a new era driven by AI, the message from global regulators is clear: vigilance, collaboration, and proactive governance are essential to harness the benefits of AI while mitigating its risks. This balanced approach will be crucial in ensuring that the integration of AI into banking meets the "important prudential and financial stability challenges" that de Cos warned of, contributing positively to financial stability and efficiency, rather than becoming a catalyst for future crises.

ABOUT THE AUTHOR

Victor Dan is an analyst and financial market strategist based in Los Angeles, following AI, technology, and their role in the future of our financial sector.

"Can-Lah"

THE ART OF SAYING "YES!"

A refreshing guide from one of the top motivational and entertaining speakers in Asia on how to turn those frustrating "NOs" into delightful "YESs"? **by Avi Liran**

When customers make a request, they usually want to hear that magic word "yes." So shouldn't businesses focus on exploring ways to satisfy them? And if we really must say "no," couldn't we think about sweetening the pill? Well ... yes! In fact, the Singaporeans have a word for it.

As customers, we've all been there, denied a reasonable request by a rigid no, with excuses about companies' internal rules. Can we really get what we truly desire (all the time)?

In preparation for delivering the "Chief Delighting Officer[1]" course for the top 85 leaders of Fairmont and Swissotel in Singapore, I embarked on a unique learning journey of their unique culture. I was invited to a half-day internal workshop called **"Can-Lah,"** a brilliant program masterminded by the then Managing Director, Marcus Hanna (now Vice President of Operations Pacific Sofitel, MGallery & Emblems).

In the realm of luxury hospitality, where exceeding guest expectations is paramount, the "Can-Lah" spirit becomes a powerful tool. This simple, yet potent, "Singlish" (Singaporean-English slang) phrase was designed by these hotels to go beyond mere politeness. It embodies a "can-do" attitude and a willingness to go the extra mile, ensuring that guests feel truly delighted.

Instead of rigid SOPs (standard operating procedures) being the sole guide, "Can-Lah" empowers team members to make guest needs their top priority. This doesn't translate to a blanket "yes" to every request, of course. Illegal, immoral, disrespectful, or unreasonable demands would still require a firm, yet graceful, "no." However, for everything else, the "Can-Lah" spirit encourages creative problem-solving and a focus on exceeding expectations or at least meeting them consistently. It's about saying "yes" from the heart.

Unsure about a request? "Can-Lah" encourages escalation, not denial. Let the guest know you're their champion and will strive to fulfill their wish and check with your manager for ways to make the guest feel supported with a creative solution.

A CHEESEBURGER IN AN ITALIAN RESTAURANT?

Imagine this. You're craving a juicy cheeseburger at Fairmont's renowned Italian restaurant, Prego. While a cheeseburger isn't on the menu, the "Can-Lah" spirit kicks in. Instead of a disappointing "I am so sorry, I regret we do not have it on the menu," the server embraces the challenge with a smile. "Certainly, sir!" they might say. "While we specialize in delectable Italian cuisine, we understand sometimes cravings hit differently. Let me bring you the room service menu (or that of one of the other hotel outlets) and we'll gladly place your order for you. It may take a bit longer to arrive, so, in the meantime, perhaps you'd enjoy one of our phenomenal antipasti selections?"

THE "YES, AND ..." PRINCIPLE

In improvisational theatre, the "Yes, and ..." principle is the foundation for creating scenes and stories together. It's about building on what your fellow imptrovisers offer, rather than blocking or shutting down ideas.

This concept has been adopted in various fields, including business and personal development. First, you have the "yes," which is accepting the reality presented, rather than blocking it. Then, add the "and ...", building upon the "yes" by adding the latest information or ideas. This nonjudgmental approach promotes creativity, collaboration, and adaptability, turning simple acceptance into opportunities for innovation, growth and, in the "Can-La" concept, into superior customer experience.

> **"There are people who prefer to say 'yes' and there are people who prefer to say 'no'. Those who say 'yes' are rewarded by the adventures they have. Those who say 'no' are rewarded by the safety they attain."**
>
> **– Keith Johnstone**

TURNING "NO" INTO "MAGNIFICENT": A ROOFTOP WEDDING PROPOSAL IN SINGAPORE

A standout tale from that day illustrated “Can-Lah” in action, gracefully navigating a decline due to safety protocols. A gentleman envisioned his marriage proposal to his fiancée taking place on Swissotel’s 73rd-floor apex, dreaming of the beautiful Singapore skyline as the back-drop. The reply was both warm and ingenious: “Sir, to craft an unforgettable moment for your special occasion we’ve arranged a secluded space on the 72nd floor, offering a splendid view of Marina Bay, with the champagne courtesy of the house. Regrettably, the rooftop and helipad must remain unoccupied for safety reasons.”

THE "AND, NO" PRINCIPLE

The 72nd-floor story from the “Can-Lah” boundaries narrative resonated with Raymond Van Driel, a world-renowned advanced improvisation trainer. He linked it to the concept of the “And, no” principle. This principle emphasizes acknowledging the other person's request by adding a practical alternative solution first (the “and”), while still delivering a clear and firm decline (the “no”). By employing “Can-Lah” boundaries, we offer a creative and adaptable solution, fostering a sense of safety and understanding that allows the other party to accept the negative response more readily. In this instance, the “and” surpassed expectations, as the safe alternative was far more delightful than the guest’s original request.

DOING THE RIGHT THING SOMETIMES REQUIRES A “NO”

Yeo Yee Ching, the former Head of Client Services at BNP Paribas Securities Services, and previously Relationship Manager at ClearStream, was known to her clients as their champion. When a client’s claim was valid, she would escalate it and secure the appropriate waiver. She always chose to do the right thing, establishing long-term trust and building strong personal relationships with all her clients.

Even when “No” was the inevitable answer, Ching delivered it with a touch of positivity. She personalized her responses and often used humor, sharing the facts and showing empathy for their loss due to their error. She navigated unreasonable client demands with the finesse of a cat walking a tightrope, never allowing her clients to turn their own blunders into her company’s expense.

Her clients adored her, despite not always getting what they wanted. It's like the quote (often dubiously) attributed to Winston Churchill: “She could tell you to go to hell in such a way that you would look forward to the trip.”

MISSED OPPORTUNITIES FOR "CAN-LAH"

When you have experienced the "Can-Lah" spirit first-hand, its absence can be frustrating. During a recent stay at a luxurious five-star hotel in one of the biggest cities in Southeast Asia, I encountered rigid and unkind situations. While working on my emails in the club lounge, I craved a specific dish from the main restaurant.

Unfortunately, the initial response of the polite lounge hostess was, "I am so sorry, sir, we are not allowed to do this here," followed by a suggestion to relocate downstairs. The empty lounge and readily available staff of three made this approach feel strange. After all, I would gladly pay for it.

Similarly, a post-breakfast request for a simple French toast from the à la carte menu post-12 pm faced initial resistance. Considering that the chef was still operational, the request to crack two eggs seemed reasonable. Again, I offered to pay for it. In both instances, while the requests were eventually fulfilled after escalation, the "We will do it for you, but this is the last time" disclaimer left a negative impression.

These interactions lacked the essence of "Can-Lah" attitude, with the unwillingness to go even an inch, not to mention to go the extra mile and create a truly delightful experience. A simple phone call from the lounge or minor flexibility could have significantly enhanced these encounters.

Before my departure, I enquired about a 30-minute massage, due to limited time. Despite there being a willing and available therapist, the receptionist said, "I am sorry, we have a one-hour-minimum policy." After a call to his manager, he said, "We can accommodate it this time, but you still have to pay for a full hour." His comment further reinforced the transactional feel.

While my stay was nice, these transactional experiences focusing on SOPs left me with a bitter taste. Instead of feeling like a valued guest, someone who would readily praise the staff and hotel on Tripadvisor, I left feeling less inclined to return or recommend it.

These recent experiences weren't necessarily a reflection on the front-line staff, who usually love to delight guests and flourish when creating happy connections and receiving compliments, but rather an indicator of a rigid and transactional service culture within the establishment.

When disempowering and rigid SOPs get in the way, it is like telling a musician to play without hearing the applause. They miss the joy of the sweet rewards of appreciation, "thank you" letters, and glowing Tripadvisor reviews. Instead, they face the draining, bitter expressions of disappointed guests every day.

When the Food & Beverage Director expressed his disappointment that the team did not display the value of the famous "Malasakit," a Filipino concept embodying empathy, concern, and taking action to address others' needs, I immediately recalled and shared the "Can-Lah" program with him. With a new five-star hotel opening just across the road, sticking rigidly to outdated SOPs will only drive guests to the competition.

HOW TO CREATE AND MAINTAIN "CAN-LAH" ATTITUDE

Adopting the "Can-Lah" ethos does not happen by itself. You must invest in it.

Start at the top: The initiative needs to be more than just a policy. It should pulse through the organization's veins, championed and demonstrated by the leadership. From day one to daily huddles, expectations should be clear, supported by the full weight of resources committed to the cause.

Psychological safety: Weave a tapestry of open and agile dialogue, where frontliners can comfortably voice their worries and receive prompt feedback, knitting a loop that closes with clarity on action taken and rules reshaped, ensuring that they are equipped to craft even more delightful experiences.

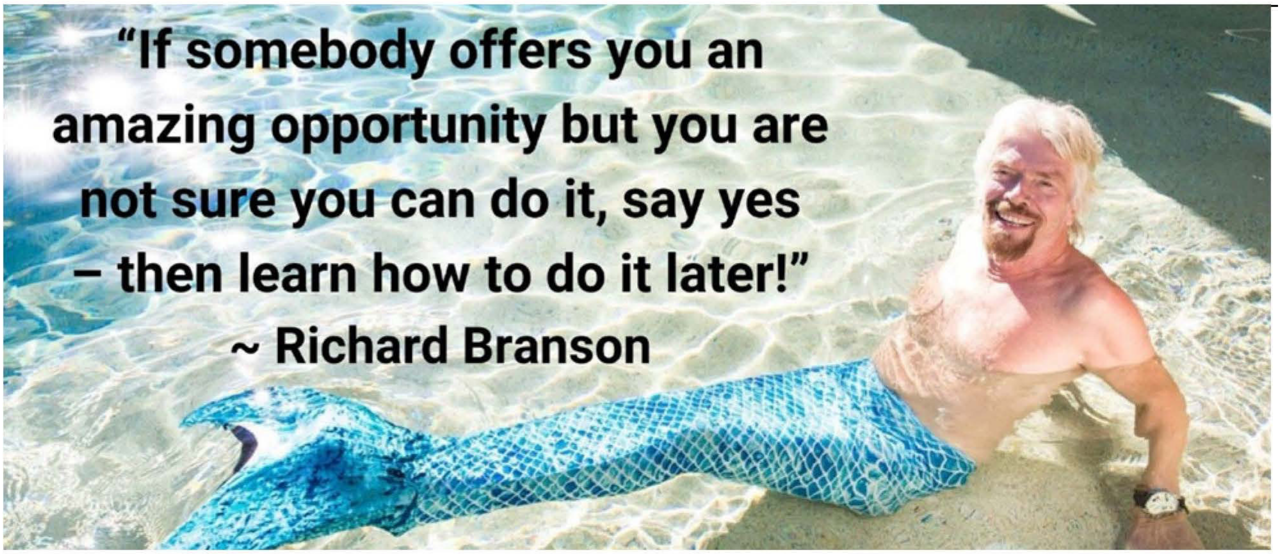
Empowerment: Grant them decision-making authority within reasonable boundaries, and a rapid escalation process when needed.

Engaging training: Make learning a journey where employees become "Can-Lah" champions. Craft engaging content that blends interactive sessions with real-life success stories and even humorous tales of overcoming challenges to ensure that the concept sticks.

Recognition and reward: Highlight successes of everyday acts of delighting customers to reinforce positive behaviors and motivate others. Celebrate progress by acknowledging improvement and effort, not simply perfect outcomes.

THE BENEFITS OF "CAN-LAH" SPIRIT

In the process of crafting First Time Leadership[2] with my co-writer, Daniel Lee, a narrative emerged from our interviews with 220 top leaders, revealing a poignant insight, particularly among female leaders, who comprised over half of our conversations. A recurring theme was the self-imposed barrier of waiting for perfection before stepping into leadership roles. This resonated deeply with one leader's story, where, despite being ready years earlier, she hesitated to step forward. The interim leader's failure, contrasted with her peers' encouragement, eventually propelled her to seize the role, underscoring a crucial lesson of the need to "Can-Lah." Leadership isn't about personal perfection; no one can be 100 per cent ready before taking a challenge.



🚀 **Saying "yes"** to new experiences can lead to unexpected growth and positive outcomes. This aligns with the "Can-Lah" spirit of embracing possibilities and going beyond limitations. Release your fears and dare to seize opportunities.

🚀 **Problem-solving creativity:** The "Can-Lah" mentality is not just about saying "yes." Often, it pushes us to find creative solutions to problems. It encourages resourcefulness and ingenuity in overcoming challenges. Do not be limited by existing rules, SOPs, or structures; explore ways to overcome obstacles and achieve goals.

🚀 **Empowerment and initiative:** A "Can-Lah" culture empowers team members to take ownership and make decisions. It fosters a spirit of initiative and encourages individuals to take calculated risks. Empowerment gives employees a sense of autonomy. Feeling control over their work leads to higher senses of ownership, motivation, and engagement.

🚀 **Customer-focused innovation:** While hospitality emphasizes guest delight, "Can-Lah" can apply to any customer-centric industry. It means looking beyond the standard offering and finding ways to exceed customer expectations and create innovative solutions.

🚀 **Adaptability and resilience:** The world is constantly changing. "Can-Lah" encourages flexibility and the ability to adapt to new situations and challenges. It is about finding ways to move forward, even when faced with setbacks, to create a better offering that will keep you ahead of the competition.

🚀 **Empowering cross-functional collaboration:** "Can-Lah" encourages and fuels a spirit of helping each other to work together to find solutions across silos to delight the customers.

CONCLUSION

Embracing the "Can-Lah" spirit turns refusals into opportunities, blending creativity with practicality. Leaders can inspire their teams to exceed expectations by adopting the agile and playful improv principles of a "Yes, and ..." mindset, fostering a problem-solving attitude that prioritizes customer satisfaction while maintaining boundaries.

The "And, no" principle is equally important for setting effective and delightful boundaries. By acknowledging a request and offering an alternative first, it ensures that even a "no" is delivered with positivity and respect.

These approaches, though rooted in hospitality, can enhance customer loyalty, employee empowerment, and organizational resilience in any industry, creating a workplace where every challenge is met with a smile and a willingness to go the extra mile.

From now onwards, say "Can-Lah!"

ABOUT THE AUTHOR

Avi Liran (Certified Speaking Professional, MBA) is a Global Chief Delighting Officer, an economist, author, columnist, humorist, and energetic motivational and twice TEDx speaker. Avi is one of the top motivational speakers, working globally from Singapore. He helps many Fortune 500 companies to deliver tangible results to organizations, creating delightful customer and employee experiences.

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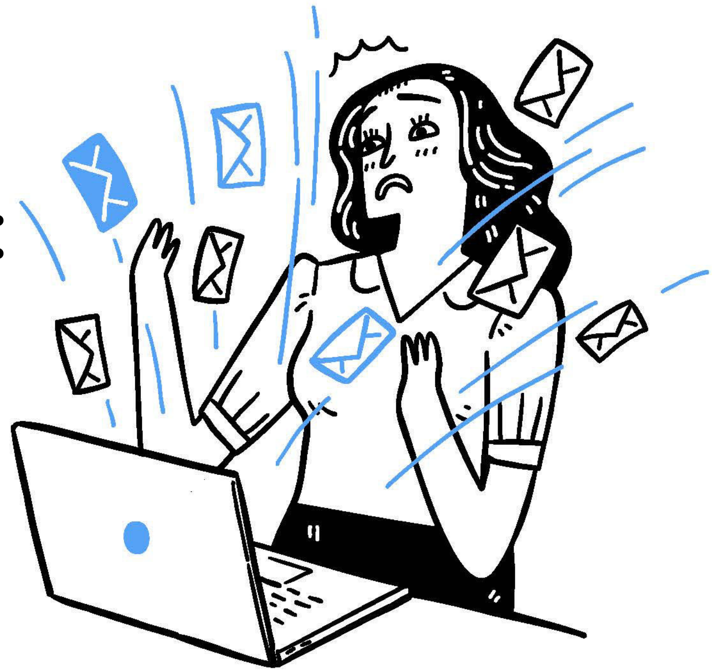
RETHINKING PRODUCTIVITY: THE CASE FOR A FOUR-DAY WORK WEEK

by Andrew Barnes



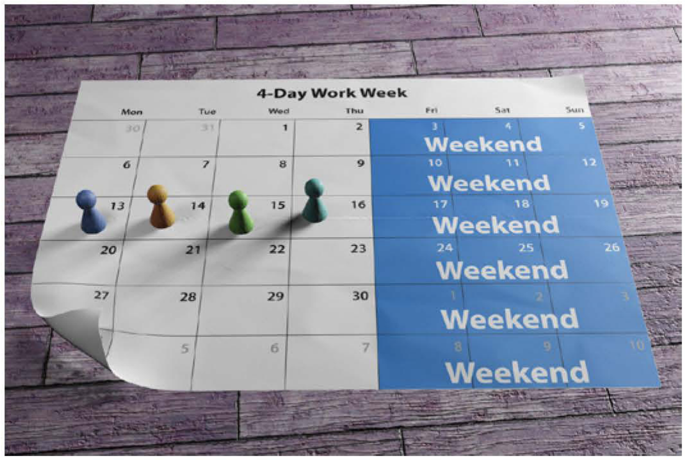
Entrepreneur Andrew Barnes, founder of 4 Day Week Global, discusses the transformative potential of a four-day work week and contends that focusing on productivity rather than hours worked can yield enhanced business performance and improved work-life balance.

To many business leaders, the perception of a reduced-hours or four-day week is merely another example of society abandoning the concept of working and saving hard in favour of a better work-life balance. Inevitably, it does not sit well with individuals who have been often singularly focused on climbing the corporate tree, at the expense of family and personal needs. It is viewed as yet another exercise to pander to a younger generation looking to work less at the cost of reduced profitability and output.

It is in this context that 4 Day Week Global, the not-for-profit organisation behind the global four-day-week movement, has to operate. The irony is that the criticism is unfair, as the journey which led to the idea of a four-day week began not as an exercise in improving work-life balance, but as a quest to improve productivity.

In late 2017, my interest was piqued by a series of research reports which indicated that true productivity in United Kingdom and Canadian workplaces was in the region of one and a half to two and a half hours a day. This was complemented by a further study which delivered a loftier, but still low, 2.53 hours per day, giving a true (or productive) work week of fourteen and a half hours. Uncannily, this reflected a prediction by John Maynard Keynes in the 1930s that, with the rise of automation, humans would only need to work 15 hours per week.

