

WISDOM EXCHANGE REPORTER 2013

INTERSECT 100 GREAT MINDS MEET

The annual peer-to-peer forum for CEOs, presidents and owners of Ontario’s innovative, high-growth firms.

CONFERENCE HIGHLIGHTS FEBRUARY 27–28, 2013

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ON THE SCENE

A major snowstorm hit Toronto, but that didn’t deter attendance or dim the energy of 160 attendees gathered for the Wisdom Exchange networking reception on February 27, 2013. Organized and hosted by the Ontario Ministry of Economic Development, Trade and Employment, the Wisdom Exchange is a unique forum where leaders of some of Ontario’s fastest-growing, most innovative firms discuss leadership issues, hear from topic experts and share insights, strategies and best practices. For many, it is a not-to-be-missed annual opportunity to connect and reconnect, peer to peer.

Left: New connections are made and old friends catch up at the opening reception of the Wisdom Exchange 2013, now in its 18th year.

Welcome to Wisdom Exchange 2013

“As entrepreneurs and business leaders, you generate the ideas that drive innovation and promote economic growth” began the address of the Honourable Dr. Eric Hoskins, Minister of Economic Development, Trade and Employment, at the 18th annual Wisdom Exchange in Toronto.

Hoskins stressed his personal appreciation and recognition of the drive and determination it takes to build the kind of international operations headed by the business leaders in the room. His understanding of their challenges dates back to when Dr. Hoskins and his wife, Dr. Samantha Nutt, co-founded the international charity War Child in 1999, which helps hundreds of thousands of children in war-affected regions across the globe. The Minister praised the attendees for their willingness to take the risks required to create jobs and spur sustainable economic growth. He singled out the immense contributions that Ontario’s small and medium-sized enterprises (SMEs) make in strengthening Ontario’s economy. Overall, Ontario is home to 400,000 SMEs, accounting for half of business-produced GDP and

40 per cent of the province’s total value of exports. The Ontario government is continuing its efforts to create the right climate, Hoskins added, that will foster businesses’ future success. He pointed to the Open for Business initiative, which the Ontario government launched in 2008. Since then, more than 800,000 regulatory requirements have been eliminated. He also noted that, as a result of recent tax changes, Ontario’s corporate income tax rate is lower than the average rate for G8 and G20 countries and lower than the average U.S. federal and state rates. Hoskins highlighted several new activities, including the Global Exporter Forums, a partnership with the Ontario Chamber of Commerce, which aims to improve SMEs’ export expertise, build awareness of opportunities that exist in emerging

markets and increase the number of Ontario exporters. Finally, Hoskins expressed that a month earlier, then-Premier Dalton McGuinty led a trade and investment mission to China with 38 Ontario companies and organizations. “They went to showcase Ontario’s expertise in clean technologies and agri-food product innovation,” he said. “This mission was highly successful, creating more than \$800-million in new partnerships,” he said. “Strengthening our ties and business partnerships with other countries is critical to Ontario’s prosperity,” he continued. Ontario-led trade missions are now being planned for Southeast Asia, Eastern Europe and South America to capitalize on opportunities in those fast-growing markets. Equally important is building business-to-business



“Strengthening our ties and business partnerships with other countries is critical to Ontario’s prosperity.”

collaborations to maximize Ontario’s future competitiveness. The Wisdom Exchange provides the forum for Ontario’s innovative business leaders to share strategies, best practices and game-changing ideas to

help business leaders with their growth challenges. By “working with all of our partners,” Ontario will seize new opportunities and further strengthen its reputation as a “place of endless possibilities.”

DO YOU KNOW WHO YOUR FOREIGN PARTNERS REALLY ARE?



Never disregard that little voice in your head called intuition that tells you to get out of a deal or a room or even a country.

This is not a line from *CSI*, but rather a message of caution from international security expert Chris Mathers, a specialist in crime and risk consulting, and author of *Crime School: Money Laundering – True Crime Meets the World of Business and Finance*.

Mathers kicked off the Wisdom Exchange 2013 with anecdotes and advice that had the audience sitting up to take notice. His key message was that, by all means, companies should leap into the global market, but they need to be aware of the perils.

“When you get on a plane and propose to do business with new people in a different country, how do you know they are legitimate?” challenged this former undercover agent with the RCMP who has posed as everything from a gangster and drug dealer to a money launderer. Although most people are inherently good, he emphasized, perceptions of fraud, criminal activity, gender equality and false pretense vary greatly from one country to another and it is important to be ready for what you may face in the global arena.

ARE YOU AT RISK?

The most common international business frauds are bank fraud (forgery and contrived receivables), the manipulation of financial statements, securities fraud, insurance fraud and “phantom ship” fraud, where your cargo disappears in some unknown port. Other risks include money laundering, bribery and corruption, espionage, information technology (IT) crime and extremist activity such as terrorism.

How vulnerable are you and your business? When it comes to bribery and corruption, Mathers shared this general rule: 10 per cent of people are inherently honest, 80 per cent fall into the “just depends” category, and 10 per cent are very bad.

In some countries, Mathers said bribery is often ingrained in the culture. It can be very challenging for North American businesses to get anything done without accepting such norms as bribing tax inspectors. Mathers advised distinguishing between facilitation payments and bribes. The former includes paying someone for speedier service, while an example of the latter is bribing a tax inspector for an import licence.

His overriding advice is to navigate these waters carefully. Giving big gifts or bribes can make you beholden to the nefarious. Likewise, if you accept gifts, make it clear that you will declare them so you are not going to be in the back pockets of corrupt business people or officials.

“The rationalization of criminal behaviour gets people into trouble the world over,” Mathers warned. “Don’t step over the line because of the pressure to get the deal done or ‘because everyone does it.’ Don’t accept criminal behaviour as a cost of doing business.”

TACKLING THE CHALLENGES

A better approach is to investigate potential business partners up front for issues such as criminal histories and/or civil actions. This can be challenging, Mathers admitted, for a variety of reasons: there could be complicity of the foreign government in criminal activity or there is no repository of criminal records, or the accuracy of both civil and financial records may be questionable.

“If you are using private investigators to help with your foreign due diligence, use reputable people who will not break the law,” he advised. “If, as Canadians, we are going to do business around the world, we have to spread the word that we do business honestly.”

Mathers offered these additional cautions about doing business in foreign countries or seeking to break into new markets.

Choose local agents carefully: Many North American companies hire local agents when seeking business, political, military and media contacts. Be sure to conduct your due diligence. There can be a dark side to some

“fixers” who claim they can do everything from acting as interpreters and clearing safe passage to getting you access to suppliers. Their contacts may be criminals, insurgents or smugglers engaging in black-market activity and bribery.

Conduct due diligence: Do you know if the employees involved in your foreign dealings have any of the habits listed below:

- *Uses or is addicted to drugs?*
- *Is an alcoholic or a gambler?*
- *Participates in illegal gambling?*
- *Frequents prostitutes?*
- *Has a criminal record or has been jailed while in your employ?*

Mathers cautioned that criminal checks of employees must be done using proper human resources practices; that is, getting their consent first.

Beware of false flattery: When travelling, men should be careful if women approach them in bars. “Believe me, you don’t look like Brad Pitt,” Mathers quipped, bringing levity to a potentially serious situation. “Don’t fall into the trap of prostitutes who may have been hired by criminals to extract business information from you.”

A DIFFERENT KIND OF CRIME

The perception that crime has increased, particularly violent crime, can be

attributed to the rise of 24-hour news, according to Mathers. “In reality, there is not much more crime now; it’s just a different kind of crime, like cybercrime,” he said. As an example, he pointed to the notorious Nigerian e-mail scams promising money and newfound wealth that are blasted out daily around the world and continue to victimize the unsuspecting.

