Executive m-Report

If it all happens naturalistically, what's the need for a God? Can't I set my own rules? Who owns me? I own myself.

the golden ticket of management knowledge

Makes a whole lot of sense

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Executive m-Report

Change of culture of bias. 10 minuter, välkommen...

First off, this is the October issue of Executive m-report, so there should be some words on how this is the season of change and so on, here we go: Fall, golden leaves, opportunity, and of course... change.

This issue is all about hard things we conveniently label as simple, so that we regularly could down-prioritize them. It's the "mañana" topics that we usually don't want to touch because we know that the way forth is long and narrow, so we better save them until tomorrow, or even better, put the task at another department. Think of it, there are certain things that if they're not mentioned they don't exist, and we don't have to address them. Taboos, bias etc. If you don't speak of the devil, the devil doesn't show, at least not in the shape we predict and foresee.

The problems with taboos and biases don't surface until long into a changing process where you and your team actively search deep for the real reason a problem is a problem, or why success is success.

What should you do to change behaviors for yourself or your employees? Simple enough, just tell your employee to do things a different way and they will, or make a note in your digital calendar on the things you should change, and change will come. Change = execution on decisions, so when you've discovered what has to change, and you ordered just that change, your part is done, right? You've done what's expected from you, if results don't come, there's something wrong with the "result delivery machine", not you...

Change... is among the hardest things to achieve. Change is not doing something different than yesterday, it's doing something different today, tomorrow AND everyday forth. Change is habits, taste that. Habits resides in your backbone, not in your mind... Imagine you should mentor someone into quit smoking, that's change, imagine you should teach a child to ride a bike, change is achieved when the child actually rides out of your sight, on her own of course. That's change. Now connect that to taboos and biases and see the full workload, and of course benefits when real change is done. More on all of this in practically every page of this issue.

Have fun!

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IMD

What teams don't, can't, daren't or won't discuss

Being honest about taboo subjects and tackling them head on can address toxic workplace culture and revitalize ailing teams.

We've all been there– the sarcastic answers from a disgruntled colleague and team meetings that feel more like a wake. Toxic office culture manifests in many forms and holds back team performance and learning. And at the heart of this age old dilemma lie the "undiscussables" – off-limits subjects that poison team spirit and cripple potential.

The challenge of the "undiscussables" has grown in recent years as new ways of working – virtually and across cultures – mean that colleagues can struggle to pick up signals or avoid stumbling blocks. The need to find effective ways to deal with the "undiscussables" has become more urgent.

These off-limits topics might save us from the stress of short-term conflicts but the long-term damage results in stagnation and an inability to change or learn.

- Does your team agree publicly during meetings but disagree (and vent) privately?
- Does your team often use sarcasm, silence, or nonverbal gestures to signal disagreement?
- Are team meetings too undemanding and unrealistically upbeat?
- Does your team always seem to adopt similar perspectives on problems?
- Are people reluctant to comment on issues outside their direct responsibilities?
- Does your team spin its wheels on minor issues?
- Do important items often get postponed or fall between the cracks?

Once you have established whether or not your team suffers from "undiscussables", it is time to work out the nature of the problem so that it can be dealt with effectively.

It is likely that one of these four categories – and solutions – applies:

1. You think it but dare not say it. When colleagues fear the consequences of speaking honestly, they tend to avoid saying anything. This can be caused or made worse by a team leader that is overly emotional or erratic, or perhaps has a reputation for over-reacting when someone disagrees.

The fix: Leaders must be honest and own up to their behavior – admitting they have created a climate of fear and then encouraging more open discussion about sensitive issues. This means promising immunity to dissenters and lightening the weight of their own authority in the room.

2. You say it but don't mean it. The concern here is group-protection rather than self-protection. Silence is not based on fear, so much as complacency or misplaced loyalty to the team, its leader or the organization.

The fix: Team leaders must expose the hypocrisy and signal their willingness to address it by: acknowledging their role in the dynamic, collecting anonymous examples of platitudes, and breaking the false association between criticism and disloyalty.

3. You feel it but can't name it. Sometimes team members find it difficult to identify or effectively express negative feelings such as mistrust, frustration and irritation. This creates hidden resentments and blights teamwork.

The Fix: Team members must be helped to investigate differences – in personality, experience, and identity – to try to uncover the root causes of their apparent incompatibilities. Once you understand where colleagues are coming from, it becomes easier to value and leverage their input without taking their comments or behavioral quirks as attempts to show off, frustrate, or take advantage of you.

4. You do it but don't realize it. Collective unconscious behaviors are the toughest nut to crack. They tend to be deep-set in the way we work and interact as a team, and the most difficult to recognize. We know there are problems, but we are unable to join the dots. This means that we may never be able to get to the bottom of what is causing a bad atmosphere or weak performance.

The Fix: Reach out to a respected person from your organization or an external expert to observe your team and provide a review of your warped interaction patterns: Who talks and how often? Who people look at when they talk? Who is silent? Who is disengaged? What issues are avoided? With this outside perspective, you can start to unravel the most complex of problems and build a more robust and effective team. ●

Toxic office culture manifests in many forms and holds back team performance and learning.

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Monday

Common causes of project failure and how to avoid them

So, you choose the best resources and tools, assign deliverables and tasks, set milestones and watch your budget like a hawk. With this level of attention, you're almost guaranteed things will go perfectly, right?

Even with the best intentions, project failure is possible. Projects are often derailed by actions and decisions that can cause fallout across the team and the life cycle. Many times the damage is caused by decisions or working styles that a Project Manager (PM) may not realize they're guilty of. Here are six common pitfalls that project managers run into – consider these as your list of PM DON'TS:

As a project moves through the life cycle, one area that is often neglected is documentation.

Scope is poorly defined or not defined at all

The project scope is where you define the work that will – and will not – be done. If the project scope does not properly describe the work, with the proper level of detail, you run two major risks: your project team will not have a clear understanding of the project or a direction to follow; and your clients will not know where the line is drawn in terms of what they can expect or request. This could lead to the team working outside of the parameters of the project – otherwise known as scope creep. These risks put the project in jeopardy because you will lose the efficiency of your team – resources will be misused, deadlines can be missed, and the budget strained.

Project managers must foster a culture where documentation is a regular practice, and include documentation at every phase of the lifecycle.

To avoid this project failure risk, it is critical to draft a well-defined scope of work, that includes details like:

- Phases, deliverables and tasks
- High-level requirements, consumptions, dependencies and constraints
- The project timeline with milestones and decision points
- Any work the project team will NOT perform

These are the details that will get the project off to the right start and serve as a reference for the project team and stakeholders to make sure everything stays on track and in-scope.

Improperly documented processes

As a project moves through the life cycle, one area that is often neglected is documentation. Team members are busy executing their tasks and meeting deliverables, and may not take time to capture everything that is happening. This creates a huge risk of project failure, because there will be no pathway from one task to the next, no proof that requirements are being met and no tracking of what has been done and by whom. This creates disfunction that can throw the whole project off course.