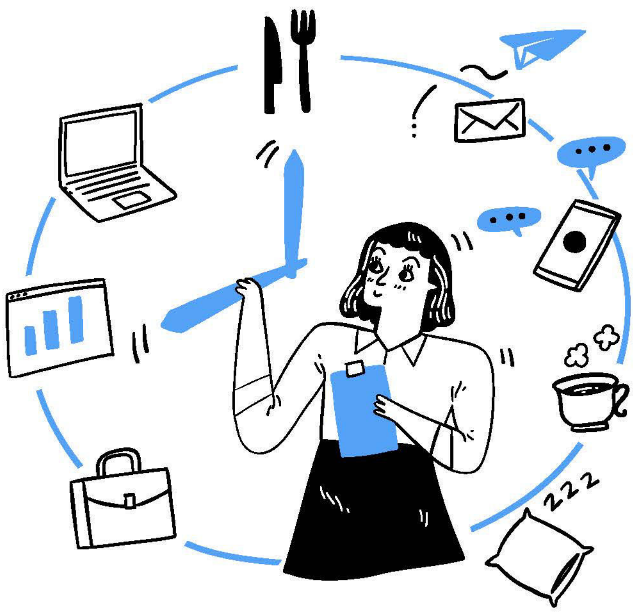
Whilst the current reality for many employees is circa 40 hours of work a week and, through digital connectivity, the increasing intrusion of working hours into private life, I had a hunch that perhaps Keynes was right. His focus was on productive output. Obviously, this was easier to measure and achieve in traditional manufacturing workplaces, rather than in a service industry with an office-based environment typified by a work week packed out with filler: drawn-out meetings, personal calls, social media browsing, and interruptions. In such a context, a significant proportion of working hours are in the form of leisure, non-work communication, and inefficiency, as well as time-wasting, to meet the standard 40 hours expected by employees.



My own business, Perpetual Guardian, is a trust company in New Zealand, which had at the time just over 300 employees. I was grappling with how to improve productivity in the business and how to generate a stronger cohesive culture in the company, which had been created via a series of corporate acquisitions over a comparatively short period of time. Our core business was legal services, which are traditionally billed and accounted for on a time basis. My thesis was that, if we turned our attention to output rather than using time as a surrogate for productivity, we could restructure the workplace and the workday so that the desired output could be achieved in four days, rather than five. Unusually, my approach was then to offer, as an incentive, the additional time off to employees, but without a consequent reduction in salary. The concept of 100:80:100™ was born: 100 per cent five-day pay, 80 per cent time, with 100 per cent five-day productivity.

In contrast to many carefully researched and evaluated experiments, I really had no evidence other than instinct to back up my launch of the four-day week trial at Perpetual Guardian in 2018, but I had the luck or foresight to commission qualitative and quantitative research by two local universities to assess the impact of the trial on the business and its employees. The results were extraordinary.

A significant proportion of working hours are in the form of leisure, non-work communication, and inefficiency, as well as time-wasting, to meet the standard 40 hours expected by employees.



Staff engagement scores rose between 30 and 40 per cent, to the highest level the researchers had ever seen in New Zealand. Employees reported that their teams had grown and strengthened throughout the trial, again to levels higher than comparative national data. As expected, work-life balance improved markedly, with staff having more time to rest and reconnect, to participate in family life, and to accomplish tasks in their personal lives.

What was not expected was that staff reported that they were better able to complete their work in four days rather than five, and that company revenue and profitability increased, the latter by 12.5 per cent. Sick days actually halved. Also unexpected was the media firestorm which accompanied the announcement of the trial, its results, and the subsequent announcement of the policy being made permanent in November 2018. At each stage, the media articles numbered over 10,000, from over 100 countries, and with a global audience of over five and a half billion.

It became increasingly clear that the key issue for most employees is the need (and desire) to have more time to devote to family responsibilities or personal matters. It was also clear, at least to us, that when employees had more free time, work time was not disrupted by attempts to handle these responsibilities during working hours. Creating an environment with a focus on output paid both business and personal dividends.

So many business leaders (and employees!) made contact with us asking about the trial that I was prompted to write a book, *The 4 Day Week*, and also to create a not-for-profit organisation, 4 Day Week Global, which works alongside governments,

governmental bodies, companies, and organisations, either individually or through a country or regional group pilot. These pilot programmes last for six months, and we assist participants with developing their own 4-day / reduced-hours work week (not all companies can close for a day, so the model changes from company to company), and each trial is monitored by independent academic research co-ordinated by our research partners at Boston College in Massachusetts and Cambridge and Oxford Universities. Each of our country pilots also involves a local research partner. We also work alongside larger organisations wanting to introduce a four-day-week policy, but for whom a bespoke programme is necessary or desired, rather than the group programmes, which are mainly targeted at smaller to medium-sized entities.

To date, we have run nine pilots involving 350 companies and 9,000 employees across 25 countries, with a further 11 pilots underway or announced across diverse countries, including India, Brazil, Saudi Arabia, and France. This is not an issue only relevant to Western developed economies, but resonates worldwide. Interestingly, the research results from our South African pilot, the first in a developing economy, demonstrated similar outcomes and benefits to those from developed economies such as the UK, USA, EU, and Australia.

What was not expected was that staff reported that they were better able to complete their work in four days rather than five.

Participants are from all sectors – health, manufacturing, logistics, public services, retail, and education – and are factory- as well as office-based. I mention this simply because critics of the four-day week inevitably assume that the four-day week is not applicable to all businesses and sectors. To be clear, we are advocating reduced-hours working with no pay reduction, and this can come in different forms: closing for a day (usually only applicable to small businesses), staff taking different or rotating days off to maintain five- or seven-day operations, half days or five-day, compressed-hour weeks (the latter especially beneficial for working parents). My own company uses all of these, as we have retail branches across New Zealand and we cannot close during the conventional working week.

Research indicates that employees value the time off at a far higher price than business is prepared to pay for it. It is this incentive which drives the effectiveness of a four-day week. After the US trial, 15 per cent of employees said that their employer couldn't pay them enough to induce them to go back to a five-day week, and a further 15 per cent would have required a 75 per cent pay increase.

The data from our trials is almost boringly consistent now. Almost without exception, 95 per cent of employees and 90 per cent of participating companies want to keep a four-day week on the conclusion of the trial. From an employee perspective, the benefits are reduced stress, better sleep patterns, more family or personal time, and an enhanced ability to focus.

From a business perspective, they see enhanced business performance. The US and UK trials saw revenue increase by over 33 per cent, a reduction in sick days by 60 per cent, and improved recruitment and staff retention dynamics, as well as higher levels of engagement. Their employees reported being healthier and happier. Research by Oxford University on the relationship between staff happiness and the share price performance of companies on the S&P 500 shows that there is an apparent direct correlation between happier staff and share price performance. Who would have thought that healthier, happier staff would perform better?

As the benefits appear to be significant and demonstrable, it is of considerable interest that business and governmental leaders continue to rail against the concept. After all, if the reduction in sick days demonstrated in the pilot programmes were reflected across the wider business community, the economic impact would be considerable. The UK alone loses 19 million days annually to sickness, with an adverse impact to GDP of £45 billion. There is also research, notably out of Henley Business School and others, which demonstrates the potential for significant environmental, infrastructure, and societal benefits with, if the evidence from our pilots and other experiments is to be believed, no adverse impact on output or profitability.

Why is it deemed so threatening to at least question whether traditional methods of working are applicable or even relevant to the working environment and society in the 21st century? Why is it that, when we experiment and disrupt almost every aspect of our lives, we are not prepared to question the traditional five-day, 40-hour work week? The introduction of the five-day week was partially prompted to create new opportunities and certainly can be credited with the expansion of leisure and tourism markets in recent years.

Why is it that, when we experiment and disrupt almost every aspect of our lives, we are not prepared to question the traditional five-day week?

There is no reason to believe that this would not address current issues facing society, such as gender pay equality, child care, the burgeoning cost of healthcare and care of the aged, as well as facilitating entrepreneurship, upskilling in the face of AI, or even – God forbid – time to train a citizen army, an issue now apparently faced by several European countries.

The four-day week is, at heart, a method of engaging employees to reimagine an enterprise. It is about removing blockages to productivity which are often not identified by traditional process-improvement strategies. It is about rethinking workplace design, about environmental changes to minimise interruptions by phones, emails, or social media, and to eliminate unproductive activity such as overlong or unstructured meetings. The key to a successful implementation is often not to overthink it as a leader, but to empower your employees with the not-inconsiderable incentive of the ultimate prize of reduced hours on full pay.

Spoiler alert. There is somewhere in the world a company or organisation in your sector and your business successfully applying and getting the benefits of a four-day week and they are attracting and retaining the best employees. The biggest risk to an organisation going forward may well not be introducing a four-day week, but dealing with the implications if their biggest competitor does it first.

ABOUT THE AUTHOR

Entrepreneur **Andrew Barnes** implemented the four-day work week in his business, Perpetual Guardian, in 2018. Following the massive success of the initiative, he founded 4 Day Week Global alongside Charlotte Lockhart to help companies and governments around the world make the shift to a shorter work week.

WHY AND HOW **'HEALTHY' LEADERS** CAN BOOST EMPLOYEE MENTAL HEALTH

by Anna Eliatamby

Mental health has a massive impact on our leadership, work, and life. It heavily influences how we lead and the people we lead. Here, we explore the reasons for the impact of health on leadership and ways of enhancing employee mental health by being a healthy leader.

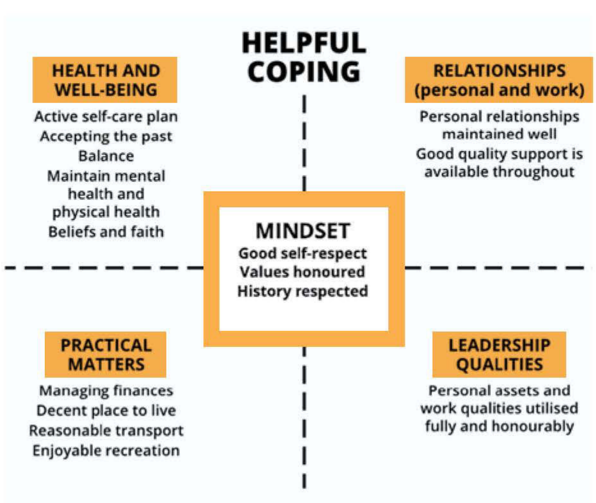
First, we define what is a healthy leader and what is employee mental health.

BEING A HEALTHY LEADER

Means that you are taking care of both your physical health and mental health. You can cope with life and work, grounded and centred in your values and purpose. Your leadership style reflects your self-care and is inclusive, considerate, and mindful of other's mental health and physical health. You work to create an organisation and culture that is decent and respectful for all regardless of their health status. Your impact increases because of your good health.

An individual's frame of reference, which has different components, guides all this[1]. Your frame of reference centres on your mindset, and includes your health and well-being, the quality of your relationships, practical matters, and the full use of your leadership qualities.

FIGURE 1 Frame of reference



You address both your helpful and unhelpful personal aspects and you continually reflect on your impact and learn.

EMPLOYEE MENTAL HEALTH

Positive mental health includes full psychological functioning, i.e., the ability and capacity to flourish, being able to cope with stressful situations, and a positive sense of well-being.

It encompasses mood and outlook, drive and motivation, cognitions, social self, mind-body connections and adaptability and resilience[2].

To boost employee mental health, leaders need to appreciate what is the likely status of staff mental health. Recent research notes the absolute importance of ensuring and facilitating staff mental health as we recover from the COVID pandemic and try to manage in the current global uncertainties - the economic situation, climate change, conflicts[2,3].

Employee mental health is still not at pre-COVID levels. Stress levels are at a 'historic high' globally, and many are quiet quitting[3]. Over fifty percent of those surveyed expressed an intent to look for other work. And most said that being engaged in work was key to coping. Feeling involved and enthusiastic mattered three times more in reducing stress than where the office was.

Second, leaders need to understand that staff are not a homogeneous group. Their mental health and physical health will vary. There are essentially three groups: people who are physically and mentally healthy and at work, those with some mental health and physical health problems and at work, those whose health goes into crisis and need immediate help. Employees will shift from one group to another. There are generational and other differences that need to be considered, e.g. neurodiversity, intersectionality[4].

There is a massive amount of data and reports proving that there is still too much toxicity in organisations[5]. Any healthy leader who wants to build employee mental health must address holistically any negativity that is present either in themselves or in the organisation. Toxicity adversely impacts well-being, mental health, and inclusion. It is also a top predictor of poor health[6].

Geronimus (2018) (citing Emerald Snipes Garner) described the impact of toxicity as

"They pull out one piece at a time, at a time, and another piece and another piece until you sort of collapse. I thought that the Jenga metaphor was very apt because you start losing pieces of your health and well-being, but you still try to go on as long as you can." [7].

WHY A 'HEALTHY' LEADER CAN BOOST MENTAL HEALTH

Just being present with others has an immediate influence and this will vary and depend on each person's health. Clearly, if you are healthy, then the chances of a positive impact are higher.

Moving beyond the influence of being present, there is also a duty of responsibility and care that comes with leadership. Through this and other mechanisms described below, leaders can and should enhance and enrich the mental health of people in an organisation. This includes the leaders themselves.

Positive mental health includes full psychological functioning, i.e., the ability and capacity to flourish, being able to cope with stressful situations, and a positive sense of well-being.

Boosting the mental health of employees often has a massive positive impact on productivity and effectiveness and the culture. Leaders can through their self-care, further promote well-being in others. Being seen to look after yourself provides the greatest motivation alongside the presence of other initiatives. These must be robust and based on what people need, not what the leader thinks is useful. Too often, many well-being and mental health programmes focus on skilling up an individual's coping habits or increasing the understanding of managers on mental health issues. But these have limited impact. Usually, there is an uptake of about 23% on most well-being programmes even though 87% of those surveyed had access to these initiatives.[8].

A healthy leader will know when to advise and when to consult on how to create mental health initiatives. Their confident sense of themselves will lead them to ask employees about their needs regarding preventative interventions, such as learning about managing uncertainty, life coping skills, understanding mental health, and seeking specialist help confidentially. They ask and don't instruct.

They also understand the risk of creating a stand-alone initiative that isn't supported by other parts of the organisation. Also needed are positive policies and procedures that are used, and a place for staff to seek justice (both senior and junior). Then all collectively build a culture that promotes self-care, confidence, and collaboration and one that addresses any unhelpful aspects openly.

Part of the work of a healthy leader is to encourage growth in those whom they lead and manage. Doing this with consideration will automatically make more junior people feel engaged and part of a greater whole - which is great for their psychological status. Employee self-efficacy, adaptability, and feelings of belonging are 'top predictors of good health.' [6].

Much of this depends also on the overall leadership style adopted by the person. Beyond the actual skills, such as emotional intelligence, what matters most is what the person does with their role.[9] A healthy leader should, ideally, know when to be democratic, decent, and collaborative and when to be decisive. They can flex. They then become role models for others to follow. And everyone protects their mental health.

Researchers have found that a transformational leadership style positively impacts the mental health of personnel, while a destructive style has the opposite effect. The latter not only leads to negative mental health symptoms such as burnout and increased stress but also reduces the chance of positive mental health outcomes.[10]

Also, resorting to toxic behaviours as a leader can lead to a decrease in that person's mental health and well-being. And large amounts of these behaviours are detrimental to all concerned.

Leaders have an impact and a responsibility for culture. Each person leaves their mark. And this is most noticeable whenever there is a changeover of leadership. Thus, a wholesome leader can use this to build a culture of safety, decency, and care for each other while making sure that the work is done. They will show this in their everyday behaviour and, tacitly and overtly encourage others to do the same. People will flourish in such atmospheres, especially if the leader is someone who leads with humility and is not a person who must be centre stage all the time.

HOW A HEALTHY LEADER CAN BOOST MENTAL HEALTH

By taking responsibility for their own self-care

For leaders, looking after their own mental and physical health should be their priority. This includes being honest about their health status and working to maintain it through good self-care, seeking professional help as needed. And, if possible, being open about their mental health needs. They should ensure that they are respecting themselves and living (as much as possible) according to their values and purpose while acknowledging that compromise is inevitable.

They accept the role of their past (known and unknown) and find a balance in living. A healthy leader will do their best to have work and life relationships that are supportive, not damaging. In practical matters, they are realistic and make sure that these do not detract from their health, e.g. having an overly long commute.

They fully know their personal assets and work qualities. And work actively to build on them and address their blocks and barriers. They work with others and do not dominate. They are inclusive and collaborative.

Living like this will provide a solid and flexible centre from which they can, with strength, fulfil their responsibility as a leader.

The mental health of employees

This is best enhanced collaboratively. Ask people to self-analyse their current operating environment in terms of well-being and mental health. What is working and what needs adapting or adding to? This is, by far, the most effective approach rather than implanting a programme from elsewhere which is like providing people with a larder and recipes but failing to ask if they are hungry and what their food preferences are.
This diagram highlights the key factors that contribute

to staff well-being and mental health.[1] Show it to staff and ask them to assess the current team or organisation against each one.

Employee mental health efforts and addressing inclusion and toxicity are interconnected. Negativity is used to prevent inclusion and is aimed at having a negative impact on well-being. Unless we investigate and address all three simultaneously, any intervention will have a limited impact.[1]

FIGURE 2 **Key factors of staff well-being and mental health**

Caring leadership is present	Uncaring leadership is abundant
History helps	History blocks
Mistakes permitted	Mistakes hidden or ignored
Sufficient skills and development	Inadequate skills or growth
People matter	No-one cares
Concerns listened to	No-one speaks
Discrimination is rampant	Inclusion is present
Mental health is acknowledged	Mental health is ridiculed
Toxicity is in abundance	Healthy culture exists
Poor policy infrastructure	Supportive policy infrastructure

Here are some key areas to look at and address.[1] Where would the team locate themselves on these continua? Where would you locate the team?

By finding out what is working and what needs improvement, we can enrich employee mental health by building a suite of interventions with employees.

The interventions are usually those that are preventative: building psychological coping strategies, encouraging the use of self-care plans, and enhancing self-respect and confidence. The administrative infrastructure of policies and procedures needs to be double-checked so that they are supportive and used with honour. Vehicles for staff to be heard should be in place, such as an internal justice system, staff representatives, and support networks for sharing expertise on well-being. All initiatives that are selected must be evidence-based and valid.

Employee mental health efforts and addressing inclusion and toxicity are interconnected. Negativity is used to prevent inclusion and is aimed at having a negative impact on well-being. Unless we investigate and address all three simultaneously, any intervention will have a limited impact.

Managers need to learn to recognise mental health issues in the early stages and then know how to work with the person to access specialist help. Or have time away and then return to work with support. Checks also need to be made to ensure that there is fairness in salaries, access to privileges, etc.

What matters most is the attitude and openness of the leader and employees towards mental health. And to look after themselves. Something we often ignore.

Overall, we need a holistic approach, far beyond most current well-being programmes.

Otherwise, we are at risk of just trying to 'fix' the person.

Mental health should be a basic right in business. A healthy leader can have a much greater impact on employees and their own self. All this should be an automatic cornerstone of leadership and how organisations treat employees' mental health. But it is not, unfortunately. The leader's impact will still be significant, even if they only accomplish 10% of the agenda.

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BECOMING MORE VISIONARY

WHEN YOU ARE MOTIVATED BY IMMEDIATE RESULTS

by Jenny Fernandez

Leaders often prioritise immediate results, but visionary leadership requires balancing short-term gains with long-term strategy. This involves embracing flexibility, empowering teams, and fostering innovation. By shifting focus from daily operations to strategic planning and external trends, leaders can drive both immediate success and sustainable growth in a rapidly changing business landscape.

When Sarah, a former client, was promoted to VP of Product Innovation at a cyber security firm, she embarked on a mission to prove herself. With a well-crafted 30-60-90-day onboarding transition plan, she aimed to quickly familiarise herself with her new team and make a tangible impact on the group's strategy and direction. She expressed her desire to revamp the organisation's projects, enhance the group's capabilities, and shift their focus towards tangible results. Sarah wanted to deliver visible results before year-end, solidifying her reputation as an effective leader who can make an impact and turn around the trajectory of the business.