In creating awareness about the potential risks in international business, Mathers’s messages generated a great deal of buzz and discussion after his presentation. Some participants shared their international experiences with the troubling issues he raised, while others revealed unfortunate examples of employee fraud right on their own turf. There is no question the topic resonated with the audience, even if some of the CEOs rated their vulnerability to extreme risks quite low.

Whether or not business leaders feel the pitfalls pose a threat to them and their companies, the presentation raised awareness about some of the often-unspoken risks out there.

FINAL WORDS OF ADVICE

Mathers hopes that CEOs will heed his parting advice: “Go to other countries... travel the globe... but don’t forget to come home to the greatest country in the world.”

THE IBM STORY: A CENTURY OF SUCCESS AND INNOVATION

Here is a real-life case study that will sound familiar to many long-time business owners.

A company enjoys tremendous success for years, selling leading-edge products to worldwide markets.

Then, in the 1980s, things start to unravel. The company loses its market dominance as hungry rivals close the innovation gap and its products slip from leading edge to near-commodity. By the 1990s, the company’s decline seems inevitable, until a visionary leader glimpses a new future in business services and leads a cultural turnaround that restores the company’s reputation as an innovation icon.

Yes, that is much the same challenge facing Ontario manufacturers and many other companies as well: finding and keeping your competitive advantage in a global marketplace where copycats outnumber innovators. The company in question is IBM, the once-untouchable computer maker that rediscovered its mojo by dropping out of a commodity market and tackling some of the biggest problems confronting businesses and governments.

AN INSIDER’S VIEW OF THE IBM ROLLERCOASTER

Big Blue’s resurgence holds many lessons for business owners. Although John M. Lutz, President of IBM Canada Ltd., has only been in Canada since January 2012, he has worked for IBM for 28 years in such roles as General Manager of IBM Global Process Services and General Manager of IBM’s Financial Services Sector. Crucially, he also served as executive assistant to the visionary chairman and CEO, Louis V. Gerstner, Jr. Lutz began his presentation by telling the assembly of CEOs, “I have utmost admiration for what you do. I always thought I was going to leave IBM within two years to run my own business.” He even mused that it may

have been fear that kept him from pursuing more entrepreneurial goals. Getting back to business, Lutz reviewed IBM’s history, noting that the future has always been hard to predict. He quoted IBM’s long-time chairman Thomas J. Watson, who upon handing over the reins to his son Tom Watson, Jr. in the 1950s warned that the world market for computers would only be five units. (Lutz also referenced a 1949 article in *Popular Mechanics* that reported we could one day see computers that weigh as little as 1.5 tonnes.)

“We start more things than we used to and we’re ruthless about killing them off.”

LOUIS V. GERSTNER, JR.,
CHAIRMAN AND CEO,
IBM, 1993 TO 2002

Lutz noted that IBM’s first generation of business machines represented the era of tabulation, when machines first automated the storage of highly stable and predictable phenomena, such as business records. That led to 50 years of programmable systems, starting with punch cards that gave way to computers, software and electronic data storage. Even that technology is now giving way to a new era of cognitive computing—deep-data systems that can practically think for themselves by learning, adapting and hypothesizing new answers. Lutz pointed to Watson, the IBM supercomputer that in 2011 beat two all-time *Jeopardy!* champions at their own game, mastering nuances and subtle wordplay that would have befuddled previous processors. Today, Watson is tackling major societal problems in financial services and health-care technology. With the shift to big data, Lutz notes that

demand for “qualitative” decisions will only grow as businesses and governments struggle with issues such as weather predictions, climate change and data veracity.

BRUSH WITH DISASTER

IBM almost didn’t survive to head this new transition. Eight years after Lutz joined IBM in 1984, “we knew we were in trouble,” he recalled. “We had done a lot of things wrong.” IBM’s business markets were under assault and the personal computer market held no sustainable margins. Worse, said Lutz, IBM’s focus was inward, on its own technologies and research for its own sake (remember OS/2?). “The term ‘not invented here’ was invented here,” Lutz noted.

In 1993, Gerstner, the former chairman and CEO of RJR Nabisco, Inc., became the first IBM CEO brought in from outside the company. He found the culture of IBM “inbred and ingrown.” Lutz recalled a visit to an IBM lab, where Gerstner, visibly impressed, asked the developers, “Who are we telling about this?” The response: “Only ourselves.”

With IBM running out of cash and time, Gerstner launched a cost-cutting exercise that included layoffs and asset sales. He also cancelled a plan to break the company apart. Instead, he united the firm under a single brand and a single incentive compensation system (employees would be rewarded for overall company success, not for the performance of their division or silo).

His new vision was to leverage all of IBM’s expertise—hardware, software and services—to deliver top-to-bottom technology solutions to enterprise and institutional customers, essentially the same strategy followed today. The payoff saw IBM’s market capitalization increase from \$30 billion in 1993 to \$153 billion in 2003 and a current \$234 billion.



A FRAMEWORK TO DRIVE TRANSFORMATION

Gerstner’s work was continued and expanded by two subsequent CEOs, Samuel J. Palmisano (2003 to 2011), who worked on IBM becoming the world’s premier “global integrated enterprise,” and Virginia “Ginni” Rometty, who today oversees new markets and the shift to a new computing era. Most importantly, said Lutz, IBM has maintained a consistent focus on “transformation,” a framework that includes three parts: enabling growth, enabling productivity and enabling culture change.

For any leaders in the audience wrestling with change in their own businesses, he offered some detail on IBM’s tactics.

Growth, Lutz said, has come from two key sources. One is a concentration on emerging markets, which Lutz noted are growing “10 points faster” than IBM’s major markets of Europe, North America and Japan. The other source is acquisitions. IBM has bought 100 software companies in the past five years, including such Ontario players as Varicent Software Incorporated, Algorithmics Inc., Platform Computing Inc. and Clarity Systems. Said Lutz: “We shifted from the ‘not invented here’ mentality to a partner mentality.” To boost productivity, IBM is pursuing “value services” (which means continuously improving internal shared services), end-to-end process transformation and the consolidation of its own information technology (IT) resources into one integrated global network.

Gerstner was famous for saying, “Culture is the only thing.” So IBM has gone to great lengths to build a

values-based culture with disciplined change-management capabilities. “Lou formed a transformation group and entrusted it with the notion that a big part of its responsibility is change,” said Lutz.

IBM has published papers on its six principles of change:

- *Start a movement.*
- *Establish clear transformation governance.*
- *Require data-driven discussions (use analytical tools to turn data into insights and never make decisions based on “stories”).*
- *Radically simplify business processes.*
- *Invest in transformative innovation.*
- *Embody creative leadership.*

“We all need to commit to continuous transformation,” concluded Lutz. “Everything today is changing faster and faster.”

Finally, he put in a special plug for collaboration: “Partnerships are essential.” In stark contrast to the “not invented here” days, he said, “all of our interesting work involves partners.”

During the Q&A, moderator Tom Clark, Chief Political Correspondent for Global News, squeezed out one last gem. He asked Lutz to explain how IBM hones its innovation edge. “It used to be ‘come up with a big idea and work it through,’” Lutz said. “That has been replaced by ‘we start even more things than we used to, and we become ruthless about killing them off.’ You have to allow people to fail by redefining failure as part of the program.”

THIS TIME IT'S DIFFERENT: GLOBAL SHIFTS ARE RE-SHAPING ONTARIO'S ECONOMIC FUTURE



“By 2026, emerging economies are expected to represent two-thirds of the world economy. In terms of world economic history, this is blazingly fast growth.”