Project managers must foster a culture where documentation is a regular practice, and include documentation at every phase of the lifecycle. Here are the types of documentation to include at each phase:

- Initiation phase – Feasibility report, project charter, business cases
- Planning phase – Requirements document, design documents, resource allocation
- Execution phase – Traceability matrix, issue tracker, communication plan
- Control phase – Project change tracker, test plans & results
- Closure phase – User manual, training materials, handover plan, closeout report, lessons learned

Documenting your processes at this level will keep the team aligned. Everyone will understand what must be done and what has been done, and the project has a much better chance of staying on track or getting back on track if there are any hiccups.

Uninformed resource allocation

Your resources are the most important part of your project. Whether they are existing team members, new employees or contractors, you have to carefully select the people who have the knowledge and skills to execute their deliverables well. But PMs often make the mistake of choosing their team members based on things like existing relationships or their gut instinct. While there is something to be said for those things, without properly vetting each resource, some serious issues could slip through the cracks.

For example, you invite a colleague that you regularly have lunch with to join your project team, because you like their personality and think they could make a good fit. But once the project is in full swing, you find out that they lack any of the skills that you need for the role they've been assigned. Now you're in the awkward position of having to remove them from the project, and you'll need to find another person who can perform the assigned tasks – a recruitment effort that will cost the project time and money.

If you want to avoid risks like team member clashes and slow or poor performance, include the following in your team selection activities:

- Document the tasks needed for the project and the necessary related skills
- Make excellent communication skills and team-oriented personalities a priority
- Enlist the help of the HR team for a skills gap analysis or performance review summary on a team member you're considering
- Seek recommendations from other project leaders and department managers
- Ask outside candidates to provide project histories; ask scenario-based interview questions

Not fostering a strong team

There is no team that succeeds when its members don't work well together. On a project loaded with dependencies, there is almost no stand-alone task. Everyone on the team benefits from performing well together, communicating openly and most of all supporting each other. A team that doesn't work cohesively can be loaded with conflict and miscommunication, which can cause break downs further along the lifecycle.

Let's say there is miscommunication on the team about the stage of a product's development. Because the team members do not work together to reach an agreed upon stage, they both work according to their own criteria. But the technical writer, who gets directives from both team members, documents outdated process steps, which causes further conflict and confusion, wasting both time and money.

As the project's leader, you have to prevent these kind of issues from arising. Don't wait for a problem; establish your team dynamic early and maintain it through activities like:

- Daily standup meetings to check in with the team
- Weekly project calls to talk through and resolve issues
- Individual check-ins with team members to identify any sensitive issues
- Team building activities like bowling, dinner, or a painting class

It's unrealistic to think that team members will agree on everything, but when a team is strong, working through disagreements can be done in a mature, professional manner. Ultimately, a strong team wants individual success to ensure the entire team reaches the goal.

Not participating in strategic planning

The strategic planning process is where priorities are set, stakeholders identified, and desired goals and results defined. These discussions happen among leadership, with project managers often excluded. This can limit your understanding of the organization's goals, objectives, and priorities and impair your decision-making. Suppose you receive a request to change a product's design, which will cost the project more money.

If you don't know whether the company's priority is cost or innovation, you can't make an informed decision. This could cause you to take a wrong turn that leads to project failure.

To avoid being placed in this position, you need to ask for inclusion at the strategic planning stage, during which you can ask questions like:

- What are the top goals, objectives, and priorities of the organization?
- How will we define success?
- Who are our stakeholders?
- What is the expected ROI of this effort?

These questions will help you develop a more focused project plan that will not only result in a successful project and also meet the larger goals of the organization.

Keeping too much to yourself

As a project leader, you want the perception to be that your project is performing well, with no issues. However, if there are concerns or feedback coming from leadership or stakeholders, you owe it to your team to share that information. By not sharing, you prevent people from knowing if another team member or their own deliverable is in jeopardy, and they can't do anything to avoid or resolve an issue. The resulting damage to the project can be avoided by open communication.

Avoid this issue by engaging in communication activities such as:

- Daily or weekly status calls
- Weekly project status emails for the project team
- Weekly project status emails for the organization
- Weekly update meetings with leadership and stakeholders

You may get input from your colleagues that can help you avoid the issues the project is facing, and you can make sure the project stays on track.

If you take a close look at your approach to project management, you may find some of these issues. By taking some simple actions, you can change the course you're on, prevent potential collateral damage, and give your project and team a much greater chance at success. ●

! On a project loaded with dependencies, there is almost no stand-alone task.

Ethical Systems

The case for scoring leadership maturity

The corporate narrative, from its advertising to its annual report, is like a good story. It sells the idea of a noble enterprise. In extreme cases, a company's mission can become something like sacred, an icon around which people bind their allegiance.

As a result, signs that the mission is succeeding are elevated to the status of hard evidence. Counter-narratives, no matter the source, are suspect, and so is anyone who questions accepted truths. Good stories, then, can blind or deceive people, and lead them to behave unethically – and pearhaps even to outright steal, defraud, and corrupt. This can break the crucial conversation between society, the firm, and the investment community. In the absence of accurate, material, and accountable reporting – which we go on to suggest has several benefits – corporate management can deceive its stakeholders to a point where a ruinous collapse becomes inevitable.

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> The way this sort of deception operates in business and business ethics is well known. For example, a 2008 study found that, of the ten most common stocks selected by socially responsible mutual funds, nine companies were simultaneously praised in areas they were condemned. The Rainforest Action Network named Bank of America a winner among its peers in reducing greenhouse gases at its facilities, while at the same time, Riskwaters Group condemned the bank for lending money to businesses involved in crude oil exploration.

The investment community itself is capable of self-deception. A 2016 study analyzed over 2,500 shareholder proposals regarding environmental, societal, and governance issues. Activist investors, it found, often choose to pursue narratives (often topical issues of the day, such as climate change, human rights, or diversity) without considering how these issues might affect the financial performance of a company. More than half of proposals (58%) focused on irrelevant factors, suggesting, as the authors put it, "notable inefficiencies in the engagement efforts conducted by many investors." Proposals on less important issues were, intuitively, associated with subsequent declines in firm valuation. Take a bank that is considering investing solar panels versus a more detailed understanding of the affordability of its loans across its customer base. The former might be more attractive, but not as material to value creation as the latter.

Why do companies tend to focus on immaterial issues? The 2016 study's observations agree with our own: Management incentives are often misaligned with shareholder interests, there is often a low awareness of how specific issues may drive or destroy value in the long term, and/or management might be guilty of diverting attention away from poor performance on material issues.

! Management incentives are often misaligned with shareholder interests.