While some executives in the C-Suite embraced her approach, others believed the company required more than incremental change. They recognised that the rapid advancements in AI and technology demanded a proactive approach - uncovering new opportunities for growth, exploring untapped vertical channels, and identifying ways to "leap-frog" ahead of the competition. They desired transformational change.

"Management is doing things right; leadership is doing the right things," said Peter Drucker, commonly known as the "Father of Management." As a leader, it is critical to strike a balance between short-term results and long-term success. However, many organisations and work cultures often prioritise and reward immediate outcomes - the "what have you done for me lately" mentality. Consistently generating results helps you remain top of mind and on the shortlist for recognition, opportunities, and promotions.

Yet, true visionary leadership entails making trade-offs between short-term gains and long-term growth. Visionary leaders navigate uncertainty, think strategically, and connect the dots for transformative growth. They inspire others to embark on a change journey toward long-term success. You must shift your mindset from the "What is?" to "What if?"[1] You are able to envision possibilities that others overlook - a future characterised by new strategies and corporate culture that seamlessly integrates business trends, innovation, and emerging capabilities, ensuring the organisation thrives amid an evolving business landscape.

Becoming a visionary leader can serve as the catalyst that helps you stand out and secure your long-term success. However, we know that leaders don't often have the luxury of time to achieve their vision, as highlighted by a Korn Ferry Study[2] revealing that higher-level positions tend to have shorter tenures. Thus, embracing visionary leadership becomes a strategic bet on one's career and future accomplishments.

If you find yourself struggling to embody this leadership style, it is crucial first to reflect and understand the underlying reasons. Only then can you actively work on developing this invaluable skill set.

Visionary leaders navigate uncertainty, think strategically, and connect the dots for transformative growth. They inspire others to embark on a change journey toward long-term success.

WHY BEING VISIONARY DOESN'T COME EASY

Before you can improve, it's critical to reflect on why being a visionary doesn't come naturally to you. Here are some common reasons we've seen among leaders we've worked with.

1 Do you have a control-oriented style of leadership?

Many individuals who are driven by immediate results often exhibit a control-oriented[3] style of leadership. They prefer to maintain a firm grip on every aspect of their projects and teams. This approach can hinder them from establishing a clear vision by stifling creativity and innovation. This is especially detrimental in fast-moving growth industries where technology, AI and data rapidly evolve.

In Sarah's case, she had been asked to lead a new function. She needed to transition into a learning mode[4], recognising that her role no longer required specialised expertise but, instead, demanded setting the vision for growth. To do this, you need to empower your team, delegate authority, and place trust in others to execute your vision. If you struggle to let go of control, you may encounter challenges in achieving this mindset.

2 Are you unable to scale your leadership?

If you discover that you are personally involved in every decision, insist on approving every project, and demand that your team meticulously present and defend their perspectives for even the smallest tasks, you may inadvertently be obstructing your organisation's forward momentum. As a visionary leader, you must build the capacity to extend your influence and address long-term strategic objectives.

Often, an oversized ego or a hero mentality can significantly impede your ability to cultivate visionary leadership. For example, Sarah didn't yet trust her new team to execute her strategies, so she took on a lot of the work herself. However, it's vital to recognise that delegation is a cornerstone of leadership. By doing so, you can free yourself from the burden of micromanagement and empower your team to contribute to the broader vision, enabling your organisation's progress towards its long-term strategic goals. Scaling your leadership is about shouldering increased responsibilities for the greater good and empowering others to embrace and achieve the shared vision and strategic objectives.

3 Are you more focused on the operations vs strategy?

Leaders driven by immediate results often become consumed by day-to-day operations and short-term

goals. While the importance of operational efficiency cannot be overstated, visionary leadership calls for a shift in focus towards long-term strategy and comprehensive planning.

To embark on a journey towards visionary leadership, it is essential to dedicate time to contemplating the future, recognise novel opportunities, and design a roadmap for transformative growth. This planful and proactive approach will yield tangible opportunities, including designing multiple planning[5] options, building long-term team capabilities, forging key strategic external partnerships and charting a course for strategic change and growth. Leaders who remain solely focused on the present can miss out on visionary possibilities.

To embark on a journey towards visionary leadership, it is essential to dedicate time to contemplating the future, recognise novel opportunities, and design a roadmap for transformative growth.

SECOND, DETERMINE HOW TO REPOSITION YOURSELF AS A VISIONARY.

Repositioning yourself requires a deliberate shift in mindset, behaviour, and actions. Here are some ways to get started:

1 Be an empowering leader.
To become a visionary leader, you must learn to delegate effectively and empower your team to problem-solve without you. Trust your team's capabilities and empower them to make decisions and take ownership of their projects. By doing so, you free up your time to focus on long-term strategy and innovation, rather than getting bogged down in the day-to-day details. Whether you are joining a new group like Sarah or being promoted to take on larger responsibility, start by understanding the roles and responsibilities of your team. Plan to increase your team's autonomy, providing guidance and support when needed.

2 Balance short-term and long-term.
It's essential to strike a balance between short-term commercial goals and long-term strategic vision. Allocate dedicated time for strategic thinking and planning. Set aside regular sessions for brainstorming, scenario analysis, and future-focused discussions as this will create a habit for you to sit in your thoughts and achieve flow[6] making it a priority to explore emerging trends, technologies, and potential disruptors in your industry. By allocating time for both immediate tasks and future planning, you can effectively play the long game while delivering short-term results.

3 Be externally focused.
Shift your focus from internal dynamics to external factors that influence your industry and market. Spend time networking, attending industry events, and engaging with thought leaders. Encourage your team to do the same within their scope. By understanding external trends and customer needs, you can anticipate changes, identify growth opportunities, and adapt your strategy accordingly. Look for ways to connect with customers, partners, and competitors to gain insights that inform your vision.

4 Embrace uncertainty and change.
Embrace the discomfort of change and encourage a culture of innovation within your team or organisation. Remember that it all starts with you. As Jeff Dyer, Hal Gregersen, and Clayton M. Christensen wrote, “As we come to define ourselves as creative, we change our behaviors and we can actually become more creative.” Sarah faced this challenge. She had gotten to where she was by her relentless delivery of results. Now, she was being asked to focus on breakthrough innovation that could create a new vertical and step-change growth.

Through coaching, Sarah started to shift her focus on the long-term growth opportunities and designing the organisation structure, process, and capabilities that could drive breakthrough innovation. She redefined what success and winning meant for herself and her teams. By asking more open-ended questions, taking calculated risks, and embracing her new identity as an innovator, she started to create an environment where new ideas could flourish. When you foster a culture of innovation, you must create platforms for idea-sharing, provide resources for experimentation, and celebrate and recognise innovative initiatives and successes. This way you are motivating and rewarding your team for the right behaviours and innovative thinking.

THIRD, TAKE ACTION

Once you have repositioned yourself as a visionary leader, it is crucial to take action to bring your new identity to life. Here are some effective strategies to help you get started:

1 Lead the way.
To be visionary, you must ignite inspiration and earn the trust of the employees you are looking to lead. Leading by example means embodying the qualities and behaviours you want others to emulate. Align your actions with your vision and values. Paint a vivid picture of the desired culture and mindset. Let authenticity and integrity guide your decisions and actions. When you consistently act in alignment with your vision, you build trust among your team and stakeholders, inspiring others to follow suit. Show them what it means to lead with integrity, empathy, and resilience. Your actions will speak volumes, fostering a culture of trust, respect, and accountability.

2 Seek diverse perspectives.
Actively seek out diverse perspectives[7] and opinions from your team and stakeholders. Encourage open dialogue, active listening, and constructive feedback to foster an inclusive environment that values different viewpoints. Steve Jobs said it best, “Creativity is just connecting things...The broader one’s understanding of the human experience, the better design we will have.” Practise transparency and communicate across all levels to create an open system. In addition, bring in new external perspectives, such as inspirational speakers or explore coaches to help your team break from old patterns and develop the skills needed for the long-term success of the organisation.

3 Become agile and adaptable.
Embrace flexibility and adaptability to navigate changing circumstances and seize new opportunities. Encourage a mindset of continuous improvement and learning, allowing for adjustments in strategies as needed. Recognise that being a visionary leader is an ongoing journey, requiring continuous assessment and adaptation of strategies in response to changing circumstances and evolving market dynamics.

4 Build strategic partnerships.
Collaborate with key stakeholders and build strategic partnerships both within and outside your organisation. Foster relationships that support your long-term goals and enhance your ability to drive positive change. As Jack Ma, co-founder of Alibaba Group famously said, “Never give up. Today is hard, tomorrow will be worse, but the day after tomorrow will be sunshine.” Remember, action is the catalyst for change. By implementing these strategies, you can demonstrate your commitment to your vision, inspire others, and cultivate a culture of long-term growth and success.

Repositioning yourself as a visionary leader is a transformative journey that requires time and effort. It involves letting go of some control, reevaluating priorities, and embracing a broader perspective. By actively working on these strategies, you can shift from focusing on immediate results to adopting a visionary leadership style that drives both short-term success and long-term growth and relevance in a rapidly changing business landscape.

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A New Challenge?

FROM CRADLE TO MANAGER:

Children's Books as a Pathway to Build Emotional Intelligence and the Managerial Skillset

by Jason Woldt and Mary Sue Woldt

What makes a great leader? Can children be trained for leadership right from the cradle? In this article, Jason and Mary Sue Woldt explain how children´s books and a robust reading culture help to develop emotional intelligence and the needed soft skills for managers.

The great NFL Hall of Fame coach Vince Lombardi (2023) said, "Leaders are not born, they are made." Those who believe this to be true have long tried to determine the right skill set and training to cultivate a great leader. Using successful leaders as units of study, researchers have found the defining trait separating a good individual contributor from a good manager is a high level of emotional intelligence (i.e., soft skills) (Goleman, 2017). A leader with a high level of emotional intelligence can more easily defuse conflict, empathise with others, develop deeper relationships, and ultimately motivate better team performance. To that end, organisations spend billions of dollars every year on emotional intelligence and soft skills training (Research and Markets, 2022). Furthermore, expensive leadership graduate programmes continue to be in high demand as a viable path for mid-career professionals to develop and refine their managerial skill set and move up the corporate ladder. Yet, there is still a dearth of talent and a limited number of candidates who truly possess and desire the managerial skill set that is in such high demand. According to the US Bureau of Labor Statistics (2023), there are 1.1 million management vacancies each year, and the growth for management professionals over the next eight years is expected to outpace the total average growth across all other professions, demonstrating the current and future supply and demand imbalance.

In this paper, we address two fundamental questions:

1. What is the managerial skill set that is in such high demand?
2. How does one build the foundation for the managerial skillset early in one's life?

THE MANAGERIAL SKILLSET IN HIGH DEMAND

Measuring the managerial skillset can be difficult to define and assess. As such, we seek insights from the profession to understand what organisations most desire. The World Bank in collaboration with LinkedIn publishes data showing

how professional skill requirements have changed over time using updates made to member profiles (World Bank, 2023). When LinkedIn members update the skills in their profiles, they do so to reflect the valued needs of their professions. The data collected from 2015- 2019, show that the top four soft skills for managers and management consultants were: 1.) Leadership 2.) Communication 3.) Teamwork and 4.) Negotiation. Interestingly, there was little deviation associated with the rankings of these skills across the five years. Furthermore, the mass of literature that exists on these topics suggests that these same managerial soft skills have been in demand for decades.

BUILDING THE MANAGERIAL SKILLSET

Acquiring the managerial skillset can also be challenging with many managers finding themselves unprepared for the role. Research shows that developing high levels of emotional intelligence and a wide breadth of soft skills requires training, experience, and deliberate practice (Cooper, 1997). This raises the question of why the formal training process starts so late in one's life. While training at any stage of life can be beneficial, simple exposure to positive examples at a very young age can lay the groundwork for one to learn managerial norms and mimic best practices, giving one a head-start in developing important managerial and life skills. This paper uncovers the important linkages between the themes in bestselling children's books and the managerial soft skills that are in such high demand, making the case for more exposure and deliberate practice earlier in one's life.

While training at any stage of life can be beneficial, simple exposure to positive examples at a very young age can lay the groundwork for one to learn managerial norms and mimic best practices, giving one a head-start in developing important managerial and life skills.

CHILDREN'S LITERATURE AS A DELIBERATE PRACTICE

Before one can read or even speak, managerial training tools exist in the simplest form: children's books. Reading, especially nonfiction, can broaden one's exposure to new information and expand one's vocabulary, anchoring experiences, and allowing one to keep an open mind in difficult situations. Research shows that the single biggest reading success factor is reading aloud to children (Trelease, 2013). Furthermore, the American Academy of Pediatrics (2021) recommends reading aloud to children as young as six months old. It is no surprise that many of our nation's most successful business CEOs are known to engage in this deliberate practice by reading several hours a day (Warren Buffet, Mark Cuban, Bill Gates, and Oprah Winfrey) (Seifert, 2020).

Engaging short stories consisting of colourful pictures and talking animals could be seen as allegories offering insight into real-life managerial scenarios. The elements of any children's book consist of five components: 1.) characters 2.) plot 3.) setting 4.) conflict 5.) and theme. Comparable structural elements exist in any managerial environment. On a daily basis, managers must also navigate the complexities associated with 1.) internal and external stakeholders 2.) competing strategic objectives 3.) tenuous environmental factors 4.) personality conflicts 5.) business implications and performance assessments. Through stories, children are provided a pseudo stepping stone to a future managerial skillset. Sharing stories with cultural implications has been a foundation of civilisation. Stories rich in cultural meaning offer specific reference points that can consciously or subconsciously anchor behaviour. As a society, if we want managers to possess and model the traits that we most desire, it is imperative that we teach and reinforce those traits early to ensure there is a reasonable level of managerial literacy.

Parents and guardians should be aware of the influence that they have on a child's early development. Research shows that two-thirds of a child's lifetime vocabulary is formed by the age of two, underscoring the importance of exposure to children's literature as a deliberate practice. During this period of neuroplasticity, repetitive exposure to words, phrases, concepts, and themes is critical for language development and formative in how a child makes associations (Trelease, 2020). Reading aloud is not only an efficient formula for scaffolding literacy development, but it builds emotional circuitry that allows children to wrestle with the chaotic journey of the human experience. Children who are read to early and often, benefit from rich oral tradition and deep emotional bonds with caring adults. Amid the widespread educational/mental health crisis, reading aloud can be considered a nutritional jump-start to IQ and EQ.

As a society, if we want managers to possess and model the traits that we most desire, it is imperative that we teach and reinforce those traits early to ensure there is a reasonable level of managerial literacy.

Access to a wide variety of high-quality children's literature has for decades been one of the great equalisers in our country. The free use of a wide variety of high-quality children's books at public libraries across the country eliminates one of the larger financial barriers to entry. Yet, it is important to note that children cannot decide to pick up these books on their own. Arguably, the biggest barrier is the important role of parents and guardians in encouraging and promoting this deliberate practice. Research shows that it just takes reading aloud fifteen minutes per day to have a transformative impact on child development (Trelease, 2020).

CONNECTIONS BETWEEN CHILDREN'S LITERATURE AND THE MANAGERIAL SKILLSET

In any context, research shows that increasing one's skillset to the level of expert requires deliberate practice (Gladwell, 2008; Ericsson, 2008). Being exposed to different scenarios, being forced to make decisions, and being assessed on the quality of those decisions enable managers to fine-tune their skill set. While we acknowledge there is no good substitute for managerial experience when one is a manager, we argue that regular exposure to high-quality children's literature allows a path to model that same deliberate practice when one is only a child. In the Appendix, we show the direct connection between ten of the bestselling children's books and the elements of the managerial skill set. By following the suggested deliberate practice of just reading fifteen minutes per day, this reading list can serve as a starting point that can be completed in less than a month (423 pages * 1 minute per page/ 15 minutes per night= 28.2 days.

Empowering children to eventually take the career path they most desire is always good practice but enabling them to have the most opportunity should be a best practice. Exposure to stories where characters encounter diverse challenges offers potential managers in training heartwarming and simple reminders that reinforce interpersonal and managerial best practices paving a path from cradle to manager. Albert Einstein said, "If you want your children to be intelligent, read them fairy tales. If you want your children to be more intelligent, read them more fairy tales."

APPENDIX

TOP 10 BEST-SELLING CHILDREN'S BOOKS BY VOLUME

Title	Page Count	Connection to Managerial Skillset Learning Goals
The Very Hungry Caterpillar (Eric Carle)	26	**Leadership**- The caterpillar's journey can be viewed through the lens of growth and transformation given the right set of resources and a nurturing environment. **Negotiation**- While the caterpillar searched for resources, it often had to make compromises to consume what was available to achieve a goal.
Goodnight Moon (Margaret Wise Brown)	32	**Communication**- The book is a great example of consistency, routine, and repetition in producing and motivating the desired outcome. **Teamwork**- This book is a good reminder of acknowledging all elements or employees in an ecosystem for the vital role they play. **Negotiation**- The process of bidding goodnight to each item in the room can reflect the concept of fair and equitable treatment, a skill set that managers must possess.
Where the Wild Things Are (Maurice Sendak)	40	**Leadership**- This story stresses the role of confidence, determination, and gaining the respect of others by making difficult decisions as a leader, yet power and being at the top of the hierarchy may not be a fulfilling priority long term. **Communication**- The book stresses the importance of verbal and nonverbal communication to maintain order. **Negotiation**- The book underscores the importance of understanding competing priorities and choosing a path.
Green Eggs and Ham (Dr. Seuss)	62	**Leadership**- Sam-I-Am demonstrates persistence to inspire and motivate his counterpart. **Communication**- The book is a textbook example to illustrate the power of persuasion and utilising a variety of messaging strategies to achieve a goal. **Teamwork**- The story illuminates a scenario where Sam-I-Am is working with someone who has a different opinion, and the process of working toward a consensus. **Negotiation**- Sam-I-am uses a simple negotiation tactic such as changing settings and creating different options to get to a yes, underscoring the importance of flexibility and persistence in a negotiation, even after one receives a no.