While 2 per cent economic growth forecasts for Ontario have been described as anaemic and disappointing, Don Drummond, Matthews Fellow in Global Public Policy at Queen’s University and Co-Chair of the C.D. Howe Institute’s Fiscal & Tax Competitiveness Council, says, “Get used to it,” but not for the reasons you might think. Fundamental shifts underway in the global economy will make this economic recovery very different from previous ones.

Drummond is widely recognized as one of Canada’s top economists and someone whose insights have often turned out to be right on the money. During the 1990s, he was one of the Department of Finance chief strategists who brought the federal deficit under control and laid the groundwork for major tax reforms. From 2000 to 2010, he was chief economist at The Toronto-Dominion Bank, which gave him an insider’s view of the 2008 global economic crisis. In 2008, he co-authored a report with Derek Burleton,

Time for a Vision of Ontario’s Economy, which, among other measures, strongly advocated for the replacement of the provincial sales tax with a harmonized goods and services tax. In 2012, Drummond chaired the Commission on the Reform of Ontario’s Public Services. Known as the Drummond Commission, it was set up to advise the Ontario government on how to balance the budget and increase the value for money of government programs.

CRUNCHING THE CORE NUMBERS

“There is a fairly strong case to be made that GDP growth in Canada over the next year or so will be approximately 2 per cent and about the same in the United States,” said Drummond and he believes it is a mistake to think that post-recession GDP growth could bounce back to the higher rates that followed earlier economic downturns. The reason, he said, is that the underlying statistics simply won’t support it. Growth is driven by a number of factors, but two of the key ones are labour force and productivity. Because of the looming retirement of the baby-boom generation, labour-force growth is forecast at only 0.8 per cent, nearly all of which will come from immigration. Secondly, productivity is increasing, fuelled in part by tax reform. “There has been a quiet revolution in Ontario and Canada on how we tax capital,”

he said. “In 1999, companies here paid the highest taxes in the developed world. Now, our business tax rates are below the average for the industrial world and much lower than the U.S. average.” Tax reform, plus the impact of recent infrastructure investments, should push productivity growth to 1.2 per cent, he stated. Add those two numbers together and you get 2 per cent growth.

GLOBAL ECONOMIC SHIFTS

Ontario will not be alone in this sluggish growth. “The developed world is falling into a low-growth mode,” said Drummond. “From a global perspective, the developed world is not the growth leader. It is the emerging economies that are leading the way.” In 1980, emerging economies such as India, China and Latin America represented about one-third of the total world economy. By 2009, they represented slightly more than half. By 2026, they are expected to represent two-thirds of the total. “In terms of world economic history, this is blazingly fast growth,” said Drummond. It is also a fundamental shift that will dramatically affect Ontario’s economic future. One of the big lessons that came out of the 2008 economic crisis was that Western economies and financial systems are more interconnected and interdependent than we thought. Traditionally, Ontario’s leading export markets have been in the developed

“We need to embrace a new economic model [that would require changes by both business and government].”

DON DRUMMOND, MATTHEWS FELLOW IN GLOBAL PUBLIC POLICY, QUEEN’S UNIVERSITY, AND CO-CHAIR, FISCAL & TAX COMPETITIVENESS COUNCIL, C.D. HOWE INSTITUTE

countries, not the fast-growing emerging economies. While trade is expanding with China, India and other emerging markets, it remains dwarfed by our trade ties with the United States. A second fundamental shift is a flattening of global wage differentials. The wage rate for skilled labour appears to be settling at \$17 per hour, Drummond said. Wage rates in China are rising, while rates in Canada and the United States are falling to that level. The wage compression process in Canada and the United States has been going on for a decade. Last year’s Caterpillar Inc. plant closing in London, Ontario, is one of the most recent high-profile examples. This \$17-per-hour trend could have profound ripple effects. While it would help expand consumer markets in emerging economies, it would adversely affect the middle class in our domestic markets. It would also reduce the economic rationale for shifting production from North America to low-wage regions of the world, especially for high-value products.

A NEW ECONOMIC MODEL
“We need to embrace a new economic model,” said Drummond.

It would require changes by both business and government. We need to export more, for example, but Drummond proposes a very different export strategy. “Roughly 50 per cent of Canada’s total exports come from our 50 largest companies,” he said. “If you strip out exports from the automotive and energy sectors, there is not a lot left.” Only 2 per cent of Canada’s small businesses are active exporters. We need to broaden that base, he believes, and target high-value-added sectors such as financial and health services. Businesses also need to innovate more, he said, pointing out that 30 per cent of all Canadian research is conducted in universities, which is double the average of countries in the Organization for Economic Co-operation and Development (OECD). Canadian businesses need to invest more in innovation. It is a tough competitive challenge, he acknowledged. U.S. companies, which often serve as the poster child for innovation leadership, derive tremendous direct and indirect benefits from billions of dollars spent on research and development (R&D) by their military and defence agencies. Drummond noted quickly



IN BRIEF: The Workshops



INTERSECT 100 GREAT MINDS MEET

The morning of Thursday, February 28, 2013, kicked off at 8 a.m. with four concurrent workshops:

- Am I a Good Leader?*
- Financing for Growth*
- Recruiting and Retaining Skilled Employees (a.k.a. The Race for Talent)*
- Are You Really Lean?*

The critical role of leadership that emerged as a consistent theme running through the conference at large and in all of the workshops was undoubtedly a sign of today's complex business environment and changing times. In fact, of the four workshops offered, demand was highest for the "Am I a Good Leader?," which was split into two groups.

All five sessions (i.e., four topics/five groups) were designed to be interactive and conversational, with topic-expert workshop presenters and facilitators in each to provide advice and spark open and candid discussions among the participants.

After the workshops, a summary panel of presenters hosted by Wisdom Exchange moderator Tom Clark reported the highlights from each workshop. All were in agreement that the two hours flew by and discussions had been lively, engaging, revealing, entertaining and, above all, informative and a learning experience.

The workshop summaries on pages 6 to 11 report the findings from each session in greater detail.

PRESENTER

DON DRUMMOND, MATTHEWS FELLOW IN GLOBAL PUBLIC POLICY, QUEEN'S UNIVERSITY, AND CO-CHAIR, FISCAL & TAX COMPETITIVENESS COUNCIL, C.D. HOWE INSTITUTE

that he was not suggesting that Canadian governments adopt the U.S. approach.

A CHANGING DIRECTION FOR GOVERNMENT?

Businesses are not the only group that needs to adjust to the new economic realities. Governments have to make changes as well. "The fiscal situation is not like it was in the 1990s," he said. "The deficit problem is not going away." In the past, governments were able to count on the return of strong economic and revenue growth to eliminate the need for deficits. Given the global economic shifts underway, that scenario is unlikely.

What should governments do instead? The Drummond Commission was established in the Ontario Budget of May 2011 to answer that question. It was given a mandate to examine long-term fundamental changes in the way the Ontario government works.

Nine months later, the commission released a 543-page

report that included 362 specific recommendations. About 40 per cent of the recommendations have since been acted upon.

The commission looked at everything: big-ticket items such as health care, education and pensions; agencies and how they operate; and the wide range of business subsidies that were administered by several different ministries. "What we evaluated was whether there was a net benefit to any of the subsidies," Drummond said "Tax dollars were provided to businesses primarily to help them grow and create jobs. Presumably, if the government had not collected the taxes in the first place, those dollars would have been spent, generating economic activity." The commission found that it was unclear whether this transfer of dollars from taxpayer to business actually created additional net benefits for Ontario as a whole. It recommended that the entire approach to business support

be redirected from job creation to productivity growth. Some of the tax credits and exemptions should be reformed. Program funding and administration should be consolidated. Greater accountability and transparency should be introduced into the system.