Take the banking industry, for example. It was already lumping together risky mortgages into larger instruments, so-called Collateralized Debt Obligations (or CDOs), back in 2002. The deception that clouded the conversation between US banks and their stakeholders allowed this unsustainable practice to grow to such proportions that, when the bubble burst in 2008, it nearly broke the entire financial system. In Lehman Brothers' 2007 Annual Report, five times as many column-inches were written on the company's contribution to the climate change debate as on the restructuring of its global mortgage origination business. The report offered no reporting on the underlying risks relating to lending into the subprime housing market. Deception becomes self-deception, ultimately leading to unethical business practices in order to support the demand for unsustainable profit.

> Consider the case of Clayton Homes, a Berkshire-Hathaway subsidiary, during the 2008 financial crisis. The company would have been particularly vulnerable to loan defaults at the time, as its business involved selling fabricated homes in the subprime housing market. However, Clayton Homes had long adopted conservative financing practices. In the run-up to the financial crisis, it stuck to its clearly communicated policy, the outcomes of which were reported to shareholders: It sold only to customers buying a Clayton home as their primary residence and ensured buyers met the company's affordability criteria.
>
> As a result, Clayton Homes suffered few defaults during the crisis, and was even able to substantially increase its share of the market as others' shares collapsed.

How does society put pressure on corporate leadership to adopt the council's reporting protocols, and to hold more responsible discussions with shareholders? What's missing, is a way to assess the quality of a firm's reporting against the council's new standard – a qualified system for rating the leadership's response to its material issues.

We would call this an assessment of leadership quality, or maturity, and posit that this would provide the investor with a level of confidence in management's ability to create value from its business model, maintaining and even building its relationships and resources (i.e. the drivers of value) over the long term.

Traditionally, the external audit process served as the custodian of this function, assessing reports for key audit matters. However, these are almost exclusively financial – for example, the valuation of certain significant assets or liabilities. This is limiting, not only because there's no interrogation of non-financial issues of societal concern, but also because audit outcomes are binary, *"unqualified"* or *"qualified."* Every effort is made to ensure an unqualified audit. A qualified audit effectively marks the firm's report as failing the standard. Much backroom negotiation (often including some creative accounting) results. This goes on until the audit firm is able to pronounce that nothing came to its attention to preclude it from passing the audit (in the double-negative speak of the profession).

Leadership maturity cannot be assessed as a binary. Any leadership team is likely to underestimate the impact of some issues and overestimate the value of others; reporting is unlikely to be uniformly balanced, with 100 percent reliable, comparable, and material indicators of performance; and a company's strategy may be only partly linked to resolving the challenges presented by its value-driving issues.

For example, an unsustainable strategy, for banks pre-2008, was collateralizing individual mortgages as a means to reduce risk. The underlying societal issue, the issue that could drive or destroy value, was the affordability of home loans, which requires nuanced thinking to monitor effectively. The proportion of a customer's salary servicing mortgage debt should have driven strategy (as in the case of Clayton Homes). So, judgement matters, something that quants and auditors typically find antithetical to their methods.

A rating of leadership maturity, we hypothesize, can emerge from applying an assessment model to annual reporting. We assess the issues that drive value for the firm – its material issues – and we assess the quality of the management's response to those issues in a number of ways.

> **!** Leadership maturity cannot be assessed as a binary.

- One, how well leadership understands the potential impact of the issue on its long-term performance
- Two, how effectively it measures the firm's performance against benchmarks (e.g. peers) and targets for improvement
- Three, leadership accountability (through executive remuneration, for example)
- Four, the firm's strategy – how clearly linked it is to address the underlying issue

Firms that deny the relevance of a material issue, or seek to deceive, are scored negatively, while those showing commitment, engagement, and a strategic response are marked positively. A final score for leadership maturity is simply the average of all the issue scores for a company, where each issue is weighted for its materiality.

Such a score may incentivize leaders to improve their understanding of the issues that could sink or add value to their businesses. It could concentrate their energies more effectively on seeking solutions to societal and environmental challenges, to their firm's competitive advantage. Bubbles in the market that ultimately lead to damaging losses for both business and society may be less likely to develop, since material issues will more often be noted as soon as they surface.

What's more, the conversation around pernicious societal challenges, from the field of human rights to climate change, may improve dramatically, moving the market to respond with solutions that benefit us all. ●

IMD

Changing employee behavior

As anyone who has enthusiastically resolved to do more sport or stop smoking knows, it is hard to change one's behavior in a sustained way. So, imagine how much more difficult it is to motivate others to embrace change.

Managers' negative expectations set their employees up to fail.

Yet this is one of the main managerial roles: To help employees change their behavior, for both the employees' and the company's benefit. Managers can do so by building essential skills or encouraging direct reports to stop doing something or to do it better or differently.

According to a global study of 500 executives, managers believe that only one in two attempts to change employee behavior is successful. Around a third know the techniques and are sure they can motivate their employees to change, but only one in ten managers knows how to do so in a sustained way. These results are not surprising, since managers tend to use limited tools to identify what needs to change and apply conventional tactics, such as advice, feedback or training, to resolve the issue. Rarely do they explore how to change. They also mostly underestimate the influence of the context – the environment and conditions in which behavioral change happen – on changing employee behavior and sustaining it.

How context influences behavior

It is well known that context and life circumstances – such as support from family and friends, the number and quality of social connections, external rules and culture – are vital for sustaining changed behavior. This has been proved in various settings. For example, more than half of prisoners relapse into criminal behavior if they are released into the old unchanged context.

Similarly, brainwashed US veterans from the Korean war reverted to their old habits and behaviors once back home.

In a business setting, managers' perceptions and attitudes are another important element of context. These are set within the first month, during which most managers instinctively divide their employees into those they can rely on and the rest, thus creating long-lasting psychological stereotypes of strong and weak performers.

Context managers create for their subordinates

	Strong performers	Weak performers
Manager's perception	More motivated, proactive, innovative, big picture thinkers, better leaders, positive, agile and open-minded	More defensive, parochial, critical of innovation, prone to hoard information and disrespect authority, unlikely to go beyond the call of duty
Manager's behavior	Explains "what and why," open to their ideas, act as sparring partners, available, shares more, assigns more challenging tasks, more personal interest, invests in them	Tells "how," pushes own ideas, monitors actions and results, focuses on KPIs, less patient, more directive, less delegation

This psychological stereotyping causes different approaches and attitudes when dealing with strong vs. weak performers, thus reinforcing their behavior. When leaders have higher expectations, this increases direct reports' motivation and effort and improves performance. In psychology, this is known as the Pygmalion effect.

Conversely, managers' negative expectations set their employees up to fail: Bosses assign routine tasks with little scope for employees to take charge; they monitor more closely and micro-manage, thus conveying lack of trust. Employees lose confidence and feel less inclined to take risks or come up with ideas; a downward spiral begins. The single most influential factor in a person's working context is their relationship with their manager, so changing the context means managers doing something differently.