The Tale of Peter Rabbit (Beatrix Poter)	56	**Communication**- Peter's mother gives clear instructions about how to convey a message and warning to her children. The messaging strategy is critical to ensure that the message is understood, and instructions are followed to ensure the most optimal outcome. **Negotiation**- Peter internally negotiates the risks and the reward associated with going into Mr McGregor's Garden.
Brown Bear Brown Bear, What Do You See (Bill Martin Jr. and Eric Carle)	28	**Communication**- The story underscores clear and repetitive communication, which ensures a smooth flow of information. **Teamwork-** The diversity of animals represented in the story can be seen as a celebration of diverse abilities and skill sets.
The Cat in the Hat (Dr. Seuss)	61	**Leadership**- The cat in the hat can be seen as a bold, confident, and visionary leader. It illuminates how leaders must be mindful of the impact they have on others. **Communication**- The Cat has an uncanny ability to persuade using clear communication and high levels of charisma. **Teamwork**- This story could be seen as a cautionary tale to illustrate that when one person has too much decision-making authority or influence, there may be negative outcomes.
Guess How Much I Love You (Sam McBrantney)	32	**Leadership**- This story could be viewed as reflective of a mentor and a mentee, and the importance of providing nurturing support for one to meet their potential. **Communication**- In the story, the characters use expressive communication to demonstrate their feelings, underscoring empathy and emotional intelligence in interpersonal relationships. **Negotiation**- The reciprocal exchanges between the characters are reflective of a negotiation or a transactional relationship where each party is trying to outdo the other.
Madeline (Ludwig Bemelmans)	54	**Leadership**- The main character demonstrates aspects of confidence, courage, and independence, qualities that exemplify leadership. **Communication**- In interactions, the book underscores the "sensing", which is the ability to interpret communication and intuit deviations from what may be perceived as normal.
Corduroy (Don Freeman)	32	**Leadership**- The book explores traits such as determination, problem solving, curiosity, and a sense of adventure. **Communication**- Using nonverbal cues, the book underscores the importance of understanding the perspective of others and the importance of belonging. **Teamwork**- Despite individual imperfections that exist, the book illuminates the value of working together to accomplish a goal that would likely not be possible as an individual.
Total= Ten Short Stories	423	**Leadership** = 7 **Communication** = 9 **Teamwork** = 5 **Negotiation** = 6

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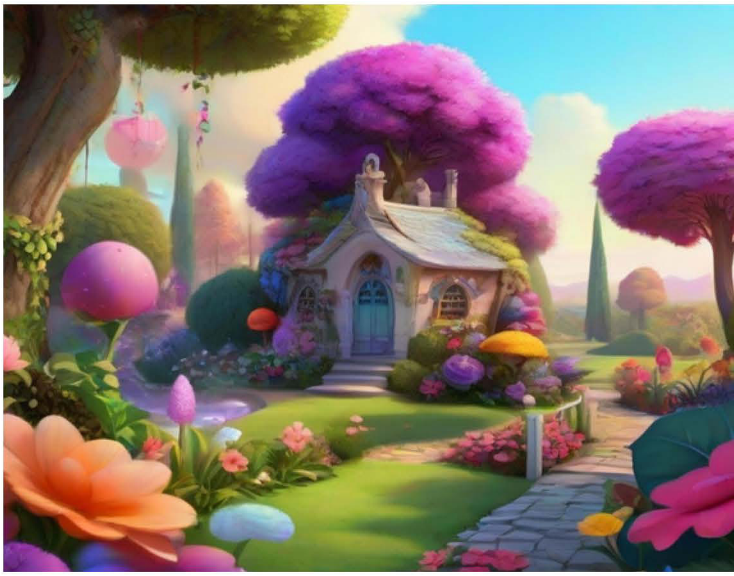
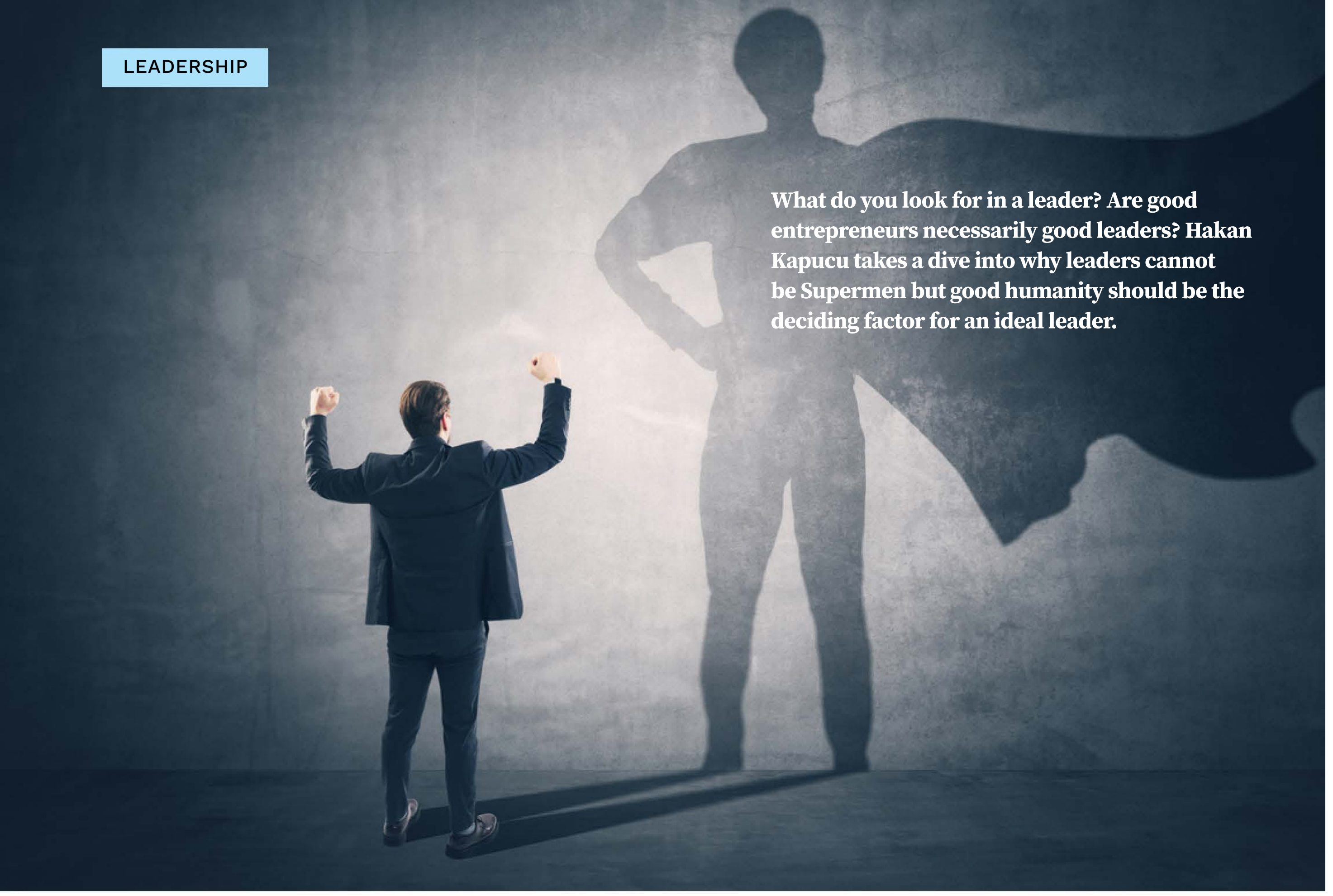


LEADERSHIP



What do you look for in a leader? Are good entrepreneurs necessarily good leaders? Hakan Kapucu takes a dive into why leaders cannot be Supermen but good humanity should be the deciding factor for an ideal leader.

SUPERMAN IS NOT REAL, NEITHER IS SUPERLEADER

by Hakan Kapucu

History has witnessed impactful business people, and today, there are innovative ones. When business-related environments speak of innovation and entrepreneurship, Henry Ford, John D. Rockefeller, Elon Musk, and Steve Jobs come to mind. Reading these entrepreneurs' lives, it is clear they are neither omnipotent nor omniscient — they can neither do absolutely anything nor do they know everything.

HAVING NO CONSENSUS ABOUT THE LEADERSHIP DEFINITION

Leaders are different, and so are their styles and leadership definitions. Democratic leadership style will radically differ from dictatorship, as Technoversal Leadership differs from Bureaucratic Leadership.

A sweeping statement is inadequate to answer the question of who is a leader. When we think of human needs, there is a tendency to gather around leaders in times of chaos and disorder. So, leadership becomes the child of chaos and disorder.[1]

ONE IS NOT ENOUGH; ALL IS NOT POSSIBLE

There are different leadership styles, and each style is formed with its cores and describing concepts. Some examples are Transformational, Transactional, and Technoversal Leadership. Servant, Authentic, and Democratic are others. This list goes on and on.

There is and will be an ongoing question about leadership styles, behaviours, and skills, i.e., best leadership.

There is no quick wrap-up because a leader may have one particular style, or the leader can try to adopt characteristics of different leadership styles. The leader may face the reality that one style may not be enough to answer today's and tomorrow's goals, and all leadership styles cannot be possessed and employed by one leader. A leadership contradiction happens here. One is not enough; All is not possible.[2]

BEING AN ENTREPRENEUR, BEING A LEADER, AND ABOVE ALL, BEING A GOOD HUMAN BEING

Imagine a serial entrepreneur establishing a few companies and making a handsome profit in a decade. Is this entrepreneur a leader? If the entrepreneur is, what is their leadership style? In a world with an eagerness and need for digitalisation and many things running digitally, this serial entrepreneur can be a leader, or maybe the entrepreneur is of technical knowledge but not a leader. So, a good entrepreneur may not always be of leadership material.

Now, think of a transactional leader — a task-oriented one. As this one is good at completing tasks, this manager fits into transactional leadership. But is this leader a good entrepreneur? Again, the answer can be yes, but probably is no.

It is vital to be a good human to be a great leader, especially for the leader of the technology age.

Let's imagine we somehow found a great business person of any leadership style with an entrepreneurial spirit. So, is this entrepreneurial leader a good person? We should clarify the word Good as its meaning changes from person to person. Let's make it as universal as we can

for the sake of simplicity. Let a Good person be someone who cares about ethics and kindness.

So, we quest for a person of leadership quality, entrepreneurial spirit, and good character — ethical and kind. I will only say if you find such a leader, please let me know where they are. I wish we had more of them.

WHY HUMANITY MUST BE PART OF IDEAL LEADERSHIP

Businesses are very impactful in today's world. They reached a point where you might even hear, "Businesses rule the world." We cannot know for sure if businesses rule the world. But we know they are powerful. There are even companies whose total production outgrows some large countries' Gross Domestic Product (GDP). It is one of the reasons leaders with such an impact must also be good humans.

IMPACT

Leaders with such an influence area should think of others. Others are people, plants, and animals. Their ethics and kindness ought to look out for others' best interests.

Technology is crucial for businesses; good leaders also are for avoiding human impact on the wrong use of technology.[3] It is vital to be a good human to be a great leader, especially for the leader of the technology age.

Wars, biodiversity loss, and other local and worldwide crises continue. Leaders generally will have to go beyond their business domains, particularly the ones with a global impact. They should also remember that these crises outside the business domain will eventually impact their business, lives, and families.

Leaders can be a milestone in helping to solve problems owing to their impact on their followers, institutions, and social media. For all these reasons, good humanity must be part of ideal leadership.

UNDERSTANDING WHY IDEAL LEADERS ARE NOT SUPERMEN

Yes, a leader can have the aura, a distinctive educational background, the expertise, the experience, or all of these. But we know two things.

1. Finding a combination of a good human, leader, and entrepreneur is rare.
2. Even if number 1 is possible, One is not enough; All is not possible.

As the title suggests, leaders are human beings, so we will never find omnipotent and omniscient leaders. But we can work for an ideal leadership.

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LEADERSHIP

TODAY'S CEOs
Need a New Approach to Prepare the Hearts and Minds of Employees for Change

by Mostafa Sayyadi
and Michael Provitera

This article proposes a range of ideas for successful organisational change in a world that has completely changed. The crucial drive for change for a new world is at the heart of business thinking today. A new definition of change is crucial for business success. The world that we once knew no longer exists. What does exist is you reading this article.

INTRODUCTION

Change has been posited as very important today by top journals such as California Management Review, Harvard Business Review, Stanford Social Innovation Review, and Rutgers Business Review, but what exactly does the change mean to you as a CEO? For example, the COVID-19 change is so broad that readers view it as changing everything from the price of food to the remote working environment. Many CEOs sanctify organisational change. But why? One reason is that organisational change is one of the most difficult management issues to grasp, and while executives are contemplating change they are being usurped by their boss or by the competition.[1,2,3] When managers decide to lead change, they face many problems, such as countless tensions or opposition from employees. Successful change requires leading the hearts and minds of employees. Only then will leaders get buy-in. In fact, if the employees do not buy into the change with their hearts and minds and do not accept it, real change will not happen. Today, we address the vital question: how can CEOs prepare the hearts and minds of employees for change? To answer this question, executives need to manage the soft side of change. This article reflects on the soft side of change as the most important factor in preparing the hearts and minds of employees. Managing the soft side of organisational change helps employees understand that change is mandatory in order to remain competitive and will not eliminate their jobs, and they will then buy into the change.

The problem is that people usually get used to what they have and what they do, and it is hard for them to change their habits. James G. Clawson, an expert in habitual leadership and human responsiveness, found that 95 per cent of leaders are creatures of habit.[4] Life in villages is the best example of this inner tendency of humans. In villages, people usually inherit the habits of the past, get used to what their fathers and mothers did, and use them in their daily lives. One of the ways to change previous habits is by conducting a deep dive. A deep dive means that executives need to change how they think about change. CEOs need to be comfortable with change and get in touch with their unconscious biases and how to address their biases proactively. They must be aware that the new era of business has resulted in two kinds of corporate lives. In the first kind, corporations get ready to accept the change and move toward a bright future with continuous change. In the second, corporations refuse to accept change, and they are eventually banished, or even vanished, from the competitive scene. This new era of business states a clear message to all companies: either change and adopt new ways or die on the corporate life cycle.

Successful change requires leading the hearts and minds of employees.

The COVID-19 crisis made CEOs feel that organisations must be prepared for change in a continuous manner.[5,6,7,8] They changed the organisational risk management title to non-financial risk management, which we feel is more appropriate today. A successful organisational change requires focusing on both soft and hard aspects. The hard side of change refers to those factors that directly affect the success of organisational change projects. In particular, these factors are typical project elements, such as objectives, budget, schedule, etc. On the other side of the spectrum, the soft side of change refers to those factors that indirectly affect the success of organisational change projects. These factors include human or social factors of change, such as leadership, organisational culture, human capital, organisational capital, and social capital. This side of change is often hidden from the eyes of CEOs. The soft side of change is actually the missing link that can prepare the hearts and minds of employees to accept change.[9,10,11] Although this side of change indirectly affects the success of change projects, it is deeply rooted in people and organisations. In fact, ignoring non-financial risk management would lead organisations to fail. Psychological costs of individuals are a non-finance risk that organisations must not be willing to take.

MANAGING THE SOFT SIDE OF ORGANISATIONAL CHANGE IN FOUR STEPS

Many CEOs are concerned with the bottom-line financials (i.e., the hard side of change) and ignore non-financial risk management (i.e., the soft side of change). They should be aware that changes can create a cognitive and emotional load, and may also have psychological costs. This scepticism eventually leads to the resistance of the employees against the intangible issues because they are concerned about getting a pay cut or being terminated. In contrast, organisational change projects that also consider the soft side of change may be more competitive and attract better talent.[12,13,14] To more effectively manage the soft side of organisational change, we suggest CEOs consider the four steps below. These four steps can make organisational change more effective and improve the results of change for companies.

1

DIVIDING A CHANGE PROJECT INTO SEVERAL SMALLER STEPS

CEOs can effectively link the hard and soft aspects of organisational change. As an example of this debate, one factor of the hard side of change is the timeline determined for the project. Too much focus on this factor can actually prevent innovation and does not usually bring optimal results. Quotas are important to meet and, in some cases, exceed. The key point is that budgets need to be adhered to but there has to be a place for keeping employees skilled, continuously learning, and improving. To do this, we suggest that executives divide an organisational change project into several smaller steps which, at first, make the project appear longer but, in actuality, eventually create more innovation. This can also develop a culture of sharing in the success of the project and subsequently strengthen the soft side of organisational change. This culture of sharing in the success of the project is the glue that keeps the organisational members together and develops their participation through cohesive collaboration in which the entire project is rowing in the same direction.

Budgets need to be adhered to, but there has to be a place for keeping employees skilled, continuously learning, and improving.

As a result, this also leads to more acceptance from the employees and also provides better results for the organisation. Therefore, the first step is to divide an organisational change project into several smaller steps so as to provide more detailed information about each step (development of a culture of sharing in the success of the project).

BUILDING TEAMS MADE UP OF THE ORGANISATION'S BEST TALENT FOR A CHANGE PROJECT

2

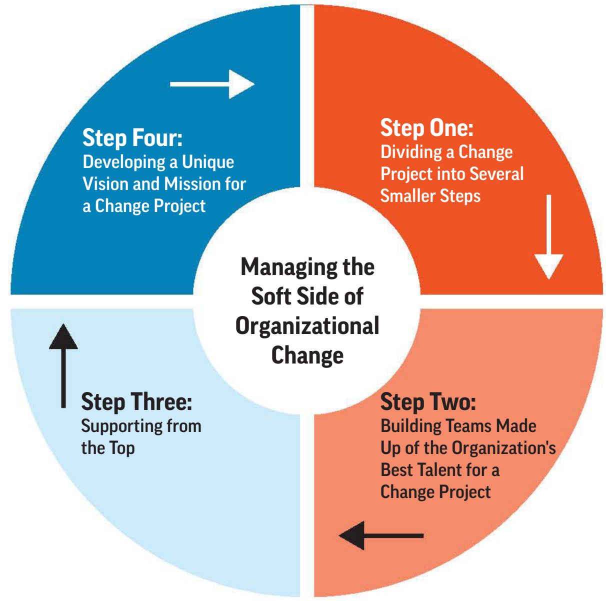
The next key step is building teams made up of the organisation's best talent to implement change projects. CEOs should develop effective teams to create a set of the best skills, achievements, experience, and the kind of persons that are aligned with the culture to enhance the effectiveness of the soft side of change. Like football coaches, many CEOs have looked at organisational change projects as preliminary games. In fact, they do not want to use their stars in these projects, because they have designated other high-end tasks for them. This is one of the main reasons for the failure of change projects. They should value the effectiveness of change projects as much as their employees' high-end tasks. In doing this, our suggestion for CEOs to improve the effectiveness of change projects is that they use their best talent in organisational activities to tap into their innovation ability. Prioritisation of a mix of highly talented employees coupled with young, up-and-coming professionals makes the best team and also prepares their minds and hearts (i.e., the soft side of change) to accept change. This type of team leads to successful organisational change projects, which strongly depend on intellectual capital.

SUPPORTING FROM THE TOP

3

The third step is that senior executives' support for innovation in organisational change projects is crucial. While working at Salomon Brothers Inc., senior leaders wanted to develop a teamwork platform for operations in Tampa. The project was successful until some senior leaders did not buy into the team concept and wanted people to be

FIGURE 1 **Four Steps for Managing the Soft Side of Organisational Change**



accountable at the individual level. Senior executives across the globe should be aware that, without approval from above, nothing will change and resistance will set in. At Salomon Brothers Inc., senior leadership designed a structure of teams to run the operations for each division. Over time, senior managers could not effectively develop teamwork, and the incentive lost faith, placing a limit on innovation and creativity. Salomon Brothers Inc. was eventually taken over. At Salomon in Tampa, employees complained that the senior executives did not support their innovative initiatives. Senior executives in different companies often underestimate the crucial role they can play as inspiring leaders. The lack of inspiring leadership from these senior executives often leads to more costs and errors in organisational change. At Salomon Brothers Inc., senior leaders attempted to correct this common mistake and adopt an inspiring approach that ultimately reduced costs and greatly improved the overall performance of employees. However, it was too late; the company was already on the chopping block.

DEVELOPING A UNIQUE VISION AND MISSION FOR A CHANGE PROJECT

Finally, when evaluating organisational change projects (both the hard and soft sides) and analysing the results with the aim of correcting mistakes and moving forward, some organisational change projects do not achieve the expected results. To solve this problem, executives should develop a unique vision and mission for a project of importance. This way, each organisation can implement its organisational change projects with the aim of achieving its mission and vision.

CONCLUSIONS

By addressing both the hard and soft sides of change, CEOs can reap buy-in from followers who need to focus on change efforts and be successful. Too many employees simply rely on their leaders to implement change and focus on their unique jobs instead of focusing on the entire system and improving it. The key is for executives to prepare the hearts and minds of employees to embrace and accept change. The hearts and minds of the employees are what we call in this article the soft side of change. Executives can break down each category of change and address each component as an improved ingredient in a recipe for success. For example, they can focus on financial resources or financial risk factors to improve the hard side of change. They can also improve the effectiveness of corporate leadership and organisational culture to address the soft side of change.