"Growth is driven by a number of factors, but two of the key ones are labour force and productivity."

"Ontario is a pretty good location for a global business," said Drummond. "We've got one of the most highly skilled workforces in the world, a highly competitive tax regime and we are right next door to the U.S. market. We have got what it takes to do well in the new global economy. We just have to make it happen."

WISDOM EXCHANGE 2014: SAVE THE DATE NOW

CEOs, presidents, and owners of Ontario's high-growth firms who attend the Wisdom Exchange are export-oriented and pursue multiple international markets, invest in R&D, have above average productivity, are committed to the growth and innovation of their firms, and create the lion's share of new jobs.

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Delta Meadowvale Hotel
Mississauga, Ontario

Join us at the next Wisdom Exchange forum to network and connect peer-to-peer with business and industry leaders who are facing timely and similar challenges.

Stay tuned for more information!

For previous post-conference reports, visit ontario.ca/wisdomexchange

AM I A GOOD LEADER? (I): Practices to follow, pitfalls to avoid

PRESENTER:
DR. STEVEN STEIN,
FOUNDER AND CEO,
MULTI-HEALTH
SYSTEMS INC.

FACILITATOR:
GUY MARINI,
PRESIDENT,
GUY MARINI
& ASSOCIATES

It began with a simple exercise that quickly led to startling insights.

“Am I a good leader?” is not a question most CEOs ponder very often, at least not publicly, but it must have struck a chord because every seat was taken at the conference table for the Wisdom Exchange 2013 workshop led by Dr. Steven Stein (top right), a clinical psychologist and the founder and CEO of Multi-Health Systems Inc. (MHS), and facilitated by Guy Marini (top left), President of Guy Marini & Associates.

Displayed on tables lining the perimeter of the room were hundreds of photographs that you might see in a *National Geographic* magazine: herds of elephants, birds in flight, a puppy sleeping, an athlete straining at peak performance and an Indian holy man meditating.

Dr. Stein asked the workshop participants to first visualize what an ideal leader looked like, then identify what they felt was the biggest gap between their own leadership skills and the ideal. He invited them to stand up, circulate around the room and pick one image that represented the ideal and a second that illustrated their personal leadership style (bottom). When they returned to their seats, they introduced themselves around the table and held up the two images, describing how the pictures related to their personal understanding of leadership. The results were amazingly revealing.

WHAT IS YOUR PERSONAL LEADERSHIP STYLE?

For one woman who had built a successful business over more than 20 years, great leadership was captured in the photograph of a symphony orchestra conductor, whose job as a leader was to get all the musicians to play their instruments together to create a beautiful sound. Her style was illustrated by a peaceful, tranquil sunset. She had lost the fire-in-the-belly feeling for her business, she admitted, and was thinking more about retirement than

leading her company to new heights of performance.

Another executive held up first a picture of a group of men on a beach pushing together to launch a huge boat, then held up a second picture of a horse racing alone across an empty plain. “To me, leadership is about inspiring a team approach where everyone pushes together. Unfortunately, I have a tendency to race ahead on my own and I don’t always have the patience to bring everyone up to speed.”

Around the room it went. One person chose a “gap” picture of a friendly St. Bernard dog because he thought he was sometimes too much of a pushover and couldn’t hold people accountable. Another held up a picture of a sledgehammer because she acknowledged she sometimes came down too hard on people. With each revelation, there were knowing nods and sometimes rueful chuckles from the other workshop participants. Many recognized that they shared the same flaws.

It quickly became apparent that while there were many different leadership styles—a visionary, a cheerleader, an alpha dog, an integrator—every individual leader has weaknesses. What was important was to recognize the gaps and respond to them.

One participant related how his company, a professional services firm, brought in an executive leadership coach to help them work through some issues. The partners and key staff completed a series of assessments. “The results were a real eye-opener,” he said. “By the end of the process, we understood each other better and why things sometimes went off the rails.”

Another executive sparked laughter around the table when he revealed how he offset his leadership gap. “I’m a softy,” he said, “so I have a guy in my company who is my enforcer. When I need something tough done, I give it to him.”

LEADERSHIP CHANGES AS A COMPANY GROWS

As a company grows from one or two people working

out of a small office to 100 or 200 employees in multiple locations, the company leaders need to grow and change with it.

What were leadership strengths during the start-up can become corporate weaknesses, even to the point of derailing the company. Knowing when—and how—to let go is a challenge faced by many of the workshop participants.

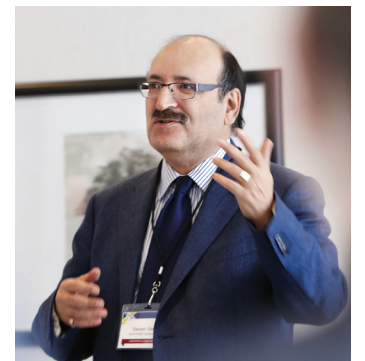
As one person phrased it, once a company reaches a certain size, a leader needs to work *on* the business, not *in* the business. A consensus quickly emerged around the table that as the company grows, leadership becomes more and more about culture and values—how to instill them in new hires, how to maintain them when there is less one-on-one contact with many employees and how to enforce them when necessary.

One participant related how his technology-based company started to flounder. It was expanding, but things weren’t coming together. The executive team drew up a list of what qualifications it thought made an ideal employee; dependability, creativity and loyalty topped the list. Technology expertise was ranked fifth or sixth, but the team discovered that they had placed technology skills as the top requirement in the hiring process.

“Technology skills can be taught, but the softer people skills are more innate,” he said. “We changed our hiring practices and that helped turn the company around.”

There were nods of agreement around the table. Many of the workshop participants had come to the same conclusion about the central importance of shared values within the company. “One guy who doesn’t fit in can make the whole environment toxic,” said one executive, clearly speaking from experience. “The analogy of one bad apple spoiling the whole barrel is true.”

“We had to fire our top performer because he just didn’t fit the culture,” said another participant. “I was surprised that his leaving had such a huge, positive effect almost immediately.”



“To me, leadership is about inspiring a team approach where everyone pushes together. Unfortunately, I have a tendency to race ahead on my own and I don’t always have the patience to bring everyone up to speed.”

WORKSHOP PARTICIPANT

DOES LEADERSHIP GET EASIER WITH TIME?

As the workshop drew to a close, Dr. Stein asked the participants, “Is there a question any of you have on leadership that you were afraid to ask? Now is your chance to get answers from your peers.”

A voice called out from the corner: “Does it get any easier? When does the heavy lifting end?” While the question elicited laughter, the dilemma was clearly one they all understood. “You need to set boundaries that are inviolate,” advised one. “At the beginning of every year, I mark off vacations and other family times and nothing—nothing—intrudes on them.”

“You need to get the right team in place and delegate tasks to them,” recommended another.

“If you want the heavy lifting to end, you need to be proactive about making it happen,” said a third. “Otherwise, it will never stop.”

Being proactive, building teams, instilling values, these are the leadership qualities that came through loud and clear from the participants. In one way or another, they were represented in the ideal leadership images that the participants had selected at the beginning of the session.

In a sense, the workshop became a two-hour snapshot capturing what it is like to be running a fast-growing company in Ontario in 2013: challenging, but most of them wouldn’t have it any other way.

AM I A GOOD LEADER? (II): Practices to follow, pitfalls to avoid

PRESENTER:
SHEILA HAMILTON,
MANAGING PRINCIPAL,
THE OSBORNE GROUP

FACILITATOR:
TIM ROONEY, FOUNDING
PARTNER, ROONEY,
EARL & PARTNERS

“Management is doing things right; leadership is doing the right things.”