Change levers

In order to achieve sustained change in employees' behavior and help them perform and develop effectively, it is not enough for managers to change their own attitude towards their subordinates. They should also use the key levers summarized in the MAPS model: Motivation, Ability, Psychological capital and Supporting environment.

Most managers tend to focus on ability, underestimating the importance of the other three. We will therefore concentrate on the three undervalued levers.

• Instilling motivation

Motivation gets people inspired, proactive and involved. When people are motivated to achieve and sustain a specific change, they are far more likely to succeed, as higher motivation means higher effort.

There are two types of motivation. Most managers are aware of the importance of *"intrinsic"* motivation, but mostly they focus on *"extrinsic"* motivation, such as awarding bonuses and merit increases. The latter are effective in boosting performance on those tasks that use mechanical skills. For cognitive skills, intrinsic motivation is far more effective.

The latter are effective in boosting performance on tasks that use mechanical skills. For cognitive skills, intrinsic motivation is far more effective.

Intrinsic motivation is fueled by internal feelings – the fact we find something fulfilling or enjoyable.

According to self-determination theory, intrinsic motivation includes the following three factors:

1. Autonomy: The sense of being in control and having a choice. When given more autonomy, people are more likely to put in sustained effort, perform better, fulfill goals, achieve even assigned changes and experience enjoyment and satisfaction. To increase a sense of autonomy, managers should involve people, get the tone right and offer choices.

2. Mastery: The sense of being competent and relishing challenge. People are more motivated if they feel competent, especially for complex and broad goals. Besides, challenging and difficult goals lead to higher job satisfaction and feelings of success. Reminding an employee of their strengths is a good way to increase a sense of mastery. Positioning things as a challenge, rather than change, and appealing to their pride is also effective.

3. Connection: The sense of being meaningfully connected to other people and what you are doing. Having a sense of purpose leads to higher performance, enjoyment and satisfaction, and sustained dedication. Managers can boost connection by involving people – asking why it matters and what the benefits of change will be; explaining the reasons for change; and making it personal and practical.

Remember: One size does not fit all – people's intrinsic motivation, as well as advice on increasing it, depends heavily on gender, culture, age and career concept. The latter categorizes how people see their own career path: Are they experts, or following a linear, spiral or transitory track? Managers cannot apply the same challenges and goals to everyone to achieve optimum motivation.

• Developing psychological capital

Psychological capital refers to the crucial inner resources a person needs to thrive and succeed at almost everything. In other words, success in changing employees' behavior depends on their own self-belief, as well as the willpower and resilience to see things through and sustain change.

Employees' psychological capital affects a wide range of work-related outcomes, such as job performance, work satisfaction, citizenship, absenteeism and stress. Personality and self-esteem are crucial parts of psychological capital, which managers can significantly strengthen through support and creating the right work environment.

The four elements of psychological capital are self-confidence, optimism, willpower and resilience.

1. Self-confidence refers to one's belief and level of trust in oneself and one's abilities. Confident people are more likely to work hard and keep going; achieve behavior change; react positively to training; and learn practical and complex interpersonal skills.

Self-confidence is directly related to internal locus of control – when something goes well, a person believes it is because they have done well, rather than attributing their success to pure luck or to others, as those with an external locus of control tend to do. Building self-confidence means increasing internal locus of control, which makes behavior change last longer.

Managers can help their subordinates build confidence in several ways, through:

– **Guided mastery,** helping them achieve success by, for example, ensuring they understand what they need to do, by planning with them how they will practice a new behavior, and highlighting progress and praising them for it.

– **Wisely identifying a role model,** not to showcase perfection but to illustrate that progress is achievable. The role model should be reliable and easy to relate to (e.g. same gender, ethnicity, age).

– **Persuasion** using the Pygmalion effect, i.e. expressing confidence in their abilities, reminding them of their strengths, publicizing achievements.

– **Physiology.** It is possible to reduce anxiety and stress via deep breathing, mindfulness or high-power poses.

2. Optimism is a mindset that focuses on positive thinking, taking credit for good events and viewing bad events as temporary. Pessimists tend to over-generalize, personalize and have an "all or nothing" attitude. Optimists cope better with setbacks and are more likely to sustain change, yet there is a danger that they might underestimate risks and not prepare enough for setbacks. The best way a manager can help increase employees' optimism is by reinforcing

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their true self-concept, helping them frame things positively – "I messed up that presentation" rather than "I'm useless, I never present well."

3. Willpower is the capacity to exercise self-control, to start, continue or stop doing something. Willpower can be built by encouraging people to look after themselves (enough sleep, healthy eating, less stress), to practice simple self-discipline (keeping a diary, good posture, developing the non-dominant hand) and to stop distractions and build focus (via positive, motivational or instructional self-talk and mindfulness).

4. Resilience is the ability to cope with adversity and grow stronger, to develop alternative ways of doing things when faced with difficulties and failures. Resilience in the workplace can be built in three ways by:

– **Promoting a growth mindset** by praising people for hard work and improvement; asking what they learned; and pointing out fixed-mind tendencies.

– **Cultivating self-compassion by comforting** people, helping them depersonalize the issue and be more objective about themselves, rather than being totally driven by perfectionism. Resilience without self-compassion is much more fragile.

– **Planning for setbacks** by identifying problems that might arise with the desired behavior change, and how to respond to each one – what are the options, how effective is each likely to be?

Together, willpower and resilience provide the inner steel, or grit, to see things through.

The best way a manager can help increase employees' optimism is by reinforcing their true self-concept.

• Building a supportive environment for behavioral change

The final element in the MAPS model for sustaining changed employee behavior is creating a supportive environment at work in terms of physical environment, team dynamics and organizational culture. A supportive environment can be built with three levers – social support, habit structure and choice architecture. The first two are not largely influenced by managers, whereas the last one is easily controllable and more efficient in terms of helping employees change their behavior.

The art and science of choice architecture is based on nudges – a term that comes from behavioral economics, referring to a feature of the environment that influences the choices people unconsciously make, without coercing them. Managers can influence employees' behavior by paying attention to the following five nudges:

1. Information framing. The same fact can be presented in ways that will lead to different reactions ("1 in 10 people die five years after surgery" vs. "9 in 10 people are alive five years after surgery"). Experts, more confident people and those who are close to achieving their goal respond best to criticism, whereas beginners and unconfident people react better to praise and positive comments.

2. Priming is widely used in different areas and settings. *Priming commitment* can be achieved by having employees sign their development plans. *Priming openness* can be achieved by using more comfortable chairs, whereas harder chairs lead to tougher positions in negotiations. *Priming confidence* can easily be achieved by using more positive words in conversation or written feedback.

3. Loss avoidance. People are more motivated by the thought of losing something than of receiving a reward. Losses are perceived as around 2.5 times more powerful than gains, so instead of promising gains set the goal to avoid losses. For example, give a prize upfront and say the person can keep it if certain conditions are fulfilled.