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STRATEGIC LEADERSHIP FOR GRO

by Peter Lorange

In uncertain times, strategic leadership is crucial for navigating growth. Dr Peter Lorange, Honorary President of IMD, explores how executives can harness volatility to drive success. This blueprint proposes developing innovative programmes for leadership amidst economic turbulence and emerging opportunities.

INTRODUCTION

These are, without a doubt, uncertain times, and most leaders are, inevitably and predictably, becoming more concerned about the future. We observe throughout the world more apprehension about economic slowdowns. Yet, as in most such unstable or challenging cycles, there are several potential opportunities that may open up, as is clearly the case now in interesting new, sometimes even unexpected, directions and markets. Plus, valuations of projects and take over consolidates all are becoming more "reasonable", and growth multiples are generally coming down. EBITA / cash multiples seem to be going up. In these unclear cycle periods, focus tends to swing relatively more towards the bottom line, with payback-related issues becoming more and more central. These challenges, and others, call for the development of a cutting-edge executive programme that addresses these issues, to be discussed in the following sections.

> **Volatility might seem to be the new normal today, and inflation looks to be oscillating around a higher average.**

TURBULENCE

Volatility might seem to be "the new normal" today, and inflation looks to be oscillating around a higher average. The same appears to be the case when it comes to interest rates. However, predicting the future of the economy might be harder than before. Exchange rates for currencies could represent a particularly difficult variable to forecast! And, since the overall uncertainty tends to be higher, the business risk of failure also increases. Turbulence is a different beast from before. We used to

WTH IN TURBULENT TIMES[1]

[1] *This article is in part inspired by a round-table discussion in Oslo on 15 February 2024, chaired by the author. I am thankful for inputs from Johan H. Andresen, Karin Mugnaini, Jens Ullveit-Moe and Gunn Waersted, who all participated in this round-table.*

live in a world heavily dominated by the US and the dollar. Now we are seeing several political blocs, such as those countries that are part of G9, the BRIC, etc., growing in voice and weight. We are observing an rise in nationalism, where actions by governments or states may increasingly become more critical from "free market" trading. The global financial crisis in 2009 seems to have had a catalytic effect when it comes to leading up these changes.

There are several other factors that now might imply greater risk:

- Higher governmental regulations, including "new" taxes. Also, moves from the government sector may be less predictable than before.
- Political value chain disruptions, including wars.
- Customer shifts:
    - Political: more extreme, nationalistic
    - Environmental: emission, climate
    - Behavioural and attitudinal
    - Economical: the increasing circular economy (recirculating raw materials, repairing)
- Security; breaches and hacking in cyberspace; cryptocurrency; fraud, ...

Also, there may be internal factors in our own organisations that might be linked to increased turbulence:

- Lowering of employee morale, even resignations of central executives.
- Increased fatigue syndrome, fatigue, burnout, chronic fatigue.
- Scandals and whistleblowing, often entailing lessening of own reputation.
- Sloppiness and unacceptable performance with inefficiency and higher costs.

SO, WHY IS GROWTH SO KEY?

Latching on to emerging business, often in new markets, typically allows firms to better "protect" their ongoing performance. Growth thus might strengthen the bottom line. But it nevertheless is still a matter of achieving both top-line and bottom-line performance, as research by Chakaravarthy and Lorange, 2007, found. If one of these dimensions fails, (for instance, lessening of growth), then the other dimension will also tend to fail, with lowering of profits as the result.

Ample access to energy is typically critical for growth. There may be a paradox here when it comes to economies such as Norway. While global prices for oil and gas are increasing, not least due to wars, with the tendency for a greater demand from industry (chemicals, electricity generation, ...), prices of energy from other types of sources (solar, wind, ...) do not seem to diminish. To develop such new infrastructure still appears to be expensive, although prices for this generally drop substantially. And public behaviour shows that consumers are largely not attracted to the nuclear power option. Political behaviour seems to confirm this.

Growth can strengthen the bottom line, but it requires achieving both top-line and bottom-line performance.

Growth may also come about through typically fairly small "add-ons", such as product improvements, value chain extensions, service contracts added to product distribution, software applications, etc. Being free to test out new markets without restrictions on mobility (e.g., Norway's new "exit" tax) may be key.

Finally, growth can come about, in the longer term at least, through shifts to factors of the so-called circular economy. A Norwegian owner of sports clothing is now, for instance, focusing on making use of more durable raw materials for its sporting goods brands, so as to allow for self-repair by consumers. And new tape and glue from the Hamburg-based firm tesa allows for an easier recirculation of scrap vehicles, outdated mobile phones, and old electronics in general. Such products, increasingly perceived by consumers as desirable, although more expensive, may be expected to grow, both in number and availability, at least in the longer term.

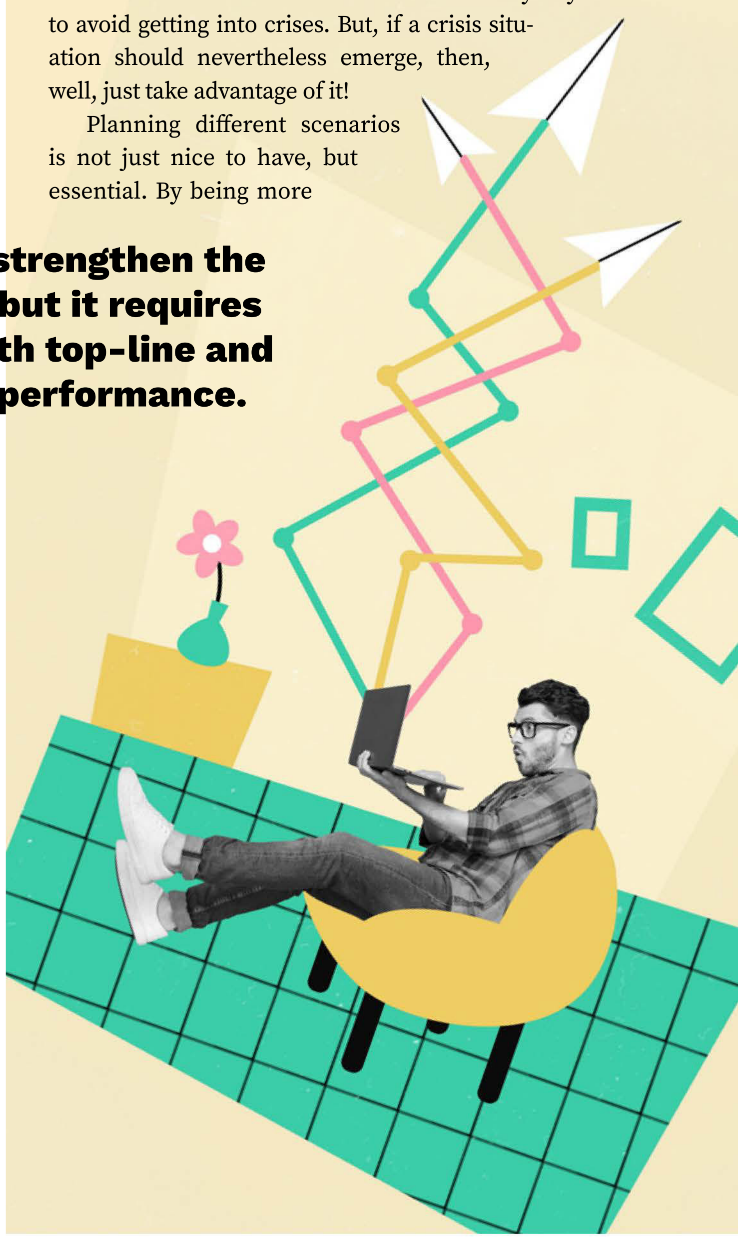
RAW MATERIALS

It seems to be increasingly important to identify large, robust deposits of mining ore and other core materials. Major economic powers such as the US, Russia, China, and the EU appear particularly active. Rare earths may be a particularly critical raw material, in light of their uses in modern, technologically advanced technologies such as batteries, computer components, medical scanning devices, mobile phones, and so on.

HOW CAN CRISES BE TURNED INTO OPPORTUNITIES?

A fundamental truism is that one should always try to avoid getting into crises. But, if a crisis situation should nevertheless emerge, then, well, just take advantage of it!

Planning different scenarios is not just nice to have, but essential. By being more



ready in crisis cases, responses and reactions might more readily become good counteractions, even counter-counteractions, when the process evolves through certain counteractions to be taken. It seems key to "see", and not just collect, the signals more clearly, even the smallest ones, from emerging adverse developments. True data collection, analysis, and management are not what they used to be. We are talking here about honed-in, fine-tuned, highly perceptive signal observation.

Data analysts, to borrow the concept from the phrase from art "art for art's sake" (*"l'art pour l'art"*) are now in the era of "data for data's sake", and even the definition and nature of "data" is changing. As coined in the nineteenth century about art, we can now support the idea that data for data's sake shows how data, even in its almost invisible form – minute data, weak signals – is a value independent of its subject matter, or of any social, political, or ethical significance. This understanding and mastery seems to be particularly critical in rapidly changing markets, such as, say, in shipping. It may be especially important here to prepare to rapidly exit from positions in such a market, and not be lulled into "wishful" thinking and / or to be seduced into unrealistic alternative scenarios that may, in the end, cause costly delays or diversions.

ORGANISATIONAL CULTURE WITH MORE NON-LINEAR THINKING

A firm's organisational culture is, of course, central when it comes to taking advantage of opportunities that might stem from crises. Firms may have to modify their corporate culture to be better prepared for this. The solution might be to instil a more "out of the box" approach, by encouraging so-called non-linear thinking (Thomas; Rose and Schulman; Zollo et al.).

Non-linear thinking is en vogue these days. But what is it actually? While there seem to be many different definitions, what seems essential is that non-linear thinking implies thinking differently from so-called linear thinkers who tend to build thoughts, literally in steps, order and with structure. Non-linear thinking incorporates a more open-minded orientation to the world, by having more of a "can-do", entrepreneurial motivation, by being comfortable with a long-term time horizon. Finally, by being able to communicate their often radical, "out of the box" solutions with passion and enthusiasm. Order and logic is not always as important in non-linear thinking, where spontaneity, impulses, signals, reversal of steps, even circular or spiky reflection can bring about higher levels of creativity and innovation.

Jan Thomas (2020) states that a non-linear thinker might be seen as a detective, along the following seven dimensions:

1. Be attracted to challenges and the unknown.
2. Find the big picture by looking for similar as well as dissimilar patterns.
3. Ask questions – many seemingly unrelated – to deepen the back story.
4. Use visual boards and / or screens, to better be able to "see" connections and relationships (poster stickers!).
5. Identify several possibilities.
6. Synthesise options.
7. Choose the best option for a solution.

(Source: Thomas, p. 20).

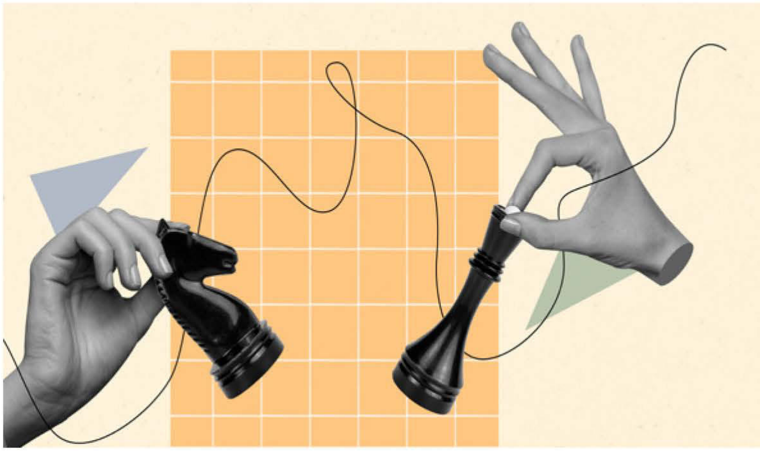
While some of these "steps" might appear self-evident, they nevertheless reflect the non-linear thinking processes that co-creation teams typically go through. They are indeed detectives!

These seven thinking steps might certainly reflect entrepreneurial passion. Zollo et al. have undertaken important research that confirms that non-linear thinking and entrepreneurship go well together, in sharp contrast to linear thinkers with more conventional "solutions". So, the bottom line is that co-creation, non-linear thinking, and entrepreneurship are a nice match.

WEAK SIGNALS

Signals, though, may often be difficult to detect. Here are some areas where so-called weak signals (some from Tyrie, 2024) may be looked for. In particular, let's consider:

- The rise of quantum computing
- Sustainability; circular economy
- "Digital" remote work
- AI
- Blockchain
- Psychological or emotional reactions of leaders, teams, employees, clients, partners...
- Behaviour, purchase patterns; customers, clients, suppliers, etc.
- Supply chains, distribution
- Nature, climate, environment; shifts, patterns



Ansoff (1975) first suggested that firms might set up internal organisations to look for weak signals, consistent with the development of scenarios discussed in the previous paragraph.

Lorange (2005) describes how "weak" signals might be detected for evolution trends in shipping markets. When it came to so-called offshore platform supply ships (PSV) markets, the ratio of actual PSV ships in operation relative to such ship new buildings on order was monitored. A significant increase in new building orders might be seen as a "weak" signal to sell existing PSV ships from one's fleet and / or attempt to arrange for long-term charters for one's ships. A falling market might be expected!

Crises may also provide impetus for easier ways to implement changes that might be more difficult to pursue during more normal times:

- **Organisations:** Employees may now become more open to the need for, say, efficiency improvements, new ways of working.
- **New markets:** Leaders and their staffs may perhaps now more fundamentally "open their eyes" and realise that new markets are now even more important, in contrast to "clinging" to old, traditional markets.
- **Innovations:** These may now be easier to implement. To resist change in one's value chain, for instance, may presently be riskier. The "why bother to change?" attitude may become less viable. These may not necessarily imply huge new steps. Non-conventional broadening of one's value chain may be fundamental, for example, by adding service offerings, lessening breakdowns in more traditional, well-established cultures.

In other words, in times of crises, it isn't about "wiping the board clean". Recovery, realignment, refocus, reboot, revise, "re-anything", is learning how to function around all of the "scars and open wounds" and move on, move forward. Without getting into theories of business cycles, yet as a deep believer in the concept of business cycles – that they exist and that leaders need to watch for them, master them and use them – the point to underline here is that change can often be easier to introduce or implement in times of crises.

INVEST, INVEST, INVEST

It goes without saying that, while stability tends to equalise investment opportunities for all, turbulent times may unearth exceptional investment opportunities for "smart" investors. It might perhaps sound counter-intuitive for some that one would want to invest more in such "tougher" times and, conversely, to be rather "picky" during more stable times. Yet, this mode of "countercyclical" investing seems to be significant for high value creation.

We need future leaders who are simultaneously creative and highly observant, all the while being daring.

This assumes smartness, insightfulness, and willingness to live with / take risk. The ability to identify key, viable markets might be particularly important when it comes to this. A new Norwegian tax regulation regarding exiting from Norway (March 2024) seems to be dysfunctional when it comes to this. For example, to exit from Norway to Switzerland may perhaps be more a matter of better "seeing" good investment opportunities being based in this central, more global, market, rather than being primarily motivated by tax-related considerations. Many have said that to be a successful investor means combining knowledge, discipline, and having a long-term perspective. A splash of good luck is also essential, of course. Avoid impulsiveness and emotions!

CONCLUSIONS – WHY AN EXECUTIVE PROGRAMME?

Why, then, may we need a new executive programme on the importance of growing, particularly when things are turbulent? We asserted that turbulence may actually be welcomed by firms that are prepared to take advantage of this. Significant profit increases might result. We have suggested three factors that, above all, might help corporations to be prepared to opportunistically cope with turbulence: change one's corporate culture to be more supportive of non-linear thinking, strengthen one's ability to detect "weak" signals, and be ready to invest aggressively. We need future leaders who are simultaneously creative and highly observant, all the while being daring. This turbulence-savvy leadership needs to be stimulated, taught and trained in ways that are probably quite different from before, and this is most likely not the same type of MBA or leadership programme as that available now or just a few years ago. Leading business schools and other providers of high-quality executive education should rise to the challenge of offering a programme, a sort of "turbulence course", on these issues. The question will remain: do we need next-gen turbulence training year after year? Is this the new executive education direction? Is turbulence training more than future readiness?

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ABOUT THE AUTHOR

Peter Lorange, Honorary President, IMD, is a successful entrepreneur and the former owner of a highly diversified family investment company. He is regarded as one of the world's foremost business school academics, having held the position of President at IMD, Lausanne (Switzerland) for 15 years, having also been President of the Norwegian School of Business, as well as a professor at Wharton and at Sloan School (MIT). He has had several positions on various boards. His entrepreneurial journey spans key areas such as education, shipping, investments, and real estate businesses.

Many believe that the young generation is not interested in working, with some calling them the Lazy Generation. The concept of the Great Resignation seems to corroborate this claim. Is this really true or are young people pickier about the quality of jobs and their prevailing conditions?

THE GREAT RESIGNATION

by Adrian Furnham

This is a relatively new concept. It has also been known as the **Big** or **Quiet Quit** or even the **Great Reshuffle**. It is associated with the idea that over the last five years, large numbers of people in Western countries have resigned from their jobs. It is a unique, sustained, and very worrying *mass exodus* of, typically, young people from their (mainly full-time) jobs. Some call it a *general strike*. It is primarily the Millennials and Generation Z who resign.

It has been particularly noticeable over the COVID-19 period and associated with poor national economic performance, with a simultaneous rise in the cost of living, wage stagnation and slow economic growth. The demographers suggest that it is mainly younger and less skilled workers in low-wage sectors such as education, healthcare, retail and service industries that are doing this, partly as a reaction to new working conditions dictated by changes in technology. It is suggested that as many as 2/3 of young people in the workplace were looking for new jobs in the past 5 years.

Many have asserted that workers, particularly young people, are very dissatisfied at work through a combination of factors such as deskilling, poor career advancement, a hostile work environment (bosses, customers and peers), inflexible and often non-remote work requirements and policies, reduced benefits and overall disenchantment. In short, an unexpected and sizeable number of people have resigned from their jobs, though how many, and *why* remains debatable.

Certainly, the pandemic encouraged many people to re-evaluate their jobs. This was greatly influenced by remote working requirements, which found many debating their work-life balance. Everybody wants more money, flexibility and meaning in their jobs, as well as less stress, but these issues have recently come to a head.

There are, of course, questions of why this has occurred. Was it a short-term blip associated with other political and economic events (e.g. Brexit) or is it a trend? Were people in this period laid off in higher numbers, or was it because they quit their jobs? Has it simply petered out, or is there an underlying trend in areas where automation, AI and robotics deskilled jobs?

Is it primarily due to new technology, new working conditions, an economic downturn, or a major change in the attitudes to work? Has it led organisations to provide better working conditions to attract and keep their employees?

What it has done is highlight two psychological issues: what is a good (decent, fulfilling, stimulating) job? And second, are there important generation differences in attitudes to work?

Decent work provides an opportunity for skill use and development, social contact and having a valued social position.

DECENT WORK

Decent work has well-known psychological benefits. Decent work provides an opportunity for skill use and development, social contact and having a valued social position. It gives a sense of collective purpose, social status and money (Agency). Psychologists have long documented the psychological benefits of good work. Freud said there were only two basic requirements for happiness: *Lieben und Arbeit* (Love and Work).

In a review paper, Aitken et al (2023) describe the psychological benefits of work: *Time structure* (The degree to which individuals perceive their use of time to be structured and purposive); *Collective purpose* (The degree to which individuals perceive their lives to be purposeful in relation to a greater collective); *Social contact* (The degree to which individuals are socially engaged beyond their own family); *Social status* (The degree to which individuals perceive their social identity as higher or lower in relation to their employment status) and *Enforced activity* (The degree to which individuals are able to sustain regular activity as a function of their employment status).