Sheila Hamilton (top), Managing Principal of The Osborne Group, shared the quote above from management guru Peter Drucker and it set the stage for a lively discussion among the workshop participants (centre right and bottom), who identified key leadership attributes and assessed their own performance. One participant said that a leader is a strategic future thinker who surrounds him- or herself with people he or she trusts, respects and can count on to do the job so that the leader is removed from daily operations. “It takes a lot of effort to find and mould those people so you can focus on strategy,” emphasized one CEO. In contrast, the manager’s role is more tactical, focusing on day-to-day tasks and people management once the strategy is set.

Another participant used the analogy of a tour guide, where the leader determines the direction. Building on this notion, one CEO commented that a leader must also be a motivator. “It is one thing to provide direction, but it is another to inspire employees to follow that lead,” he said.

Although the CEOs agreed that setting the vision of the organization is a critical role of the leader, a number emphasized that the vision should not be set in stone and should evolve. This requires a comfort with managing change, particularly under adverse conditions. “If your vision doesn’t change as the world changes, then you are not in business,” said one participant.

BIGGEST LEADERSHIP CHALLENGES

The majority of the CEOs admitted that communications, particularly listening to employees and managing a younger generation of workers, is the toughest thing for them to do. It is not the only leadership challenge, but it is a common thread connecting most of the top “people” issues on their plate. Some examples?

Finding and retaining the right people. Motivating and empowering employees. Creating and disseminating a consistent corporate culture. Dealing with a post-merger clash of cultures. Identifying and grooming a successor.

The breadth of the issues raised and the subsequent discussions among the participants underscored that leadership is complex and that there is no single solution. “I don’t know if anyone has the right answers about leadership,” Hamilton noted.

“Along the road to success, you make a lot of mistakes; the point is to learn from your missteps.”

TIM ROONEY, FOUNDING PARTNER, ROONEY, EARL & PARTNERS

“As a CEO, I made all the mistakes,” added Tim Rooney (centre left), workshop facilitator, founding partner of Rooney, Earl & Partners and a former president and CEO of a number of international high-growth companies. “Along the road to success, you make a lot of mistakes; the point is to learn from your missteps.”

WHAT MAKES AN IDEAL LEADER?

The workshop participants broke into smaller groups to identify and discuss what they consider the most important attributes of good leaders. They came up with a list of traits and skills.

A leader is visionary, self-aware and decisive, a risk taker with the resilience to bounce back following a defeat. At the same time, he or she is a strong communicator and a good listener, a role model and team builder who can inspire followers.

BEST PRACTICES AND PITFALLS TO AVOID

Most of the participants honed their leadership skills

day by day and, along the way, they learned a few best practices to adopt and pitfalls to avoid.

Best practices included the importance of empowering employees, encouraging two-way conversations with staff, questioning automatic responses to challenging situations and “walking the talk”—demonstrating through your actions the kind of integrity and commitment you expect from staff. Most of all, learn patience. Take time to slow down and listen to employees, which is something that does not come easily to many passion-driven entrepreneurs.

Leadership pitfalls to avoid included failing to communicate or assuming everyone hears and listens the same way. It is important to talk with and listen to employees, then double-check to make sure everyone is on the same page and heading in the same direction. This also gives you a chance to inspire passion from the ground up, rather than trying to instill it from the top down, and to recognize employee contributions across the organization.

Finally, you have to recognize that every leader has strengths and weaknesses. What this means is that, if you want to be successful as a leader, sometimes you just have to bite the bullet and figure out how to do things differently, such as learning how to listen more carefully or how to communicate better with Generation Y.

TOP 10 ATTRIBUTES OF A GOOD LEADER

Participants identified the following key traits and skills of a good leader:

- Visionary
- Self-aware
- Decisive
- Risk taker
- Resilient
- Strong communicator
- Good listener
- Role model
- Team builder
- Inspirational



COMMON THEMES FROM THE SESSION

Even though there was a wide variety of different industries represented at the workshop and different skill sets of the business leaders, some common themes emerged.

A leader’s number one role is to set the culture of the organization. This starts with creating the vision, selling the vision and constantly adapting it as necessary and staying in touch with employees to ensure the desired goals are achieved.

A CEO’s greatest strength may also be his or her greatest weakness. A number of participants

with engineering backgrounds admitted to shortcomings in moving from a technical to a leadership role, where strong communication skills are needed.

The question “How should I lead?” often depends on who is being managed. Experienced and confident employees often thrive with little supervision, while others may require more guidance.

Consensus was a good leader possesses a combination of character traits such as integrity and skill sets such as the ability to manage change.

FINANCING FOR GROWTH:

What to do when the bank says “No!”

PRESENTER:
DAVID DODS,
BUSINESS
DEVELOPMENT,
OMNI-RAND INC.

PRESENTER:
JACOLINE LOEWEN,
DIRECTOR, CROSBIE
& COMPANY INC.

FACILITATOR:
BRIAN MACDONALD,
SENIOR BUSINESS
ADVISOR, MINISTRY
OF ECONOMIC
DEVELOPMENT, TRADE
AND EMPLOYMENT



“You don’t want to be a BMW shopping in a Volkswagen store. Know who you are and what you need.”

JACOLINE LOEWEN, DIRECTOR, CROSBIE & COMPANY INC.

There comes a moment in the life of almost every company, of every size, when a decision has to be made about whether to grow.

If the decision is yes, it is often the case that the growing has to be done quickly and it is going to be expensive. What do you do if the time is right for your company to take the next step, but traditional lenders such as banks are not all that interested in helping out? How do you avoid missing your big shot? How do you act, what do you do and who do you talk to?

Variations on these questions were fielded by two finance industry veterans: David Dods (above right, in the centre) of Omni-Rand Inc., a firm specializing in asset-based loans, where the financing is secured by company assets such as inventory, accounts receivable, machinery and equipment, and Jacoline Loewen (above left on the right, and above right second from left) of Crosbie & Company Inc., which specializes in finding financial solutions for owner operators and family businesses. Dods and Loewen were joined by Brian MacDonald (above, both photos, on the left), Senior Business Advisor with the Ministry of Economic Development, Trade and Employment.

THREE IMMUTABLE LAWS OF FINANCE

Loewen started off making the point, one she came back to often, that the world of financing is a complex one and most people should consider getting advice or help before entering it. “If I might offer a twist on an old adage, companies are from Mars and financing is from Venus,” she said. “You need to hear the truth about your situation before you start looking for financing, and it may be hard truth. Nobody in your place is going to tell you hard truth because it is your place.” That advice reflected the first of what MacDonald called the three most important things to remember when you are looking for financing, or his three immutable laws of finance:

1. *Have an unbiased view of your business health from an outsider’s perspective.*
2. *Bridge loans have to be a bridge to somewhere.*
3. *Shop at the right store.*

Those three rules provided a framework for the overall workshop as discussion flowed back and forth. The experts spent some time reinforcing the point that you need to be prepared—well prepared—before you walk

into an office and ask for money. “As a former banker, I can’t tell you what a pleasant surprise it is when someone walks in and what you see is what you get,” said MacDonald. “So often, people come in and they are unprepared, unprofessional and if they don’t have their facts straight, the meeting is not going to go well for them.”

Dods added, “Often, you only have one shot at this. If you blow it, the whole street finds out about it, as it were. And you may not get another chance.”