4. Decision economics is simple: In order for change to happen, the costs and benefits of the change should add up and be clearly communicated.

5. Social influence. Making people aware of social norms (desired or actual) changes their behavior (especially telling them in as personal and meaningful a way as possible, for instance "most of your colleagues do..."). As people care about their reputation, peer pressure and accountability can also help to influence – for example, by making a development goal public or creating visibility on performance levels.

• Key learnings for managers

The right context is one of the most important yet undervalued factors in sustaining behavior change. Managers can bring out the best in people by paying more attention to the recruitment process and making relationship a priority during onboarding.

1. Be careful with labels, including inherited labels, as they can create a self-fulfilling prophecy. Managers should solidify their own opinion about their direct reports and be careful about intuitively deciding on high vs. low performers.

2. Hold positive expectations about employee performance, since in most cases this helps them deliver more.

3. The MAPS model – motivation, abilities, psychological capital and social environment – provides a systematic approach to changing employee behavior sustainably.

4. Appealing to individual preferences for autonomy, mastery or connection can increase intrinsic motivation, which is vital for sustaining behavior change.

5. Managers can strengthen employees' psychological capital – self-belief and grit – by support and the type of work environment they create, which includes physical environment, team dynamics and organizational culture.

6. Tackle problems as they emerge, by asking not telling – "How do you think the presentation went?"

7. Actively nudging employees to manage their choices is gaining traction. ●

Science Storiented

The ugliness penalty: Does it literally pay to be pretty?

There are economic studies that show that attractive people earn more money and, conversely, unattractive earn less money. Is there a "beauty premium" and the "ugliness penalty"?

But while these seem like pretty commonplace ideas, there is no real evidence as to why they exist. A new paper published in the Journal of Business and Psychology tested three of the leading explanations of the existence or the beauty premium and ugliness penalty:

- Discrimination
- Self-election
- Individual differences

To do this, the researchers used data from the National Longitudinal Survey of Adolescent Health. This is a nationally representative sample that includes measurements of physical attractiveness (5-point scale) at four time points to the age of 29. People were placed into 5 categories based on physical attractiveness, from very attractive to very unattractive. They statistically compared every combination they could think of and came up with many tables full of tiny numbers, as well as some interesting results.

Discrimination

It is what it sounds like: ugly people are discriminated against and paid less. And it isn't just from employers, it can also be from co-workers, customers, or clients that prefer to work with or do business with pretty people. Or it could be a combination, like an employer that hires someone pretty because they know that others will respond to them better. Because there is a monotonically positive association between attractiveness and earnings (an overly academic way of saying that one is linked to the other), it can be tested.

The results painted a somewhat different picture than you might expect. There was some evidence of a beauty premium in that pretty people earned more than average looking people. However, the researchers found that attractiveness and earnings were not at all monotonic. In fact, ugly people earned more than both average and attractive people, with "very unattractive" people winning out in most cases. So, no ugliness penalty and no discrimination there. Good, we don't like discrimination. Rather, the underlying productivity of workers as measured by their intelligence and education accounted for the associations observed. Basically, ugly people were smarter (and yes, IQ was a variable).

Self-election

This occurs in the absence of discrimination. A person self-sorts themselves into an attractiveness group based on how attractive they perceive themselves to be and may choose their occupation accordingly. If a pretty person chooses an occupation that has higher earnings (or vice versa), then there is a positive association between attractiveness and earnings both across and within occupations.

Once again, the results were unexpected. The self-selection hypothesis was refuted. Ugly people earned more than pretty people. In fact, very unattractive people earned more than both regular unattractive and average looking people. This is where the researchers start calling this effect "the ugliness premium." Good term.

Individual differences

This one posits that a pretty and ugly people are genuinely different. Try looking at it in the context of evolutionary biology. Physical attractiveness is based on facial symmetry, averageness, and secondary sexual characteristics, which all signal genetic and developmental health. Many traits can be quantified very accurately with today's computers. There are standards of beauty both within a single culture and across all cultures. Studies have also shown that attractive children receive more positive feedback from interpersonal interactions, making them more likely to develop an extraverted personality. If health, intelligence, and personality, along with other measures of productivity, are statistically controlled then attractiveness should be able to be compared to earnings.

Again, there was absolutely no evidence for either the beauty premium or the ugliness penalty. Rather, there was some support for the ugliness premium. Now keep in mind, this was not as much a this-higher-than-that, but more of a this-different-from-that type of hypothesis. So there actually is strong support that there are differences. There was a significantly positive effect of health and intelligence on earnings. → 14

! Try looking at it in the context of evolutionary biology.

Harvard Business Review

8 things leaders do that make employees quit

Algorithms are becoming increasingly relevant in the workplace. From sifting through resumes to deciding who gets a raise, many of these new systems are proving to be highly valuable. But perhaps their most impressive, and relevant, capability is predicting which employees will quit.

In order to meet competing expectations, the result is a team of stressed out people without clear priorities.

IBM is in the process of patenting an algorithm that can supposedly predict flight risk with 95% accuracy. Given that we are in a candidate-driven market, this is a significant innovation.

There are now more job openings in the U.S. than there are unemployed Americans.

Losing an employee can have a drastic effect on team morale, and result in a domino effect that leads to poor performance and productivity. Not to mention, it is expensive, and not just because of lost talent. It takes an average of 24 days to fill a job, costing employers up to $4,000 per hire – maybe more, depending on your industry. The good news is that only about a quarter of employees that leave do so within their first year. This means you have plenty of time to assess flight risks and address them.

But not every company has a fancy algorithm to help them out. Even predictive models that can identify the behavioral patterns that reveal *who* will quit don't excel at explaining **why** they do. This is likely because the reasons people quit are deep-rooted and complex.

Research has identified eight common leadership mistakes that help explain this *why*. Understanding them, and how they impact your team, will help you identify those who are at flight risk, and make changes that may convince them to stay.

Mistake 1: Setting inconsistent goals or expectations

Consider this scenario: A sales representative at a rental car company has to choose between serving her next client, or correctly logging her previous client's information into the system. Her manager has made it clear that "slow service is poor service," but she knows that improperly entering customer information could get her fired. Choosing between these two tasks causes her to experience high levels of stress on a daily basis, and as a consequence, she hates her job.

This situation is not uncommon. But when employees are forced to choose between tasks in order to meet competing expectations, the result is a team of stressed out people without clear priorities.

How can you avoid this situation? Take a note from Disney. Each worker in the Magic Kingdom is given a list of priorities with items ordered from the most to the least important. Safety comes first, followed by courtesy, show (or performance) next, and finally, efficiency. When team members find themselves in sticky situations, no one is confused about how to manage them.

You can create this same kind of stability on your team by being consistent and clear with your expectations. Write them down – even if it is only for yourself – to see if any contradict or overlap. Then, make necessary changes and share. In doing so, you will empower your team and ease their stress by giving them a greater sense of control over their tasks. Most importantly, you will be making work a more pleasant place to be.