This is not to deny the importance of a decent, living wage, but we have known for a long time about the psychological factors at work that lead to good jobs. There are clear benefits of all jobs, but better jobs have more of them.

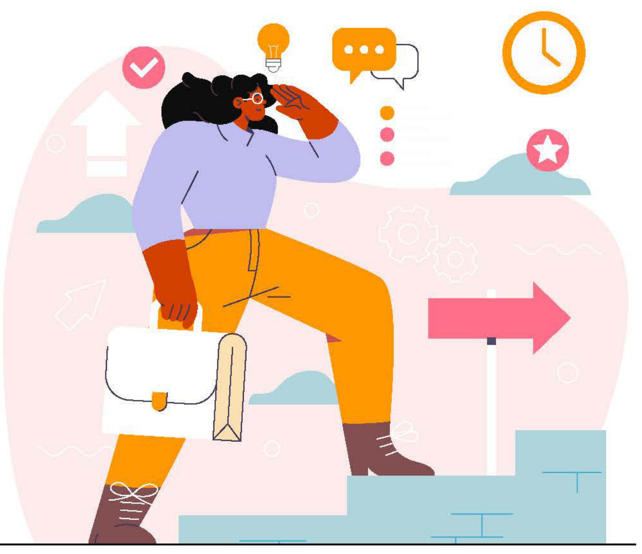
Work structures time. Work structures the day, the week and even longer periods. A predictable pattern of work, with well-planned "rhythms", is what most people seek. If you are a morning person and choose to work in the morning, all the better. Even on holiday, people can discover the benefits of the regularity of activities that work brings. Shift work is often very problematic.

Work provides regularly shared experiences. Regular contact with co-workers provides an important source of social interaction. Often, it is a primary source of friends of all types. Working with people of your own age and stage, values and passions is enormously satisfying. Likewise, being deprived of these social opportunities is significant.

Work provides the experience of creativity, mastery, and a sense of purpose. Work, even not particularly satisfying work, gives some sense of mastery or achievement. Creative activities stimulate people and provide a sense of satisfaction. Some jobs offer this more than others. The more you can learn, show your skills and make a contribution, the better.

Work is a source of personal status and identity. A person's job is an important indicator of personal status in society. Particularly for men, who you are is what you do. Some jobs are clearly valued more than others in society. Decent work is better respected. Hence all the interest in job titles.

Non-work or bad work provides none of these benefits and indeed can be an additional source of stress. In short, people resign from bad jobs, not good ones.



INTRINSIC MOTIVATION

Psychologists have long distinguished between *extrinsic and intrinsic* motivation. The former is about pay and conditions, and the results are pretty clear. Pay people fairly, according to factors such as their skills, input, loyalty, and - if possible - above market rates. There are many sorts of constraints on people with respect to this: how much you can pay: what hours need to be worked.

But perhaps more importantly, there is *intrinsic* motivation. The work of psychologists was highlighted by Daniel Pink in his book *Drive*. The message is clear: carrot-and-stick motivation does not work anymore. Everyone has an innate drive to be autonomous, self-determined and yet connected to each other. Thus, organisations should concentrate on these drives when managing their staff by creating settings that focus on *our innate need to direct our own lives (autonomy), to learn and create new things (mastery), and to do better by ourselves and our world (purpose).* People seek out and do not quit from intrinsically motivating jobs.

So, for decent fulfilling jobs, concentrate on three things:

1 **Autonomy and Empowerment** by providing employees with as much autonomy over some (or all) their work: In particular: *when they do it* (time of day/week); *how they do it* (techniques used) *whom they do it with* (team); *what they do* (task). One could add to this *Where they do it:* (home/workplace). Of course, many of these are not in the gift of the employer. The nature of the work often constrains this. Indeed, if the majority of great resignation jobs are considered, it is apparent that they do not afford much opportunity for autonomy.

2 **Mastery and Competence** which allow employees to become better at something that matters to them. This is about giving people tasks where they can increase their skills and competencies. It is always motivating to have particularly interesting challenges that lead to increased expertise. To do what you like and what you are good at is fundamentally motivating. Next, foster an environment of learning and development, where employees have clear stretch goals, with immediate feedback.

3 **Purpose and Mission** which is about "believing in the cause": the idea that people want to believe they are working for a greater good. It means taking steps to fulfil employees' natural desire to contribute to a cause greater and more enduring than themselves. People who understand the purpose and vision of their organisation and how their individual roles contribute to this purpose are more likely to be satisfied in their work. It means placing equal emphasis on purpose maximisation as opposed to profit maximisation. So, the advice is to use purpose-oriented words – talk about the organisation as a united team by using words such as "us" and "we", this will inspire employees to talk about the organisation in the same way and feel a part of the greater cause.

The moral of the story is people might be drawn to the publicized (or believed) extrinsic job benefits but it does not ensure they stay; employers often have as much control over intrinsic as opposed to extrinsic factors. Interestingly there is some evidence that young people are more sensitive to intrinsic factors compared to older people, which in part explains the Great Resignation.

GENERATIONAL DIFFERENCES

Another issue relevant to the Great Resignation and still much discussed is the issue of generational difference. Some have implied that, quite simply, many young people have lost their work ethic. It has been asserted that "the modern generation" are not interested in traditional jobs and working their way up, as their parents might have done.

Some have asked what attracts young people to jobs: "sexy brands", autonomy more than money, playing to their particular skills and values, flat, rather than tall organisations. More importantly, the stated values and mission of the organisation.

Talk about generations is everywhere and particularly so in organisational science and practice. Recognizing and exploring the ubiquity of generations is important. It is very difficult to do research to answer this question as one needs comparable data which is very difficult to acquire. However, comprehensive studies have been done and they come essentially to the same conclusion that there is *no truth in the assertion that "the modern generation" has lost the work ethic.*

In an impressive analysis ten years ago, Costanza et al. (2012) showed that any changes in work-related attitudes were not the result of generation differences. They concluded that *"The pattern of results indicates that the relationships between generational membership and work-related outcomes are moderate to small, essentially zero in many cases"* and that *"...differences that appear to exist are likely attributable to factors other than generational membership."*

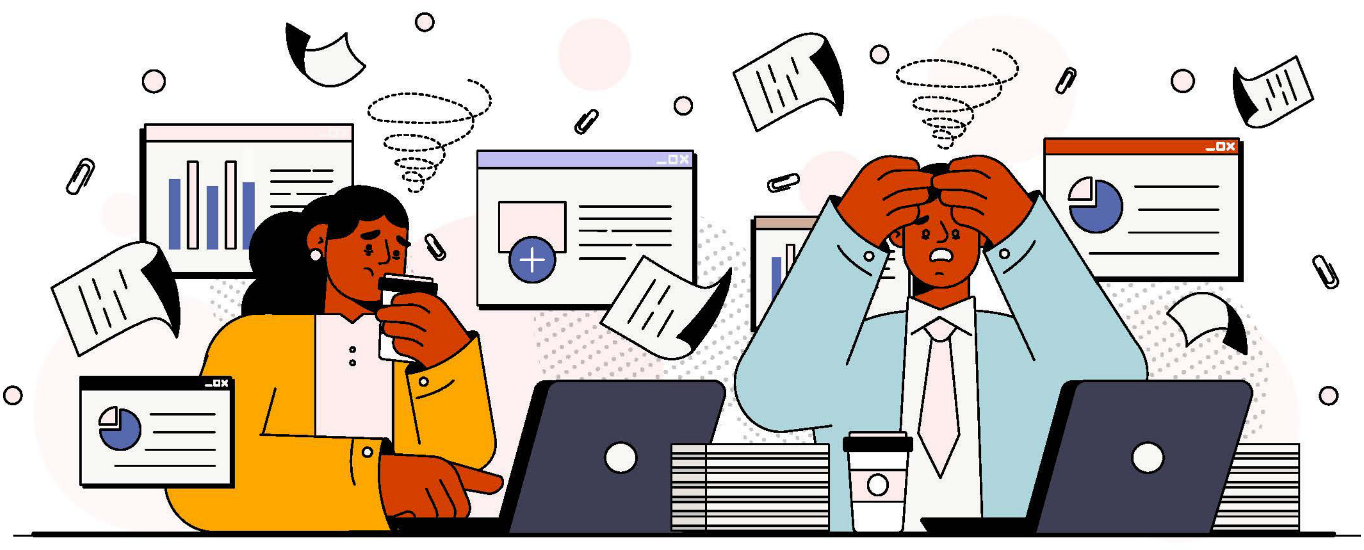
Most interestingly, they argued that the commonly advanced generational explanation of work attitudes neglects two alternative explanations, both of which explain work motivation better than cohort membership and thus alleged generations. *The Life Course Hypothesis* suggests work first becomes more important to individuals (until approximately age 40) and then less so, irrespective of birth cohort or period. Middle-aged people are less interested in work, which gives rise to the erroneous view *"that later-born generations are work-averse as a generation when in reality, younger individuals have never assigned as much importance to work as those who are middle-aged, which is an age effect."*

Some have implied that, quite simply, many young people have lost their work ethic. It has been asserted that "the modern generation" are not interested in traditional jobs and working their way up, as their parents might have done.

The Historical Hypothesis is that the historical period during which a measurement takes place explains work motivation irrespective of an individual's age and birth cohort. People become work averse over time, which is a period effect related to the passing of historical time, not a cohort effect. "However, because later-born cohorts have been asked later in historical time, the mistaken impression arises that later-born cohorts are work averse as a generation when in reality everyone who is asked later in historical time is less inclined to consider work important."

Another excellent study explored and "bust" ten common myths about the science and practice of generations and generational differences. Zabel et al. (2017) debunked 10 myths.

MYTH #4: *Generations are easy to study.* They note that the conceptualization of generations as the intersection of age and period makes them impossible to study. There exists no research design that can disentangle age, period, and cohort effects.



Artificially grouping ages into "generations" does nothing to solve the confounding of age, period, and cohort effects.

MYTH #8: *Generations explain the changing nature of work (and society).* Generations give a convenient "wrapper" to the complexities of age and aging in dynamic environments. It is more rational and defensible to suggest that individuals' age, life stage, social context, and historical period intersect across the lifespan.

MYTH #10: *Talking about generations is far from benign as it promotes the spread of generationalism, which can be considered "modern ageism."* They argue that generationalism is defined by sanctioned ambivalence and socially acceptable prejudice toward people of particular ages. The use of generations to inform differential practices and policies in organisations poses a great risk to age inclusivity, and the legal standing, of workplaces.

The research, as always, highlights that things are more complicated than most people think. Trying to explain the Great Resignation by the Generation Difference hypothesis is essentially simplistic and misleading.

DEBUNKING THE GEN-MYTH

The Great Resignation has stimulated, as expected, a lot of recent research on worker preferences. The question is simple: are there consistent and important temporal differences in the factors that influence job choice, motivation and retention? In an important research paper by McKinsey consultants, De Smet at al. (2023) reported on two

large surveys, one of 13,386 and one of 16,246 international workers. Their top-line conclusion was:

"Among those who plan to leave their jobs, the main reasons are the same across age groups: inadequate compensation, lack of career development and advancement, and uncaring leadership. What's more, the top reasons for leaving their previous jobs are the same for both younger and older workers, and are the same reasons different age groups gave for why they might leave their current jobs. These results suggest that many organizations still struggle to address the same issues that their employees care most about: fair and adequate compensation, career development, and caring leaders.

They did find some nuanced findings: The Gen Zers, compared to older employers, placed more emphasis on career development and advancement potential, and less on compensation. Both groups placed importance on work flexibility, but for different reasons (the young for social reasons, the older for family reasons).

The Gen Zers, compared to older employers, placed more emphasis on career development and advancement potential, and less on compensation.

What their report does is address management issues today, and how generation-based research suggests how organisations can do better through staff recruitment, management and hence retention. The focus on better management will prevent demotivation leading to the Great Resignation.

CONCLUSION

Talk about and interest in the Great Resignation has led to a renewed focus on what is good (decent, motivating) work, as well as age and generational differences in work preferences. There is little new in our understanding of the features of a good job for all people. We know how to describe and therefore design good jobs although we accept there are many constraints on employers always to provide them. People will always choose decent work and try to avoid dead-end, badly paid, menial jobs.

There is however some evidence of, albeit small, differences, in particular job features which are explicable in terms of different factors like age and life stage.

What the debate has done most beneficially is to focus on how to manage people of all ages. It has shown changes in the workplace as a function mainly of the Covid crisis and technology have highlighted the factors that are associated with good management. Rather than scapegoat any group, we need to refocus on how to manage all people in a rapidly changing work environment.

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The 32-year rule of the Suharto New Order regime (1966-98) socially engineered gender roles in the service of authoritarian rule. The democratic reforms post-1998 have included empowerment of women, who enjoy some gains in political participation and personal autonomy while facing a backlash from conservative male voices that fight to maintain a male prerogative.

WOMEN'S RIGHTS IN INDONESIA

by Kathryn Robinson

Suharto's New Order (1965-98) reshaped the political culture of Indonesia, including refashioning gender relations as an instrument of power. Defining the social role of women as wives and mothers was a central ideological pillar of the authoritarian regime that ruled for 32 years. Its "familist" ideology, in which the state supported the role of men as household heads with dominance over their wives and children, "naturalised" the strongman rule of the leader, a tactic typical of authoritarian regimes. Legislative and policy prescriptions enforced this gender order. For example, legislation enshrined the male household head; women were obliged to join corporatist state organisations that enforced models of wifedom; and contraception was only available to married women and with their husbands' permission. State-sanctioned gender roles were performative, on display at all major public ceremonies.[1]

Defining the social role of women as wives and mothers was a central ideological pillar of the authoritarian regime that ruled for 32 years.

The roots of this state gender regime penetrated deep into Indonesian society. Men's status as household heads gave them power over their wives, including the right to violence. Many state programmes and benefits flowed to household heads, denying women direct access. References to "traditional women's roles" in Indonesia invoke the "citizen mother", socially engineered by the New Order. In actuality, the hundreds of constituent cultures of the Indonesian nation show extraordinary variety in the ways economic and political power, value, and responsibility are distributed between men and women. These actual traditions are a resource (as well as sometimes a challenge) for contemporary advocates of gender equity.[2]

Indonesia has a long tradition of political concerns for women's rights.[3] For example, colonial-era women's groups campaigned for marriage reform, and labour legislation in the early republic granted women workers rights to breastfeeding, maternity, and menstruation leave, provisions that have survived recent amendment of labour law.

Pemberdayaan (empowerment) was a catch cry of post-Suharto democratisation, termed Reformasi, and this encompassed empowerment of women. Women's rights were an important theme of the 1998 pro-democracy movement. The first street demonstrations in the popular movement that ended Suharto's rule were by groups of women protesting the negative effects of the Asian Financial Crisis on their ability to feed their families.

Democratic reform of the authoritarian system was immediate on Suharto's fall. His successor (his vice president, BJ Habibie) implemented legislative reform authorising direct elections for president, and for legislatures at national, provincial, and district levels.

Women activists have aspired to increase their voice in these directly elected parliaments. But in the first direct elections in 1999, only 8.8 per cent of seats in the national parliament were won by women. This led to demands for the 2003 law on elections to adopt a gender quota, a requirement that women comprise at least 30 per cent of candidates on party lists for the multi-member electorates in national, district, and provincial parliaments.

The results of the 2024 DPR elections (not yet officially released) are projected to increase the number of women representatives to 22.1 per cent, or 128 seats out of 580. This figure is 1.6 per cent higher than the 2019 elections, with 20.5 per cent women's representation (118/575). The results of the 2024 DPR elections are the highest achievement of women's representation in Indonesia's electoral history.[4]

Reformasi also included "big bang" decentralisation. Political authority had been heavily concentrated at the centre in Suharto's New Order regime, but it was shifted to the district level, where parliaments and (since 2005) governors and district heads have been directly elected. Gender quotas have been applied in elections for district and provincial legislatures since 2004 but gains have been slower than at national level. In 2009, women on average won 16 per cent of seats in provincial parliaments and 9 per cent at the district and municipal levels. The 2014 elections saw the proportion of women elected to provincial parliaments decline to 14.6 per cent, while there was an increase to an average of 14.2 per cent at district and municipal levels. But progress in women's political representation differs across the nation. For example, in the most recent elections (2024), women in the eastern province of Nusa Tenggara Timur (NTT) made great inroads into parliamentary representation. At the national level, women's parliamentary representation from NTT rose from zero in 2014 to 23.07 per cent in 2019 (in line with the national figure). At the provincial level, there was a gradual rise from 5.45 per cent in 2009 to 9.23 per cent in 2014, 18.46 per cent in 2019, and 25 per cent in 2024.

Indonesia has had only one female president (Megawati Sukarnoputri 2001-4) and it is noteworthy that, in the 2024 elections, none of the three candidate pairs (president and vice-president) included a woman.

Other institutional innovations in Reformasi set the stage for future democratic growth and greater gender equity. Two new institutions that have been critical to women's rights claims were the Commission

President Joko Widodo and former President Megawati Sukarnoputri.

on Women's Rights (KOMNAS Perempuan) and the National Commission on Violence against Women. They worked with legislators to pass Law 23 in 2004, outlawing domestic violence. In addition to the incremental success of women in achieving positions in formal politics, these new institutions provide avenues for championing women's rights.

Soon after Reformasi, women activists proposed a revision to the 1974 Marriage Law, aiming to ban polygyny and to raise the age of marriage for girls from 16 to 18. They also demanded the removal of the clause establishing men as household heads.

Men have not readily relinquished the domestic and public power that they held during the New Order, seeking redress from the newly established (2003) Constitutional Court. It has become an important site for contestations between advocates of women's rights and attempts to retain male controls on women, including challenges using Islamist rhetoric; women challenging aspects of Marriage Law such as age at marriage (wanting stronger checks on child marriage) or men's rights to polygyny; and men challenging aspects of that law that they see as circumscribing their prerogatives. The case against raising the minimum marriage age saw the court accept religious arguments concerning defining adulthood, a clear example of the mobilisation of Islamist ideology to challenge women's rights. This is surprising in a polity that is not an Islamic state. The Constitutional Court has considered arguments based on Islamic textual exegesis. The Marriage Act of 2019 eventually brought the minimum age of marriage for women to 19, the same as for men.

The hundreds of constituent cultures of the Indonesian nation show extraordinary variety in the ways economic and political power, value, and responsibility are distributed between men and women.

The Suharto regime had attempted to strictly control Islam as a source of political rivalry, banning Islamic political parties at the time of the 1980s Iranian clerics' revolution. The greater political freedoms of Reformasi allowed for an efflorescence of religious voices, or political arguments in Islamic guise, including challenges to the 1974 secular marriage law noted above. A centrepiece of New Order social engineering, *inter alia* it restricted rights to polygyny.

But rights claims based on religion have been a two-way street.[5] Indonesian women's rights activists have been drawn to debates on Islamic feminism and have taken on textual interpretation to challenge men using Islam to argue for patriarchal values.

Decentralisation has empowered district governments and brought risks and rewards to women. This fundamental political reform promised to bring power holders closer to the public and there is evidence that local women's groups have been able to press this advantage to secure favourable results at local level. Newly empowered local politicians cynically exploited Islamist ideology to win elections, many passing local regulations purportedly based on Sharia law. Their most common attribute is restriction of women's freedom of movement: night curfews (which were a threat to working women), and dress codes, including compulsory head covering. These Islamist regulations expressed sentiments similar to the New Order, defining women's primary role, as Muslims and as citizens, as wives and mothers under male control and in the home.