Loewen expanded on the notion of preparation by asking people in the room how many of them are on LinkedIn. The few who were not, she said, were not doing their homework. In an age where the Internet has levelled the playing field in terms of access to information and access to other people, there is no excuse for not being ready. “Network, network, network,” she advised. “It is who you know, and we have these tools today that allow you to know so many people. Use them. Find out what’s going on. Find out who’s out there, what they’re doing. Look up your competitors and steal their networking ideas shamelessly.”

DON’T JUMP TOO SOON

MacDonald’s second rule, which is that bridge loans have to be a bridge to somewhere, got an initial chuckle, but it was clear that people understood his point. There is a time to grow and a time to make your move. Be ready for it, but don’t jump too soon. “It really is a question of identifying the right time,” said MacDonald. “If you don’t do that, if you don’t have a next step that you want your company to take, you shouldn’t be getting financing. What you thought was a bridge will really just be a pier.”

The third of MacDonald’s immutable laws, shop at the right store, was interpreted and discussed in two different ways. In what amounted to the most time that was spent weighing the pros and cons of different financing options, Dods and Loewen warned that growing companies should be very careful about giving up any of their equity in exchange for financing. “You really should hold off as long as you can before going down the equity road,” said Dods, “because when you think about it, giving up equity amounts to dilution of your company.”

DON’T UNDERESTIMATE YOUR VALUE

Loewen added that in her experience, Canadian companies often seem to underestimate their own value, which sometimes leads to equity being given up too soon. She told the story of a successful baking company that was sold by its founders after 15 years, only to be resold three years later for 10 times the amount. Loewen went on to say that she has seen a lot of companies shopping in the wrong store in terms of how much financing they actually need. She repeated her point about some companies underestimating their own value, reminding the workshop that there are actually very few big companies in Ontario.

“Most companies in this province have 10 or fewer employees, so chances are that most of you are right where you should be and doing just fine. You want to be very careful not to suddenly be a minnow swimming around in the shark pool. At the same time, you don’t want to be a BMW shopping in a Volkswagen store. Know who you are and what you need.”

The workshop concluded with a discussion of what had been learned—the various “aha” moments that had occurred for participants. One man said he now realized that his company was in a much better position than he had realized. Another indicated that he would be seeking help and advice before looking to secure financing. Loewen summed it all up in this way: “There is an investor for everyone in this room. The money is out there, and your company is absolutely going to be able to attract it. So don’t sell yourself short. Figure out what you need, get help in assessing your own situation, make sure you are well prepared, and go out and get it.”

THE RACE FOR TALENT:

Are you falling behind?



With large numbers of older skilled workers set to retire in the coming years and fewer younger workers replacing them, the Conference Board of Canada estimates Ontario will face a shortage of more than 360,000 skilled employees by 2025.

Workshop participants quickly delved into this and other human resources (HR) issues with the panel of three topic experts, Stephen Cryne (above left, on the right), Jeff Nugent (above right, top) and Steven Wright (above left, on the left), moderated by Kelly Bryan Murray (above right, bottom).

- Cryne is President of CERC, an organization that is a global leader in recruiting, retaining and employing talent and partners with government to improve regulatory requirements that impede workforce mobility.
- Nugent, Founder and President of CWS, whose multi-award-winning company ranked number one on Profit Magazine's Hot 50 fastest-growing companies in 2011, has more than 18 years of HR recruiting experience and provides contract and temporary staff management services to organizations.

- Wright, President of George A. Wright & Son Ltd., a fourth-generation family-owned company with three facilities in Eastern Ontario, recently undertook a \$13-million expansion of its Kingston-based advanced manufacturing facility and employs skilled trades to produce components and assemblies for customers in a variety of industries.

TODAY'S TWO-SPEED LABOUR MARKET

Finding qualified employees is a persistent problem for advanced manufacturing companies. Vacancies exist for skilled trades such as electricians, millwrights and machinists, while there is a surplus of jobless workers. This two-speed labour market is costing Ontario businesses "millions of dollars in lost revenues," remarked one attendee. How did this disconnect happen? Perception plays a prominent role. Despite the high-tech, high-value nature of today's skilled trades, many parents and youth do not appreciate the benefits of trades and apprenticeships relative to other post-secondary credentials, one attendee observed. Yet, in the next 10 years, 40 per cent of new job growth is expected to occur in the skilled, technologically proficient trades, offering opportunities and good-paying occupations for Ontario's youth.



Despite the pent-up demand and potential, there are not enough graduates with the relevant real-world skills employers require. For Wright, whose company operates multi-million-dollar highly specialized equipment, "the high-level, high-tech skills required to grow a business in the long term are not currently available."

FILLING SKILLED-TRADE VACANCIES

Attendees agreed that the race is on to fill skilled-trade vacancies. The question is how? According to Nugent, companies must properly assess their internal recruitment capacity. One way is to develop an applicant-tracking system to draw on a company's existing talent pool. Initiating an internal employee referral program is another way. Having worked together on previous projects, talented tradespeople often remain in contact with their highly sought-after cohorts. Hiring an external recruitment agency is another possibility, but a drawback is the 20 to 30 per cent placement fee. What about leveraging local talent that already exists, that is, hiring high-skilled workers from Ontario's immigrant population or foreign workers eligible to work in Ontario? Unfortunately, employers aren't tapping into this immense talent pool, meant to strengthen Canada's labour force for employers, labour

PRESENTER:
STEPHEN CRYNE,
PRESIDENT, CANADIAN
EMPLOYEE RELOCATION
COUNCIL (CERC)

PRESENTER:
JEFF NUGENT,
FOUNDER AND PRESIDENT,
CONTINGENT WORKFORCE
SOLUTIONS INC. (CWS)

PRESENTER:
STEVEN WRIGHT,
PRESIDENT, GEORGE
A. WRIGHT & SON LTD.

FACILITATOR:
KELLY BRYAN MURRAY,
SENIOR BUSINESS
CONSULTANT,
MINISTRY OF ECONOMIC
DEVELOPMENT, TRADE
AND EMPLOYMENT

"Field trips provide our younger workers with a tangible sense of purpose [because] they are able to see how the work they do on a daily basis contributes to our clients' success."

STEVEN WRIGHT,
PRESIDENT, GEORGE A.
WRIGHT & SON LTD.

machinery, welding and robotic programming. In April 2012, the program had 63 students, with the majority of graduates staying on to work at Valiant. Instilling pride inspires the younger generation and investing in employees' learning and training engages workers of all ages. At George A. Wright & Son Ltd., field trips allow employees to see, first-hand, how their handiwork adds value to their clients' operations. "It provides our younger workers with a tangible sense of purpose," explained Wright. "They are able to see how the work they do on a daily basis contributes to our clients' success."

CREATING A SENSE OF WORKPLACE COMMUNITY

Attention was given to the critical role of leadership and strengthening management "soft skills" to provide friendly and inclusive workplace cultures. One workshop participant related how senior management at his company takes turns handing out paycheques to employees every two weeks. Offering flexible hours to help employees attain a better work-life balance boosts morale and plays a pivotal role in staff retention. Perks like staff barbecues, birthday celebrations and participating in local charity campaigns can go a long way to creating a sense of workplace community. Cryne cited Whole Foods Market's unique team-oriented recruitment approach. Rather than hiring based on recommendations from HR, team members vote on whether to hire a potential employee following a three-week probationary period. Unsurprisingly, Cryne added, the high-end U.S. grocery chain boasts "one of the highest retention rates within the food services industry." The group concluded there is "no magic bullet" to getting ahead in the race for talent, but falling behind is not an option, and the session offered some valuable possibilities going forward.

ARE YOU REALLY LEAN?: The science and art of productivity

PRESENTER:
WAYNE LEVIN,
PRESIDENT,
PREDICTUM INC.