Mistake 2: Having too many process constraints

Process constraints often occur when a lack of information, resources, or another factor, stops an employee from doing their job. For example, when a worker is forced to wait for several other tasks to be completed before they can move forward with a project. Such conditions will naturally inhibit performance – which are evaluated by managers – even if it is not the employee's fault. In turn, the employee begins to feel powerless, and displays low morale, poor work quality, and frustration.

How can you avoid this situation? Consider context when evaluating performance. Look at the criteria, and consider how much control your employee has over their outcomes, as well as how much control you have over any constraints that may be affecting their output. Talk openly to them about their performance and ask questions that will help them communicate any concerns on their end.

If you find that process constraints are in fact affecting their performance, use your influence to try and improve the situation. Sometimes this might require having difficult conversations with other departments or leaders. But these conversations will ultimately benefit your employee, as well as your bottom line.

Mistake 3: Wasting your resources
Pretend you are a marketing manager. You have until Friday to roll out a new campaign. It's Tuesday, which should theoretically leave you with plenty of time. But there's a problem. You have six meetings for a total of four and a half hours today. The following day, you have seven meetings, which eat up six hours. On Thursday, you have to attend a team training session for five hours. So, when are you supposed to work?

This is what we call resource waste. In the case above, and many others, the resource going to waste is time. Employees who are constantly crunched for time tend to get burned out faster, which impacts the quality of their deliverables. If you don't give your team the resources they need to succeed, you are setting them up to fail. It's not uncommon for employees in this situation to leave and seek out a company with a more sustainable work culture.

How can you avoid this situation? Sometimes busy weeks that result in wasted resources are unavoidable. But creating a list that ranks the importance and impact of your employees' tasks can help. If your employee knows their campaign plan is due Friday, for example, help them itemize the tasks they need to complete by that deadline, and consider if doing so is realistic given their current workload. Before assigning them additional tasks or inviting them to meeting after meeting, ask, "Is this new task a priority? Does this employee really need to be in the room?" If the answer is "no," give them space to do their most important work.

Mistake 4: Putting people in the wrong roles
If you ever hear an employee say, "I went to college for this?" you can bet they are not happy with where they are or what they are doing. This is another example of waste, and can also be called "knowledge and skills waste." Unused abilities can leave employees feeling undervalued and faceless. An algorithm can easily take a job posting, outline the skills required for it, then take a resume, and infer the knowledge and abilities of a job candidate. But if there is a disconnect by the time that candidate becomes an employee, you've got a risk factor out of the gate.

How can you avoid this situation? It's best to be transparent about the roles you are hiring for and what they require during the interview process. But if you're already in too deep, there are a few ways you can handle it. Start by checking the job description your employee was hired into, and compare it against their current task load. Are there gaps, and if so, how wide are they? Take notes. Then discuss them with your team member to see which gaps are falling short of their goals, and which are the most important.

You may not be able to change the role entirely, and it may take time, but together, you can come up with a plan to help them take on more meaningful responsibilities, and drop tasks that add the least value to your team.

Mistake 5: Assigning boring, or overly easy, tasks
Think about the last time you had to go to a work event that you really didn't want to attend. Maybe you had to converse with too many people about uninteresting topics or sit through several hour-long seminars in a single day. How does that feel?

You are likely exhausted, very exhausted – even though all you had to do was talk a little and listen.

Why? Because you were suppressing your emotions. Suppressing, rather than acknowledging, any feeling can take a toll on your energy level, even if that feeling is boredom. If you have an employee with a light workload who constantly takes an excessively long time to finish their tasks, don't assume they are lazy. Less work is not always easier work. When employees don't have enough to do, they can lose motivation and experience negative emotions. If they suppress those emotions, they can become physically and emotionally exhaustion. The net result is a lack of work satisfaction and engagement, forcing employees to finally ask whether this job is the right fit for them.

How can you avoid this situation? Get creative. If your team member has a history of stable performance, they'll likely be open to extending their capabilities and taking on more challenging work during their downtime. Before assigning tasks, ask your employee about their interests and passions. Based on their answers, give them work that will enhance their knowledge, skills, or help them grow in the right direction. A learning agenda with target goals, and a roadmap outlining how they will reach them, will also help you keep track of and check in on their progress.

Mistake 6: Failing to create a psychologically safe culture
Hostile environments are easy to spot. If you notice your team members being overly agreeable or quiet in meetings, that's a bad sign. When employees fear their thoughts or ideas will be met with repercussions, they tend to behave this way, which means you are likely operating in a fear culture. Employees who do not feel psychologically safe are more prone to error, and less likely to take risks, participate in healthy conflict, or grow in their roles. Contrarily, team members that feel psychologically safe are productive, innovative, and enjoy a sense of belonging.

Employees who are constantly crunched for time tend to get burned out faster, which impacts the quality of their deliverables.

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To create a psychologically safe work environment, show your team that you are open to new ideas.

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Before you make an important decision consider what is driving you.

How can you avoid this situation? To create a psychologically safe work environment, show your team that you are open to new ideas. In meetings, ask questions before posing answers and reward those who speak up by thanking them for their input or following up with additional queries. Consider all viewpoints when brainstorming solutions to difficult problems and make sure your team knows that there is no such thing as a "wrong answer." If an idea has a lot of potential, you might even ask your employee to run with it and present what they come up with at the next meeting. The more you can incorporate your team's feedback into projects and strategies, the more empowered, valued, and safe they will feel working for you.

In addition, show some humility. When you own up to your faults, or admit that you don't have all the answers, you show your team members that it's okay to "fail." Take on the perspective that failure is an opportunity to grow, and your team will start to do the same.

Mistake 7: Creating a work environment that is too safe
Studies show that a moderate level of pressure and friction at work is healthy for employee growth. But the key is moderation. When employees feel overly pressured to perform well in their roles, they can lose sight of what's important, and in acts of desperation, use unethical means to excel. On the other hand, if your employees have no pressure at all, they may start to wonder if their work even matters. People who find no meaning or purpose in their work perform below their potential, are less productive, and are often less loyal than those who work in purpose-driven organizations.

How can you avoid this situation? One way to create a healthy amount of friction is to provide your team with regular feedback – both positive and negative. When delivered thoughtfully and without judgement, negative feedback can give people something meaningful to work towards. You should also be sure to remind your employees of what they are doing well, and how their role contributes to the goals of the larger organization (no matter how big or small their contribution is). In turn, they will begin to see how they fit into the big picture, and may even start to feel a greater sense of purpose.