However, aspects of New Order economic policy, in its quest for Pembangunan (development at any cost) had a contradictory effect and propelled women out of the home. Light industrial factories that invested in Indonesia preferentially employed women. The desire for remittances from overseas labour migration resulted in Indonesian women filling niches in global labour markets (domestic servants in the Middle East and East Asia), leaving husbands behind to care for the household and bring up the children. By the early 1980s, stories were emerging of abuse and ill treatment of the women in the Middle east. The government responded weakly to demands to regulate the trade, but eventually a ban was enacted in 2015, in response to a bout of abuse revelations. However, the industry was resumed in 2021.

Decentralisation has posed risks to nationally legislated services benefiting women, such as the national family-planning programme that provided contraception to women across the archipelago. This is no longer a national programme, coming under the authority of local government. The ability of women to control the number and timing of their children is fundamental to gender equity. While the continuing decline in Indonesia's fertility rate indicates that a smaller family size is the "new normal", contraception is still restricted to married couples. This is a positive aspect of the Suharto-era legacy for women's rights.

The New Order expanded educational opportunities for both boys and girls. However, continued gains in women's education and ongoing economic growth have not resulted in women achieving a higher share of formal sector jobs. A significant gender gap persists in formal sector participation and women bear the responsibility of unpaid care work[6] However, this "big picture" does not mean that there have not been any changes. In the mining town of Sorowako Sulawesi, for example, the only formal employment offered to women in the late 1970s (when I began research there) was as nurses, secretaries, or domestics in the mining company. Now, in Sorowako, women work in all areas of the company, including as heavy machine operators, apprentices, engineers, and doctors. But the nature of the community significantly facilitates this, as rural women workers can frequently rely on female relatives to provide childcare, whereas urban working women often cannot.

Some New Order policies, such as fertility control and universal education, have had lasting positive impacts for women. Others, with negative impacts such as assumptions about women's familial roles, are proving hard to dislodge. The "one step forward, two steps back" nature of changes in gender relations extends to the rights of transgender citizens. The papers presented at the annual Indonesia Update held in Canberra in 2022[7] collectively showed

how hard it is to dislodge the seeds planted in the years of gender ideology supporting authoritarian rule. But although the homogenising ideology of the New Order persists, the state inscription of gendered power appears to be slowly dissolving.[8]

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Team members use much different language when describing “good” versus “typical” trading partner relationships. Through assessments, companies can measure and address relationship health, ensuring that trading partner trust remains as strong as possible in order to keep the companies’ goals aligned.

MIND THE TRUST GAP:

HOW TRADING PARTNERS CAN STAY CLOSELY ALIGNED

by Kate Vitasek

“Mind the gap" is a popular warning for rail passengers when going from one platform to another – but it also applies to trading partner relationships.

When trust has eroded in supplier relationships, companies can find themselves worlds apart. The gap can feel insurmountable, and it can feel like you’re stretching and stepping beyond your comfort zone to maintain the relationship. In fact, there is a massive gap in how organisations feel, and the words used by team members regarding “good” versus “typical” relationships with trading partners.

Think of your cherished and respected trading partners, and words like “collaborative” and “trustworthy” might come to mind. A more demanding trading partner, one whose emails or calls make your blood pressure rise, might bring up words like “frustrating” and “difficult”. That language gap is indicative of the frictions and hidden costs that can emerge in trading partner relationships.

By minding the trust gap, companies can ensure that they stay aligned with trading partners, fuelling the bottom line, keeping team members engaged, and allowing organisations to be proactive in maintaining long-term bonds.

HOW TO MEASURE TRUST

A white paper released in April by the University of Tennessee and its research partner, SAP, explored the factors that contribute to and inhibit trust in the energy industry.[1]

As part of the research, companies that purchase goods or services (buyers) were asked to identify two companies that provide services to them (suppliers). Each buyer was asked to provide a supplier with whom they felt they had a “good” relationship, and one that embodied a more “typical” relationship.

But trust is a fuzzy thing. How do you measure the level of trust in relationships?

The buyers and suppliers completed a compatibility and trust (CaT) assessment, which quantifies relationship health across five dimensions:

- Focus is the ability to combine individual roles into a corporate direction to benefit all stakeholders. There is a common purpose and direction and clarity around that direction.

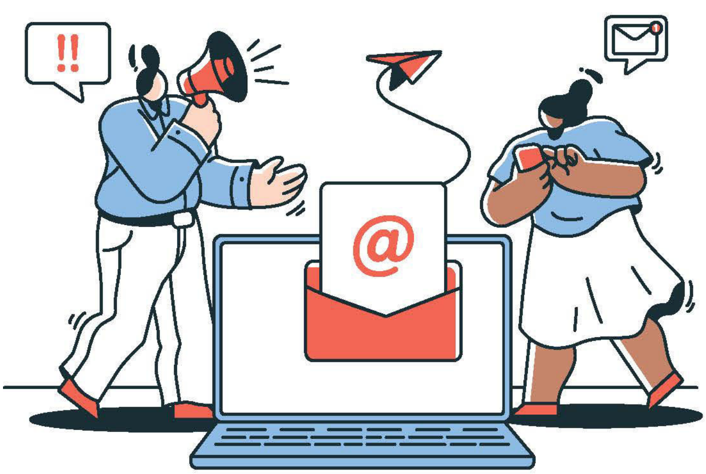
- Team orientation is the ability to focus and direct individual goals and objectives into a cohesive group strategy. Team orientation is a key indicator of how well trading partners work together.

- Communication is the efficient and effective transfer of meaning through words and actions to achieve and grow mutually beneficial outcomes. It includes open and timely sharing of information relevant to a partner's decision-making ability.

- Innovation is an organisation's ability to dynamically deal with change, and its tolerance for risk and trying out new ideas and solutions. Strong and trusting relationships allow the parties to share risks and rewards, invest in each other's capabilities, and embrace continuous improvement and transformation efforts.

- Trust is the consistency of performing to promise and meeting commitments. Without performance, trust cannot exist.

The assessment is conducted using a 360-degree "two-world view", meaning that trading partners provide perspectives and responses about their own organisation along with the other company.



The assessment also contains qualitative, open-ended questions, along with the opportunity for respondents to provide three adjectives to describe the current relationship and the chance to "grade" their perception of the relationship on a scale from 1 to 100, with 1 being "very negative" and 100 being "very positive".

LOADED WORDS

The University of Tennessee-SAP study, which involved 34 companies, found that team members working in "good" relationships used mostly positive adjectives (85 per cent) such as "aligned", "collaborative", and "trustworthy" to describe their relationship.[2] But when team members were describing "typical" relationships, they used positive words much less frequently, only 63 per cent of the time. Instead, they used words like "frustrating", "restrictive", and "distant". And in 9 per cent of cases, they used really negative words, such as "difficult", "strained", and even "dysfunctional".

COMPARING ADJECTIVES

Negative adjectives	Neutral adjectives	Positive adjectives
• Combative	• Frustrating	• Collaborative
• Difficult	• Distant	• Trustworthy
• Demanding	• Challenging	• Cooperative
• Transitional	• Confusing	• Professional
• Dysfunctional	• Transactional	• Supportive
• Expensive	• Complex	• Reliable
• Strained	• Dependent	• Innovative

MEASURING THE TRUST GAP

Why was there such a big difference in the words used? And what does it mean?

It's far too easy for trading partners to find themselves worlds – and words – apart, and for the trust gap to be ever-widening. One reason for that misalignment is self-serving bias, where respondents in surveys are likely to rate themselves as above average in key areas such as ethics. Buyers and suppliers are likely to view themselves fairly positively and classify their organisation as having a high degree of trust. Such biases can intensify trust gaps between organisations, which in turn could force trading partners to respond in ways that are not advantageous for the partnership. A lack of trust could cause a buyer to increase quality checks, micromanage production outputs, or add buffer stock to inventory.

The CaT assessment takes perception gaps between the parties into account through an "index" score and penalises the partnership as the perception gap widens. Unlike one-dimensional or narrow assessment tools, the CaT allows each partner to reflect inward while taking true stock of the relationship and sharing how they really feel. That reflection, while sometimes viewed as awkward, is important in getting partners on the same page, especially if trust has been diminished.

Problems between partners can be insidious, silently eroding trust without either of the partners recognising it, until it becomes a full-blown problem.

FADING TRUST AND YELLOW FLAGS

Notably, the research showed that team members sometimes report a sense of frustration even in "good" relationships. For example, in the oil and gas sector, team members used negative adjectives such as "complicated", "demanding", and "frustrating" 4.4 per cent of the time, and 1.1 per cent of the time in the utility sector.[3]

When collaborating with a trading partner, even one held in high regard, it's easy to come across potential sticking points or "yellow flags" that pose the potential for undermining or eroding the relationship over time. Communication delays, quality issues, or late payments, for example, could raise a buyer's concern or make them pursue outside arrangements with other companies. Problems between partners can be insidious, silently eroding trust without either of the partners recognising it, until it becomes a full-blown problem. The trust gap can widen without either partner giving it much notice. Maintaining buyer-seller trust requires vigilance and the ability to look inward.

MAJOR WARNING SIGNS

With "typical" relationships, meanwhile, team members were lukewarm to negative about their trading partner almost 40 per cent of the time – a figure that represents a major warning sign.

Companies have hundreds, if not thousands, of trading partner relationships. If almost 30 per cent of these typical relationships are considered frustrating, restrictive and distant, and 9 per cent of these are downright bad, think about what that means for a "bad" relationship!

THE HIDDEN COSTS OF TRADING PARTNER RELATIONSHIPS

The hidden costs of trading partner relationships can pile up quickly. Trust can shift to distrust, and that distrust can come through in friction, delays, lapses, and restrictions.

Friction in a trading partner relationship has a name: “transaction cost economics” (TCE).

When you have a trading partner that is frustrating to deal with, the time and cost associated with dealing with that partner go up. Such frustrations can cause team members to check out and become disengaged, creating a ripple effect with deep impacts not just for the relationship between trading partners, but for your own company.

When trust is diminished between parties, participants pull back and become more focused on “what’s in it for me?”, instead of finding win-win solutions. Distrust becomes like an insidious weed in a garden, and a growing sense of it can make companies and team members less trusting in *other* relationships. In essence, a loss of trust means a loss of happiness. How can the trading partners get back on the same page?

IMPROVING THE TRUST GAP

One of the most impactful turnarounds in rebuilding relationship partner trust through the CaT involves Vancouver Island Health Authority (VIHA) and a group of doctors (South Island Health Incorporated), who were operating under a labour services agreement for providing hospitalist services to VIHA.

When team members first took the CaT, their initial Index was .48, which was measured as “unhealthy”. The trust between the parties was damaged.[4] In describing the relationship, participants frequently used the words “strained”, “distrustful”, “broken”, and “dysfunctional”. Negative adjectives were used 84 per cent of the time, whereas fewer than 10 per cent of the adjectives used were positive.

But the assessment provided tangible guidance on what was causing the companies’ trust

Issues, and the parties made a conscious choice to bring more trust and collaboration to the relationship. Those efforts helped VIHA and the doctors to increase their CaT index to .71 in only two years. And in describing their once-troubled relationship, the partners used words such as “collaborative”, “respectful”, “trusting”, “supportive” and, yes, even “happy”.

Just how happy? The words used had gone from 84 per cent negative to 86 per cent positive!

THE BOTTOM LINE

By taking stock of the way trading partners view one another, and taking stock of how they are viewed by others, companies can focus on getting back on the same page and finding common ground to keep their goals aligned.

The bottom line? By minding the trust gap – not sugar-coating matters, not ignoring partner concerns, but being completely open to whatever emerges in the assessment – companies can explore and address the issues holding back their trading partnerships.

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ENGAGING STAKEHOLDERS FOR **CIRCULAR ECONOMY SUCCESS**

What do Philips, Renault, Solvay, Fairphone, H&M Group, IKEA, and Intesa Sanpaolo have in common? All these companies have committed to (partly) adopting circular business models oriented towards slowing down, narrowing, and / or closing resource loops. These actions are critical in reducing the burden on our finite natural resources and promoting a circular economy, which starkly contrasts with the prevailing linear "take-make-waste" model that leads to a rapid depletion of natural resources. In fact, according to the World Bank[1], the current global demand for natural resources exceeds our planet's regenerative capacity by a factor of 1.75.

> **The current global demand for natural resources exceeds our planet's regenerative capacity by a factor of 1.75.**

By striving for enhanced resource efficiency through circular business models (see exhibit 1 for an overview of the three dominant models), companies can minimise their environmental impact and contribute to substantial economic growth. Indeed, a report by McKinsey and the Ellen MacArthur Foundation[2] suggests an 83 per cent reduction in CO_2 emissions across Europe by 2050 compared to 2012 levels and a potential 12 percentage point increase in GDP relative to non-circular growth. Altogether, this represents a $4.5 trillion opportunity[3].

Yet, the shift towards a circular economy is not progressing swiftly enough. Despite global discussions on the importance of circularity, the 2024 Circular Gap Report indicates that the share of secondary materials consumed globally has decreased from 9.1 per cent in 2018 to 7.2 per cent in 2023 — a 21 per cent drop in just five years[4]. This alarming trend raises a critical question: how can companies effectively engage their customers, partners, investors, and other stakeholders to embrace circular economy principles?

by Arne De Keyser, Katrien Verleye, Néomie Raassens, and Alex Alblas

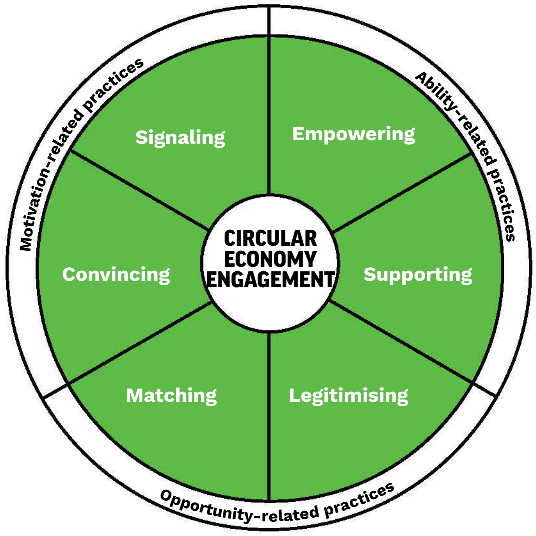
Leading companies such as Philips, Renault, and IKEA are embracing circular business models to reduce environmental impact and promote sustainability. This article explores strategies for engaging stakeholders in the circular economy, and proposes effective practices for driving systemic change.

In a recent research paper[5], we analysed academic work on circular and sustainable business models to better understand key success factors for engaging various stakeholders —companies, consumers, and governments — in the circular economy. We identified three key areas where actions can catalyse a circular and sustainable shift (see figure 1): (1) motivating stakeholders through signalling and convincing practices which support the case for circular business models; (2) creating opportunities for stakeholders through matching and legitimising practices which facilitate the adoption of circular business models; and (3) enabling stakeholders to fully embrace circular business models by supporting and empowering practices. By understanding and leveraging the proposed framework, managers can effectively navigate the complexities of circularity.

Fostering Motivation: Signalling and Convincing Practices

A combined strategy of signalling and convincing is vital to motivate different stakeholders to engage with circular business models. ***Signalling*** involves highlighting circular business models' economic, environmental, and/or social benefits. As part of its ambition to transform into a circular business, IKEA started to sell second-hand furniture. Its website explains how these offerings, labelled "Re-Shop and Re-Use", can help reduce waste[6]. Other signalling practices include sustainability certifications or reports like the EU Ecolabel and ESG reporting.

FIGURE 1 **Circular economy engagement practices**



Convincing happens when the spotlight is put on immediate, tangible measures and incentives for engaging with circular business models, such as discounts, tax breaks, or take-back initiatives. Patagonia, a circular economy pioneer that offers clothes made with recycled materials, transparently promotes its "Ironclad Guarantee"[7]. This measure assures customers that they can opt for a repair, replacement, or refund if they are dissatisfied with their products. Going even further, the company widely communicates that its profits are dedicated to environmental causes[8], demonstrating a deep commitment to supporting the planet.

Creating Opportunities: Matching and Legitimising Practices

Being motivated does not suffice. Stakeholders also need to have the opportunity to engage circularly. To create such opportunities, companies need to establish and uphold matching and legitimising practices. ***Matching*** refers to fostering connections between various stakeholders to create synergies that facilitate the adoption of circular practices. The Circulars[9], a well-known accelerator organisation, seeks to connect organisations prioritising circular innovation. Alternatively, circular partnerships may also be established directly. ArcelorMittal and Gestamp, for instance, signed an agreement to boost the circular levels of the automotive supply chain[10]. All of these reflect a collaborative arrangement where resource loops are slowed down, narrowed, or closed, reinforcing the circular economy.

Legitimising circular practices reflects the creation of an environment where circular business models can thrive and are accepted. While governments typically take a leading role in developing and launching regulations to incentivise circular practices (e.g., France's anti-waste law to phase out single-use plastic packaging by 2040[11]), companies themselves can also enact legitimising practices. Aldi[12], for instance, sets concrete sustainability objectives for its suppliers. This allows the company to exert upstream influence and enhance the sustainability of its entire supply chain. In another way, Decathlon[13] now offers resale and rental services alongside its traditional products. Doing this helps "normalise" a circular consumption model, especially when an incumbent player like Decathlon is pushing it, and aids toward a positive shift of consumers' mindset to circular options.

Enhancing Abilities: Supporting and Empowering Practices

Finally, stakeholders also need to be capable of going circular. For this, it is crucial to implement supportive and empowering practices. ***Supporting*** other stakeholders to embrace circularity can be achieved by providing the necessary resources, such as infrastructure, expertise, and funding. Accenture[14], for instance, supports and advises its clients on achieving better resource planning and utilisation, thereby contributing to circular and sustainability goals. Many big financial players provide companies with grants or loans to invest in circular initiatives. The European Investment Fund invested €50 million in Infinity Recycling's Circular Plastics Fund to accelerate circularity in the plastics

industry[15], aiming to support the industrial and commercial scale-up of companies that provide advanced plastics recycling. Blackrock developed a circular economy fund of over $1 billion to invest in companies benefiting from or contributing to the circular economy[16].

Empowering other stakeholders involves the provision of capacity to engage with circular business models through education and training. This may encompass offering workshops or seminars on sustainable practices or developing online resources that guide stakeholders on how to get started with circular activities. This not only leads to the development of skills but also raises awareness about the importance and practicality of engaging in a circular economy. The Ellen MacArthur Foundation, for instance, contributes to the circular economy by offering an extensive array of free resources[17]. These resources, including educational videos, podcasts, and detailed case studies, are designed to enhance our understanding of the circular economy. By providing these tools, the foundation empowers people and companies worldwide to learn about and implement circular economy principles, reinforcing the global shift towards sustainability.

Given the detrimental impact of the current linear "take-make-waste" economic model, the transition to a circular economy becomes not just beneficial but essential.

Engaging Actors is Key to Unlocking Circular Economy Success

Given the detrimental impact of the current linear "take-make-waste" economic model, the transition to a circular economy becomes not just beneficial but essential. However, the pace of this transition is slow, and progress towards achieving circular ambitions is limited. To catalyse a more systemic shift, it is critical that all relevant stakeholders — companies, citizens, and governments — implement a comprehensive set of practices that foster the circular economy and engage others around them to join. The shift towards a sustainable future requires a holistic approach in which signalling, convincing, matching, legitimising, supporting, and empowering practices are not isolated efforts.