PRESENTER:
SCOTT SMITH,
PRESIDENT,
HIGH PERFORMANCE
SOLUTIONS INC.

FACILITATOR:
HUGH COPPEN,
PRESIDENT,
WINNING LEADERSHIP, INC.



Is “Lean” a process for reducing costs, increasing quality, empowering staff or taking customer relationships to new heights?

Lean is all this and more, according to participants (opposite top right, and opposite bottom right) at this highly interactive two-hour roundtable discussion.

Lean is also an attitude, a journey and a stubborn confidence that everything can be done better. As such, sharing ideas, setbacks and successes can be a heartening exercise. As one participant said after the session, “We are all on this journey, and it is comforting sometimes to hear these stories.”

Leading the Lean discussion were productivity consultants Wayne Levin (above left) of Predictum Inc. and Scott Smith (above middle) of High Performance Solutions Inc. The session was facilitated by Hugh Coppen (above right) of Winning Leadership, Inc., a former CEO of three private and public companies. All three eschewed the role of content expert to encourage a true “wisdom exchange” in which everyone in the room could share experiences and ask questions.

A show of hands indicated that about half the group was already involved in Lean processes, but through the discussion it emerged that nobody has all the answers.

WHAT IS LEAN?

The first item on the agenda was to figure out what Lean really is, and the search for an answer began with one participant’s question.

“If you are trying to reduce costs and be more efficient, is there really that much difference between Six Sigma, TQM [total quality management], continuous improvement, *kaizen* and Lean,” he asked, “or are these all variations of the same thing?”

Smith tackled the question by differentiating between broad approaches such as Lean and specific branded programs such as Six Sigma. Still, he added, he would be perfectly happy “if we never used the word ‘Lean’ again.”

One participant said his definition of Lean is “the elimination of waste everywhere, while adding value for the customer.” He said many businesses overlook that second component. He also noted that customers don’t have to be external; they can be other departments in the same organization. “That alone can change the chemistry of companies in six months,” he said. “Internal departments think differently about each other, the respect level goes up and the quality problems go down—and you haven’t had to pay any money for that.”

Smith said that a productivity expert at Toyota, which developed the concept of Lean, had advised him not to use the word: “You want it not to be a program; you want it to be a way of thinking.”

The key, says Smith, is simply having all your people always thinking about how to make their jobs better and their workplaces more efficient. Giving as an example a company that employs 150 people in its manufacturing and warehousing operations, Smith noted, “If you could get all those 150 people to come up with one idea that would save them 20 minutes a day, right there you would be looking at 1,500 days’ worth of productivity gain a year, just from simple ideas.”

Coppen warned that Lean (or whatever you want to call it) can backfire if it is only about cost reduction. “Lean’s real purpose is to provide you with a way of helping your business survive in a competitive environment, a way of providing job-growth opportunities,” he said. “If you position it about cost cutting from the get-go, my experience is you run into a lot of resistance because people think cost cutting means fewer jobs. You lose some of the engagement you need on the people side.”

In answer to the opening question, there is no single definition of “Lean.” One CEO in the room summed it up by saying, “Ultimately, what really matters is getting your people to think in the right direction and then the specific program or method you use is of secondary consideration. Getting the culture in place is the key thing.”

SNAPSHOTS FROM THE REAL WORLD

One manufacturer of welding automation systems jumped

“Lean’s real purpose is to provide you with a way of helping your business survive in a competitive environment.”

HUGH COPPEN, PRESIDENT, WINNING LEADERSHIP, INC.

in to share his experience with the power of “continuous improvement.”

Three years ago, he said, “I went before my employees and I said, ‘I’m looking for ideas to make things better and I want \$1.5 million in savings.’” It took till halfway through the year, but the staff came through. The following year, acknowledging that much of the low-hanging fruit had been identified, he asked for \$2 million more in savings. The team hit the target, this time within three months. The next year, he said the task would be even harder and asked for another \$2 million. By the beginning of February, his team had identified \$4 million in cost-saving opportunities. “Everyone in the company is now thinking, ‘How can I do my job better?’”

Asked to elaborate by his peers, he offered a few more details on what made his program so successful. “We set targets. My senior managers bought into it. Then we just continuously reinforced how important this is with employees.” The company also invested in productivity training for about 50 employees and the training will be extended to everyone in the company over the next few years. As in golf, following through is

essential. “You have to show employees the results,” he said, adding that he also believes in bonus cheques for employees. “We have always had a culture of profit sharing, but I show them that we made more profit because we saved this money, so they get a share of it.”

Another participant related how quality improvements in his shop began with a direct benefit to workers: asking how they would make their jobs better (e.g., by reducing the distance they had to walk to fetch a tool). “It makes the employee think, ‘This has been okay. My job is actually better now.’” The CEO somewhat sheepishly acknowledged that the biggest obstacle to improvement in his company was himself. “I had been running it for 20 years and I thought it was fine. And I suddenly realized, no, the place can grow so much faster. So I have to reorient myself to the new way the business is going to operate. It is a culture change.”

“Culture is everything,” agreed another participant. “The management team must realize that the human capital in its organization is where all the ideas are, and it must allow those voices to be heard.”



“When people are involved in the design of workplace change, then the implementation of that change is a snap.”

WORKSHOP PARTICIPANT

Good things happen when staff are encouraged to speak up, she added. “When people are involved in the design of workplace change, then the implementation of that change is a snap.”

That sparked nods of agreement that the “people” aspect of change was often the toughest part of the Lean process.

MEASURING THE RIGHT THINGS

If he could prescribe just one fix for companies looking for a competitive boost, Levin said it would be to master “components of variation.” That is, to measure every task undertaken in order to standardize them as much as possible by reducing variations in materials, suppliers, tools and processes

to minimize costs, delays and confusion. “You want to increase your control to 70 per cent or 80 per cent of the variation that’s going on,” Levin said. “It is not hard to do, and it drives a lot of other benefits.”

One CEO recalled visiting a factory in Japan and asking what was written on a huge whiteboard in the plant. He was told it was two problems that the staff had identified and needed to fix. “Just two problems?” he said. “That’s pretty good.” “Oh no, there must be more,” said his hosts, “but if you can’t identify problems, you can’t improve your processes.”

Several people asked how much measurement should

be conducted to create the improvements they need. The participants agreed more measurement isn’t always better. Your teams need simple, relevant metrics they can understand and remember. As several people noted, “It’s all about communication.”

Since Lean tends to focus on standardizing processes, Coppen asked if Lean erodes innovation. “I would say it has had the opposite effect,” observed one Lean veteran. “We have come up with more product ideas because the employees are more engaged.” He also quashed the notion that Lean eliminates jobs: “Since we started this Lean thing, we have added more than 100 employees. As we

have gotten more efficient, it has allowed us to sell to more customers. It actually facilitates growth.”

FINDING LEAN-MINDED EMPLOYEES

Finally, one participant noted the ongoing difficulty of finding employees who understand and embrace concepts such as customer service and continuous improvement. “Look for curiosity,” advised Smith. “Interview for resourcefulness,” suggested another CEO. Probing for examples of true engagement in previous roles may be the best way to identify candidates who will not only thrive with your company, but grow with it.

BREAK THROUGH TO YOUR LEADING EDGE

Want to learn more about the power of continuous improvement and productivity?

The 29th annual Association for Manufacturing Excellence (AME) International Conference

is being held in Toronto from October 21 to 25, 2013. Filled with invaluable opportunities to learn and network, the event is the world’s largest Lean conference. This year’s conference theme, **Break Through to Your Leading Edge**, is expected to set a new attendance record by attracting more than 3,000 participants from 30+ countries. The conference is geared to **beginner-, intermediate- and advanced-stage** continuous improvement practitioners.