Mistake 8: Leading with bias
Consumer studies show how much customers value being treated fairly by the companies they give their money to, and the same can be said for workers on the inside, giving up their time. Leaders who are fair – without bias – are leaders who employees can trust, and a trusting manager-employee relationship "defines the best workplaces," improves performance, and is good for revenue. A lack of trust, however, can result in low morale and a team with little or no guidance. Think of it this way: if your employees don't trust you to lead them down the right path, how will they come together and align their efforts to meet a shared goal? Put yourself in their shoes. Would you want to work at a place without clear direction?

How can you avoid this situation? Practicing self-awareness is a good start. Managers who can recognize their implicit biases and make adjustments to overcome them are more likely to lead in a fair and just manner. Before you make an important decision consider what is driving you. Are you basing your choices from evidence, or preference? Have you considered other perspectives? Are there any gaps in your knowledge you need to fill first? Asking for regular feedback from your team, and acting on it, will also build a culture of fairness and open communication.

It's true that there is no way you can control every aspect of your team's work experience. If someone wants to leave bad enough, sometimes they just will. That said, focusing on your own behaviors, what you can control, will do wonders to improve the performance and cohesiveness of your team. The better you manage, the more productive, innovative, satisfied, and most importantly, loyal your team will be. ●

11→ Also, the "Big Five" personality factors – Openness, Conscientiousness, Extroversion, Agreeableness, and Neuroticism (or OCEAN… cute) – were significantly correlated with physical attractiveness. Pretty people were more OCEA and less N. This may be why looks appear to have an effect on earnings.

The importance of intelligence and education as it correlates with attractiveness would be an interesting next step. We are seeing the "Rise of the Nerds", where intelligence is outpacing beauty in terms of success. Had they analyzed data from another decade, would the ugliness penalty find support? ●

University of Leeds

When women are on boards, male CEOs are less overconfident

A number of governments are pushing for greater female representation in the boardroom. And several studies suggest why: Having women on the board results better acquisition and investment decisions and in less aggressive risk-taking.

What's less clear is why these effects happen.

Research suggests one potential reason: Having female board members helps temper the overconfidence of male CEOs, improving overall decision making for the company.

Overconfidence leads CEOs to overestimate returns and underestimate risk, which can result in overinvestment and excessive risk-taking, destroying shareholder value.

One benefit of having female directors on the board is a greater diversity of viewpoints, which is purported to improve the quality of board deliberations, especially when complex issues are involved, because different perspectives can increase the amount of information available. At the same time, research has found that female directors tend to be less conformist and more likely to express their independent views than male directors because they do not belong to old-boy networks. So, a board with female directors might be more likely to challenge the CEO and push him to consider a wider range of options, as well as pros and cons, when making strategic firm decisions. This could then attenuate CEO overconfidence and correct for potentially biased beliefs.

To test this, we gathered data on 1,629 listed firms in the U.S., including data on their CEOs and boards, for the time period 1998 to 2013. During these years men were disproportionately represented among CEOs and board members. Women, on average, made up 10.4% of the board members and 2.9% of the CEOs in our sample. We examined whether CEOs were less likely to exhibit overconfidence when there were women on their board, and how this effect influenced corporate decisions and performance.

To assess overconfidence, we looked at CEOs' option-exercise behavior. Unlike corporate decisions that reflect top management's collective beliefs (such as whether to pursue a corporate strategy), the personal choice of holding or exercising vested options is likely to reveal a CEO's individual beliefs and confidence about the company. We estimated CEOs' level of overconfidence by calculating the "moneyness" of their stock option portfolios, or how much the stock price exceeds the exercise price for each year.

Think about it this way: If a CEO is confident about the future performance of the firm, he'll likely be more willing to hold onto his options, thinking he'll profit from a future stock price appreciation. But if it's already profitable to exercise those options because the market price is high, holding onto them could indicate overconfidence about the company's prospects, especially if the anticipated future performance doesn't materialize.

We then analyzed whether female board representation affected this behavior, controlling for many factors that could influence overconfidence, including firm size, profitability, leverage, growth opportunities, corporate governance, and CEO characteristics (such as age, tenure, education, professional background, and experience). After accounting for these, we found a negative and significant relationship between female board representation, as measured by the fraction of female directors, and the overconfidence measure for male CEOs. In other words, male CEOs at firms with female directors were less likely than male CEOs at firms with no female directors to continue holding options when exercising would yield profits. Interestingly, there was no similar effect on female CEOs' option-exercising behavior.

It's hard to say why this is the case – whether it's because female CEOs tend to be less overconfident, for example – because the sample of women was so small.

If women on boards keep CEO overconfidence in check, how might this impact corporate decisions and performance? We've already said that too much CEO overconfidence may hurt the firm if it leads to overinvestment in certain opportunities and/or bad acquisitions. So, by reducing CEO overconfidence, female board representation may also result in less aggressive investment policies and better acquisition decisions. This would make the gender composition of the board particularly important in industries where CEOs are more likely to suffer from overconfidence – in our data. → 17

! Female directors tend to be less conformist and more likely to express their independent views than male directors.

! By reducing CEO overconfidence, female board representation may result in better acquisition decisions.

IBM

Why fixing software bugs should be the CEO's problem

For nearly every major disaster caused by software defects, the postmortem usually determines that the defect had been around for some time. The problem is not that company leaders need to have engineering backgrounds and don't, but that few outside of engineering silos know how to discuss critical software systems.

Software platforms permeate the fabric of our lives, yet only 27% of CEOs in the Fortune 100 have degrees in engineering and science. Join a quarterly earnings call, and you'll hear plenty of discussion about revenue, expenses, and geographic trends, but little (if anything) about the quality of the company's software.

As a result, software bugs generally stay below the radar of the CEO unless a cataclysmic event occurs.

The sudden-acceleration problem in Toyota cars was a textbook case of what can happen without a proactive internal quality system. In 2004 the National Highway Traffic Safety Administration opened an investigation into complaints about the electronic throttle control in the Lexus ES300s. But Toyota didn't issue large recalls – or halt the sales of affected models – until 2010. When a lawsuit against Toyota was settled three years later, two expert witnesses reported that the "system was defective and dangerous, riddled with bugs and gaps in its failsafes that led to the root cause of the crash." A Toyota programmer described the engine control application as "spaghetti-like." The drawn-out nature and lack of resolve of this case are clear signs there was an inadequate quality review system in place. With a good system, that bug would have been visible to top leadership month after month, early and often, prompting efficient – and life-saving – action.

Company leaders can, and should, be intimately involved in software quality, just as they are involved in sales and finance divisions.

Company leaders can, and should, be intimately involved in software quality, just as they are involved in sales and finance divisions. This means understanding how technical teams work and implementing a quality management system.

What leading the way looks like

In the early 1990s IBM was experiencing serious field quality problems in addition to difficulties with meeting deadlines for new products. CEO Louis Gerstner Jr. was frustrated that, on the date some products were due, he was told they would miss the launch date by a year. In a legendary memo Gerstner offered an amnesty program – 30 days to reset the dates, and after that missing a date would be cause for dismissal.