To effectively put these practices into action, companies (as well as other parties like governments, NGOs, etc.) can establish a robust monitoring system to track the implementation of each practice, determining which ones are short-term priorities and which require longer-term planning. While signalling and convincing efforts can often kick off immediately, legitimising initiatives may demand more time and strategic foresight. Moreover, it is crucial to clearly define roles and responsibilities for each practice. Marketing and sales teams may be well suited to leading signalling and convincing endeavours, while HR representatives may spearhead empowerment initiatives.

In sum, advancing towards a circular economy requires a collective and coordinated effort across all six practices. Integrating these practices into the fabric of our economic activities offers the best path forward for sustainable development. Through this comprehensive approach, we can hope to achieve the systemic change needed to sustain our planet's resources for future generations.

EXHIBIT 1 **Circular Business Model (CBM) Types**

Product-oriented CBMs ⟵⟶ Service-Oriented CBMs

CBMs with efficient material-technical loops	CBMs with effective product-service loops	CBMs with social-collaborative loops
• Efficient energy usage • Recycling • Remanufacturing • Refurbishing • ***	• Lifecycle extensions • Product repair • Reusing products • Resale • Leasing • ***	• Rental services • Swapping services • Sharing services • ***

Figure based on Verleye et al. (2024)[5] and Fehrer and Wieland (2021)[18]

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SUPPLY CHAIN

HOW GLOBAL COMPANIES ARE IMPLEMENTING **SUPPLIER DIVERSITY POLICIES**

by Anna Sáez de Tejada Cuenca and Gemma Berenguer

It has become increasingly common for companies to implement supply-chain diversity to maintain a good image and show commitment to sustainability efforts. Here are some insights into how Fortune Global 500 companies are diversifying their supply chains.

As companies face growing demands for supply-chain transparency and inclusive workplaces, many, especially in the US and Europe, are stepping up efforts to expand their supplier diversity.

Gone are the days when companies could consider their supply chain – the complex web of third-party contractors and sub-contractors – to be independent of headquarters. An important turning point came in 2013 with the collapse of the infamous Rana Plaza in Bangladesh which killed more than 1,100 people and revealed just how little many Western fashion brands knew about who was making their clothes and under what conditions.

Now global companies are expected to know who is producing their goods and providing their services, and that their basic values are aligned. Those who don't, risk serious damage to their reputation. Additionally, for companies taking sustainability seriously, the supply chain forms part of Scope 3 emissions, which include not only a company's directly owned or controlled activities but also its full value chain.

An increasing number of companies include diversity under the umbrella of social responsibility. As a consequence, supplier diversity efforts are a natural extension of the heightened awareness of supply chains and drives to create more inclusive and diverse companies.

To understand what companies are doing and where, we examined the supplier diversity initiatives of Fortune Global 500 companies in 2020 and 2022.[1] We found that, overall, North American companies lead the way in implementing diversity programmes, but Europe is gaining ground. At the other end of the spectrum, firms from East and Southeast Asia – the majority of the list of companies – have little demonstrated interest in the issue.

The numbers speak for themselves. Of the 214 Asian companies among the Fortune Global 500 companies, only 7% had specific supplier diversity programmes in 2022; in 2020, that percentage was 5.4%. Of the 117 North American companies, 86% had programmes in 2022, up from 79% in 2020. Western Europe had 43 companies on the list: 35% of them had diversity programmes in 2022, up from 28% in 2020.

Globally, the UK was the first country to follow the US in adopting intentional policies to increase supplier diversity, particularly among ethnic minority- and women-owned businesses.

HISTORY AND CONTEXT OF SUPPLIER DIVERSITY

In our recently published paper, and based on our analysis of the Fortune Global 500 companies as well as in previous academic literature, we define supplier diversity as the effort made by a company to increase the relationships it has with suppliers that are owned or operated by disadvantaged groups and to improve those already in place. What counts as a disadvantaged group varies by country and region; depending on cultural and historical context, different places have their own distinctive demographics and groups that have suffered from a lack of opportunities.

But while there are variations, companies do coalesce around certain areas. The dimensions with more than 100 mentions in our data are gender, disability, sexual orientation, age/generation, ethnicity, race, gender identity, nationality, religion/creed and veterans (disabled or not). We note that 96% of the companies with a specific supplier diversity definition refer to gender, far more than any other dimension; broken down by region, gender tops the list everywhere.

It is useful to understand how supply-chain diversity has evolved. While diversity, equity and inclusion (DEI) has become another salvo in the US culture wars in recent years, diversity initiatives in supply chains started there during the Civil Rights movement in the mid-1960s[2] as a way to reverse long-standing discrimination against companies owned by ethnic minorities and women. Initially, the US federal government spearheaded efforts, using its procurement practices to target support for minority corporations.[3] Over the years, the private sector climbed on board.

Globally, the UK was the first country to follow the US in adopting intentional policies to increase supplier diversity, particularly among ethnic minority- and women-owned businesses.[4] Western Europe has joined this trend over the last several years.

Because the US was a pioneer in this area, many concepts have been rooted in its demographics and the groups traditionally discriminated against there. But each region is putting its stamp on policies. Many companies worldwide refer to ethnicity, but this may involve different concepts in different places (for example, immigrants in Europe and Aboriginal peoples in Australia). Companies that work with suppliers based in India sometimes refer to caste. In definitions of diverse suppliers, the US includes those owned by military veterans. Age is mentioned in places such as Asia and Europe, but less so in North America. Sexual orientation is often referenced by firms in Western Europe and North America but not in other regions represented in the sample.

It is worth noting which diversity dimensions are found in East and Southeast Asia, even if the initiatives are relatively scarce since they do not coincide with those from North America. The areas most often referenced by Asian companies are age/generation, nationality, disability and religion/creed.

From the 2022 Fortune Global 500 data, the sector with the highest proportion of supplier diversity programmes is healthcare, with 72%, followed by motor vehicles and parts (51%) and technology (50%).

HOW COMPANIES DIVERSIFY THEIR SUPPLY CHAINS

We found that companies implement supplier diversity efforts in two main ways: by creating specific supplier diversity programmes and/or by embedding diversity requirements into supplier codes of conduct (SCoC). The programmes tend to be more proactive in seeking to do business with a diverse group of vendors. They have been shown to have a number of intangible benefits for the buyer firm, including a stronger reputation, recognised leadership and the building of more robust partnerships.[5]

Broader in scope, supplier codes of conduct cover a range of topics beyond diversity, in order to foster ethical conduct within all organisations in the supply chain. They can convey a company's values, covering areas including labour conditions such as maximum hours and minimum wages and ethical behaviour such as zero tolerance for bribery. Whereas SCoCs are guidelines to be followed by all vendors, supplier diversity programmes can

be targeted to specific and, potentially, small subsets of suppliers, such as firms owned by individuals of a specific ethnic minority.

Again, location played a role in which approach companies generally take. US companies seem to lean more toward running supplier diversity programmes, while European firms tend to incorporate their diversity goals into their supplier code of conduct.

CORRELATION WITH INTERNAL DIVERSITY AND SUSTAINABILITY

By sector, finance and healthcare companies most actively pursued diversity among vendors. From the 2022 Fortune Global 500 data, the sector with the highest proportion of supplier diversity programmes is healthcare, with 72%, followed by motor vehicles and parts (51%) and technology (50%). Regarding diversity in their SCoCs, firms in the financial sector show the most activity, with 60% of companies, followed by the healthcare sector with 56%.

But beyond sector, it is a certain type of company that pays attention to supplier diversity, one that is concerned about the composition of its workforce and is also committed to sustainability more broadly.

Of the 2022 sample of 500 companies, 379 reported some form of data on employee diversity (e.g., gender or racial composition of their workforce); those that did were much more likely to have a supplier diversity programme than those that did not. Some 45% of companies that reported on internal diversity also had a supplier diversity programme; in contrast, only 7% of companies that failed to report on their own diversity had a supplier diversity programme.

A similar pattern is seen around supplier sustainability. Companies that responded to public pressure to reduce their negative environmental and social impact with initiatives that addressed those challenges in their internal operations and/or immediate communities[6] are also more likely to have supplier diversity programmes. Companies lacking in supplier sustainability initiatives are also generally lacking in supplier diversity initiatives.

We expect supplier diversity initiatives to be increasingly common among top global companies in the coming years. They respond not only to public expectations but also to demographic realities. If populational trends continue, companies owned by ethnic minorities and women will represent a majority of small businesses in the future. Companies that overlook them will be at a growing disadvantage.

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BRIDGING THE SILOS TO BETTER MANAGE RISKS

by Kamil J. Mizgier

In every industry sector, companies are striving to overcome organisational hurdles to enhance their efficiency and productivity. Within the risk management space, bridging the silos is crucial, given the rapid spread of risk events and the necessity for effective communication to promptly address and mitigate losses. The integration of enterprise risk management, insurance, and business continuity management proves instrumental in making companies more resilient, as evidenced by the successful case studies outlined in this article.

THE CHALLENGE WITH A SILOED APPROACH TO RISK MANAGEMENT

Siloed risk management practices originate from the traditional organisational structure where each department operates independently, focusing on its specific objectives without considering the broader organisational goals. Despite the evolution of management practices, siloed risk management persists in mature organisations due to established departmental cultures, lack of cross-functional communication, and resistance to change.

Furthermore, different industries have unique risk methodologies that have often been developed for different purposes. For instance, the financial sector may focus on credit and market risks, while manufacturing might prioritise operational and supply chain risks. However, some companies like Swiss Steel Group and Katoen Natie have successfully transformed their risk management practices by integrating risk considerations into strategic decision-making processes across all business units and functions.

Stéphane Martin, CEO of Smart Risk Consulting, and co-founder of the Risk-In conference[1] has long championed the philosophy of bridging silos to better manage risks.

In contrast to the negative connotations associated with “breaking down barriers,” Martin emphasises the positive aspects of collaboration in risk management. He believes that by bridging silos, organisations can create something innovative and superior to traditional approaches. Martin asserts, “Risk management is all about collaboration. I wanted the conference to focus on bridging the silos to create something new and better than in the past by bringing senior leaders from different functions in one room to discuss risk challenges and opportunities together.”

This ethos reflects a fundamental shift in mindset, highlighting the importance of interconnectedness and synergy across organisational functions. To overcome these challenges, Martin advocates for a holistic and integrated approach to risk management. By bridging silos, organisations can leverage diverse perspectives and expertise to develop comprehensive risk management strategies that align with their overarching business objectives.

ENTERPRISE RISK MANAGEMENT, BUSINESS CONTINUITY AND RESILIENCE

To address the shortcomings of siloed risk management approaches, companies have increasingly embraced Enterprise Risk Management (ERM). ERM promotes a comprehensive and systematic approach to managing all potential risks, emphasising the need to address them holistically rather than in isolation.

Harvard Business Review recognised ERM as a significant concept in 2004, listing it among their “Breakthrough Ideas.[2]” However, twenty years later, companies still struggle to implement ERM systems and procedures, and one can ask, why is this the case?

To begin with, designing an ERM system that is comprehensive and fits well with the existing organisational structure can be complex and requires significant investments in talent and technology. Secondly, establishing metrics that accurately reflect the risks and their impact on the organisation is difficult. Third, which is not unique to digital transformation, the resistance to change, lack of understanding, and the need for a cultural shift towards risk awareness can hinder ERM adoption.

And finally, the dynamic nature of the business environment, with its ever-changing risks, makes it hard to maintain an effective ERM system.

The professional experience of Jean-Paul Duperron, VP of Internal Audit, IC/SOx and Risk Management at Swiss Steel Group is rich in experiences, adaptations to socio-economic contexts and resilience in challenging situations. He says: “Leadership comes with trust, grows with professional experience, and settles with a profound sense of collaborative work to get the best of the teams and colleagues. Shaping an integrated approach to internal assurance, both in people’s mindset as well as in the management system, requires a synchronized, interactive exchange of information and a shared vocabulary.”

Simply put, teamwork can make the dream work. The key to overcoming challenges associated with siloed risk management requires a tailored approach that considers the unique aspects of each organisation, continuous education and communication, and a flexible system that can adapt to new risks and business changes.

Alexia Michiels, Partner at Resilience Institute believes that “Strengthening human resilience is an essential step to make organizations more resilient and equip them to speed up the most urgent transformations. Our ambition is to accelerate leaders’ awareness about these issues. Powered by a robust assessment, we generate insights for our clients about human resilience, strengths, and risks across their entire

Within the risk management space, bridging the silos is crucial, given the rapid spread of risk events and the necessity for effective communication to promptly address and mitigate losses.

organization." Strengthening human resilience, by nature, applies to all departments and therefore should be at the heart of ERM.

Resilient leaders can transform business continuity plans to make them integral components of effective corporate risk management. Siloed approaches to business continuity planning, on the other hand, often result in fragmented responses during crises. By integrating business continuity efforts across functions and conducting comprehensive risk assessments, organisations can enhance their resilience to unforeseen disruptions.

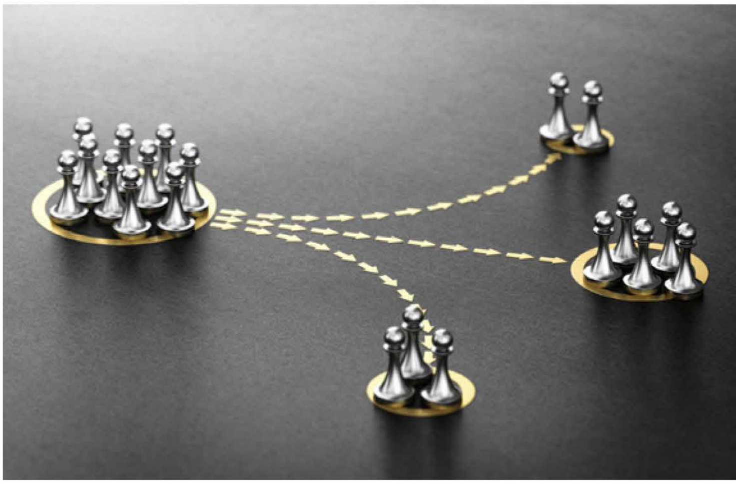
THE ROLE OF INSURANCE AND CAPTIVES IN THE RISK ECOSYSTEM

Organisations can mitigate certain risks through insurance and captives, but these strategies are often managed in silos without considering broader organisational objectives. Integrating insurance and captive strategies into overall risk management frameworks can optimise risk transfer and financing strategies.

ERM promotes a comprehensive and systematic approach to managing all potential risks, emphasising the need to address them holistically rather than in isolation.

And despite in-depth risk mapping capabilities and comprehensive mitigation plans in place, organisations can still be blindsided by unforeseen events. These events, ranging from natural disasters to global pandemics, can have far-reaching consequences that disrupt operations, jeopardise financial stability, and challenge the very existence of the business. In such scenarios, the role of risk managers becomes pivotal in steering organisations through turbulent times.

In the face of unprecedented events, risk managers must pivot quickly and adapt their strategies to mitigate emerging risks effectively. This often entails rapid decision-making, scenario planning, and collaboration across organisational silos. Risk managers play a critical role in coordinating responses, assessing the impact of the event on various facets of the business, and



implementing contingency measures to minimise losses and ensure business continuity.

Moreover, risk managers contribute valuable insights and expertise to senior leadership, guiding strategic decisions and resource allocations during times of crisis. By leveraging their understanding of the organisation's risk profile and vulnerabilities, risk managers help steer the organisation towards resilience and recovery.

As regulatory pressures mount, Environmental, Social, and Governance (ESG) considerations are emerging as a paramount concern, representing a significant opportunity for risk managers to engage in ESG risk reporting.

Carl Leeman, CRO of Katoen Natie International S.A., says: "Captive owners, who establish captive insurance subsidiaries to underwrite the risks of their parent companies, may encounter disruptive events that deviate from their initial risk assumptions and business plans." In such cases, captive owners must assess the impact of the event on their captive's operations and financial stability. Furthermore, they should adapt the captive to the needs of their company and not to the habits of the traditional insurance market or most of the existing captive companies. He notes: "Risk and/or insurance managers are sometimes disconnected from other corporate functions, however, in our company people know what their responsibilities are, but they are also encouraged to stay connected and communicate between businesses and corporate functions; we talk with each other. Insurance, claims, safety, legal and environment fall under Corporate Risk Management, this quite unique centralized approach is very efficient for the Katoen Natie group of companies."

As regulatory pressures mount, Environmental, Social, and Governance (ESG) considerations are emerging as a paramount concern, representing a significant opportunity for risk managers to engage in ESG risk reporting.

To mitigate the repercussions of unforeseen events, captive owners may leverage various risk management strategies, such as reinsurance arrangements, capital injections, or adjusting underwriting practices. Additionally, captive owners often collaborate closely with their captive managers and advisors to reassess risk exposures, evaluate potential losses, and devise proactive risk mitigation measures.

In essence, effective risk management is not solely about anticipating and preventing foreseeable risks but also about how organisations and captive owners respond to unexpected disruptions. By fostering a culture of agility, resilience, and proactive risk management, organisations and captive owners can cope with uncertainties with confidence and emerge stronger from adversity.

This is also one of the reasons why Silvia Signoretti co-founded and developed the Swiss InsurTech Hub, a non-profit organisation promoting digitisation and innovation in the insurance sector. She notes: "The association acts as a dynamic launchpad for enhanced visibility and exposure, offering diverse avenues to spotlight innovative solutions and garner well-deserved recognition."

The mission of Swiss InsurTech Hub is to enable the dialogue and exchange of the diverse participants of the ecosystem, including innovators, experts, partners, academics, and diverse technologies, from Switzerland and around the world.

She adds: "Insurance companies need to have a broader stakeholder engagement to work on opportunities to tackle challenges. They

need to approach collaboration to solve problems in a similar way to how the aviation industry does it: by sharing knowledge to continuously improve safety in the airways. Being part of an ecosystem allows companies to absorb different perspectives. In that way, startups can help them to redefine classic insurance processes by adopting innovative technologies."

SHARING BEST PRACTICES

The proactive approach to bridging silos in risk management aligns with the ethos of the Risk-In conference, which aims to bring together top talent from various industries to collaborate on advancing the field and finding new solutions to problems that historically were addressed in isolation. Table 1 outlines several best practices for implementing an effective ERM programme.

These practices have proven successful for organisations to bridge the silos in the past and are considered fit for purpose. Martin concludes: "In terms of best practices, it is a fact that risk management should be in the line of business and help solve business problems."

As organisations and captive owners continue to evolve, embracing innovation, collaboration, and adaptability will be key to enhancing resilience and driving sustainable growth. By leveraging insights from diverse perspectives and adopting transformative technologies, they can deal with uncertainty with confidence, turning challenges into opportunities for long-term success.

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TABLE 1 **Best practices for implementing a successful ERM programme.**

Best Practices	Description
Leadership Commitment	• Top-down support is critical for driving cultural change and bridging the silos. • What gets measured gets attention: link change with the performance measurement cycle. • Leaders must champion ERM initiatives and allocate resources accordingly. • Measure, track and build human resilience across the organisation.
Cross-Functional Collaboration	• Encourage collaboration and knowledge sharing among different business functions to identify and assess risks comprehensively. • Keep in touch with people on the work floor and gain their confidence.
Technology Integration	• Invest in technology solutions that facilitate real-time risk monitoring, data analytics, and reporting across the organisation. • Secure buy-in and commitment from all levels of the organisation for the successful adoption of risk tools. • Ensure the visibility of risk tools across functions.
Continuous Improvement	• Establish a feedback loop to continuously evaluate and refine risk management processes based on evolving threats and organisational needs. • Embed a continuous improvement cycle to ensure internal and external stakeholder perspectives (e.g., to remain compliant with ESG guidelines).

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