• BEGINNER

Those preparing for or beginning their Lean journey.

• INTERMEDIATE

Those applying Lean fundamentals and seeking new tools and applications to accelerate their continuous improvement journey.

• ADVANCED

Mature appliers of Lean, seeking leading-edge continuous improvement practices that can be applied in more sophisticated ways.

To explore the five reasons you should attend and to register, visit www.ametoronto.org

The Province of Ontario is a Patron/Cornerstone Sponsor of the 29th annual AME International Conference.





FIRE IN THE BELLY: Insights from a global entrepreneur

Jim Balsillie (above right) was co-CEO of Waterloo-based Research In Motion Ltd. (now BlackBerry) from 1993 to 2012.

The Peterborough, Ontario, native and Harvard MBA graduate remortgaged his house to invest in RIM. Together, he and his partner, Mike Lazaridis, built the world's most popular smartphone. After encountering competitive pressure from Apple's more consumer-oriented iPhone and open-source Android phones, Balsillie and Lazaridis stepped down as co-CEOs in January 2012. Balsillie resigned from the RIM board in March 2012, and in January 2013, it was reported that he had sold the last of his RIM shares.

What's next for Jim Balsillie? The former co-CEO of the Waterloo start-up that became Canada's largest company by market capitalization participated in an exclusive Q&A session with Tom Clark, moderator of the 2013 Wisdom Exchange conference. During the conversation, Balsillie was true to form: thoughtful, incisive and committed to the success of Canada's entrepreneurs. He connected with the audience as peers and shared his experiences and insights into the entrepreneur's life.

In introducing Balsillie, Clark cited a number of his awards and accomplishments: "Jim founded the Centre for International Governance Innovation [CIGI], the Balsillie School for International Affairs and the Canadian International Council, and he is the private-sector representative on the UN High-Level Panel on Global Sustainability." Above all, noted Clark, "Jim ran the most important company in the history of Canada, and in so doing he transformed the world."

As the applause faded, Balsillie didn't even wait for Clark to ask a question. He wanted to comment on the tendency of Canada's policy elite to declare Canada "open for business" and then criticize Canadian entrepreneurs for not stepping up to the

plate and hitting home runs.

JIM BALSILLIE: Now that I'm not in the corporate world, I have decided I can be more candid on this subject. I get quite bothered by these characterizations that Canadian business people don't have "fire in the belly." This stuff is just not true, and it is offensive. There are a lot of pundits who talk about lack of fire in the belly, but if you have practised in this game, you know there are massive gaps in the domestic policy [helping Canadian companies succeed abroad]. The one thing the pundits have in common is that they have never done it themselves. I know what it feels like to do what you [entrepreneurs] do. Trust me. I know the pit in the stomach, the uncertainty, the sleepless nights. I know that everyone is saying, "Just be more courageous." But, you know, it feels too much like a lemming that is being rushed off a cliff. It is going to die. So you manage that tension. Anyone who has been in business knows that it is incredibly hard to build a \$2-million or \$3-million business. It is really hard to get traction and to defend it, and we do not have the public policy right. RIM was an anomaly. There will not be another RIM until we get the public policy right.

TOM CLARK: Let's go back. I think a lot of people in the room have this question in their minds: RIM—what happened? Take us inside.

JB: What happened with RIM is that we had a seismic shift in the industry. Everybody says RIM missed an innovation wave. What happened was that we were feasting on the feature-phone business. Nobody had a business plan, except Apple. Apple wasn't the problem. We were crushing Nokia and beating Samsung. They were all dead in the water and then Google came along and gave them a free business plan called Android. They spent \$1 billion a year getting it right. And they ruined the hardware business. Now you have \$0 phones all around. The thing about business success is that business is about navigating cascading circumstances. If it works out

all right, you make like you knew what you were doing all along. There is rigour to it, no question, but it is not a linear exercise. You are really just navigating and adapting, and when you get a window, you take a shot.

TC: What was it like moving on from the company you co-founded?

"The thing about business success is that business is about navigating cascading circumstances. It is not a linear exercise. You are really just navigating and adapting, and when you get a window, you take a shot."

JIM BALSILLIE, CO-FOUNDER, RESEARCH IN MOTION LTD.

JB: First of all, never believe what they write about you, good or bad. The thing about business is that nobody cares about how you feel. If profits go up, I walk on water. If profits go down, I don't. Business is transactional—it's nothing more than that. So I don't take what people say or write personally. But I take the responsibility seriously. One of the key things about entrepreneurs that nobody has properly dissected is that you have this rare combination of high innovativeness and openness, coupled with high conscientiousness. You feel responsible. You don't want to let people down. And it's a trap because you can't leave, unless forces come at you.

TC: What was that transition like? Going from not wanting to let people down to walking out the door?

JB: One thing I will tell you guys is that you don't know how much you "wear it" while you are in it. I had no perspective on just how much I was wearing it all [the pressure]. Today, everyone who sees me says, "You're a very different person." I had no idea. You have no perception of what you are in while you are in it.

TC: Why do you say there won't be another RIM?

JB: Because we don't know how to protect IP [intellectual property] structures in this country. We don't do it.

Who here has had any exposure to global intellectual property rights? Did you ever learn about it in school? No. Did you find anything in the business community that helped you? Did you see anything in the political bureaucracy?

The most important thing to me as a global value-added trader is global intellectual property rights management. I had 400 active IPR [intellectual property rights] files. RIM paid \$6 billion for IPR last year. Apple and Google spend more on IPR than they do on R&D [research and development]. There is not a single school that teaches IPR in this country and not a single bureaucrat or politician engaged on this.

Innovation, productivity, global trading and IPR management all intermingle. You can't have one without the other. If you can capture an innovation, everyone will pounce on it if you can't defend it. In business, everyone talks about how to build a castle, but nobody talks about how to build a moat around your castle. Show me a person with good margins, and I'll show you someone who has built a moat around their business.

When you are in a value-added game, what happens is that you get taken into court to settle industry structures. You are all going to get pulled into IP patent suits once you get to a certain size. People say, "Why don't Canadian companies get big?" What happens is that once you get to a certain size, then the game really starts. Around \$20 million, \$50 million or

\$100 million, that is when the predators come out.

It is a complex matrix of statism, state actors and non-state actors. My point is that innovation, productivity and trade have a complex micro/macro dynamic. To capture a return on your innovation or intellectual property, we have to get the public policy right, we have to get taxes low, we have got to get red tape down, and we have got to get market access open. Then you get bureaucrats and media pundits saying, "Okay, we got the public policy right, now you guys get some fire in your belly and go make money." That's not how it works. There is no such thing as a free market. Every market is managed.

TC: Even while you were at RIM, you were interested in things beyond business. You set up CIGI and centres of excellence. You did other things. How much has that accelerated now?

JB: A lot. This is a neat little secret I will tell you: most business people are really, really boring. You should try to be interesting and interested. Some people just say, "I go to the airport, I go to my hotel room, I go to my meeting." I was in that state till about six years ago—everything is an airport lounge, everything is a conference room—but I broke that, and I am so thankful I did.

Now, almost everywhere I travel, I clear a couple of hours to go see a museum or an art gallery or a house of worship. Your world just grows like this [holding his arms straight out]. People feel hugely affirmed when you are actually interested in them and their world. It makes your life more interesting, and the strangest thing happened—business became way easier. I did a lot of things wrong, but that is the nature of this journey—you make mistakes because you are going where nobody has gone. There are no rules. If you beat yourself up for making mistakes, then go for a swim and beat yourself up for getting wet.