The task of creating new schedules was given to Nicholas Donofrio, the SVP of technology and manufacturing. Donofrio's motto was "Be forthright [about your schedule and quality issues] and I'll be forthcoming [about getting you the needed resources]." He did not have direct line management for the systems (both hardware and software) business, but since he was the prior leader of the business unit, he had in-depth knowledge and deep personal relationships. Almost 80% of the product dates were reset, and each product organization established end-to-end quality management systems. By 1999 IBM was the worldwide server leader, with 23% market share.

Similarly, in the 1990s Microsoft's Windows operating systems had a series of bugs that resulted in computers' frequently freezing. The public largely got used to those failures – "blue screens of death" – but then Microsoft was hit by other bugs: As Windows systems connected to the internet, they suffered many embarrassing hacks, viruses, and security problems. Bill Gates responded to the crisis with a memo issuing a call to arms, which was sent to all 50,000 employees and simultaneously published in Wired. In it he defined "trustworthy computing," a broad set of initiatives to improve security and product-design, and outlined the prerequisites for a broad Quality Management System (QMS), including changes in software design and development processes, new error-reporting capabilities, and new update features.

These two examples show how leaders can turn around deteriorating engineering divisions by asking simple questions, setting standards, and seeing themselves as part of the process.

When software is critical, so are bugs

Creating an effective QMS that includes engineers and top leadership alike should be approached as an evolutionary exercise, starting simple with a focus on high impact early on. CEOs should ask two simple questions about a product that has recently shipped:

1. *"What criteria was used to determine when the product was ready to be shipped?"* There should be a clear discussion on the amount of time in system testing, the type of tests completed, and the precise criteria used in the decision to ship the product.

2. *"What is the current defect status after the first six months?"* It is normal to see an uptick in defects after the initial shipment, because of increased usage in real-world environments, but leaders should probe how engineering teams are prioritizing bugs and categorizing the most severe defects. With this information, leaders can drill down on the key metric of days open for a defect, to ensure the most severe defects are being fixed in an expeditious manner.

Your focus should be on creating a culture where honesty is rewarded and employees feel safe discussing methods and techniques to address software defects. In this environment, information should flow easily between the required silos.

Next-level quality management

If you're creating a QMS from scratch, your first step is to decide on how the organization will classify and prioritize bugs. This should be done by the client-facing teams in conjunction with clients. Generally, teams will prioritize two types of bugs: those that cause a system to crash and a loss of service (these earned top severity at IBM) and those that are less severe but could be pervasive.

Next, as an organization, decide your target response time for each level of severity. If the QMS is new, then the initial focus should be on fixing the most severe bugs within hours or days. As you use your system, you can gather data on two key metrics, incoming bug rates and the productivity of the bug fixers, and adjust your targets as needed.

Finally, you should create a review system that involves yourself and other top leaders. Reviews of open defects and time to resolve a defect should be done with various degrees of detail at all levels of the organization.

Once the QMS is established, the CEO is unlikely to see many old bugs simply because of the fact that nobody wants to give the same excuse two months in a row. The CEO could also review all of the high-severity bugs and the pervasive ones. The CEO could ask the simplest question: "How did the software get released with that type of bug?" The product development team might respond with software engineering jargon about "escapes," and the CEO could then ask an almost rhetorical question: "Will we test those conditions next time before releasing the product?"

This type of QMS will lead to improved client experiences. ●

! If you're creating a QMS from scratch, your first step is to decide on how the organization will classify and prioritize bugs.

15→ We found that the most overconfident CEOs were in industries like pharmaceuticals, computer software, coal, and construction. And we did find that having at least one female director on the board was associated with less aggressive investment policies, better acquisition decisions, and ultimately improved firm performance in these industries. We did not observe this relationship in the remaining industries, such as telecommunications and utilities, perhaps because CEO overconfidence was already not so high.

To further examine how female board-members affect firm performance, we looked at differences in accounting and stock performance for 516 firms during the financial crisis of 2007 to 2009. We expected CEO overconfidence (which we similarly estimated from their option-exercising behavior) to result in poor performance during the crisis, as it might have led CEOs to pursue aggressive strategies that made their firms more vulnerable. But because female directors might be more likely to temper these CEOs' behavior, we expected to see better performance during the crisis for firms with female directors.

Our results were consistent with this prediction. We found that female board representation reduced the negative impact of the crisis on firm performance (measured by firm value, return on assets, and return on equity) because CEOs of firms with female board representation were less likely to adopt aggressive strategies that made their firms more vulnerable to the crisis.

Firms that did not have female board representation suffered a greater drop in performance on these measures.

Our study has two important policy implications. First, it suggests that female board representation matters more in certain industries, because some industries have more overconfident CEOs. Second, our findings suggest female board representation can be especially beneficial in helping firms weather crises. Overall, our research supports the view that having women on boards improves strategic decision making and benefits firms. ●

Bates Communications

Why you must speak up when you see bias

Bias in the workplace takes many forms. It may show up as sexism, racism or even bias against another department or function. Making sure all people feel like they belong is not just the right thing to do morally, it is the right thing to do business-wise.

Studies have shown that under most conditions, bystanders will more likely help people they perceive to be similar to themselves.

Research finds that the need to belong trumps the need for safety. A sense of belonging and attachment to a group of co-workers is a better motivator for some employees than money.

Diverse teams are smarter because "Working with people who are different from you may challenge your brain to overcome its stale ways of thinking and sharpen its performance. So, making sure everyone is respected is the right thing to do for morale and productivity.

How many people say something when someone of another race, department, or country is the victim of being unfairly stereotyped, ignored or left out of the discussion? The fact that many people do not speak up can be partially explained by the social phenomena of the *"Bystander effect"* and the *"Diffusion of responsibility"*.

The "Bystander effect" and the "Diffusion of responsibility"

The "Bystander effect" was first described by researchers after the murder of Kitty Genovese in the 1960's when no one called the police or came to her aide even though dozens of people saw or heard her being stabbed multiple times (her attacker even came back later while she was still alive to stab her more).

This phenomenon is explained by research that shows that the greater number of people present, the less likely any one person will go to the aide of the victim.

Related to this effect is the "Diffusion of responsibility" concept that states that when a large number of people are present, people assume someone else will take responsibility and act. The research behind these two social phenomena has been well-documented.

For example, when studying reactions to anti-Black racism, anti-Semitism, anti-gay/lesbianism, and sexism, it was found that while 75% of study participants considered taking action, only 40% actually took any action. Other studies have found similar results. In addition, studies have shown that under most conditions, bystanders will more likely help people they perceive to be similar to themselves.

For example, whites will help blacks less than they help other whites. Marketing people will help other marketing people more than people from operations. The list goes on and on. If people tend to only intervene when the person being discounted or disrespected is from the same racial or gender group, the possibility that someone in the "in" group will speak up is severely limited. People do not risk speaking up when they assume someone else will or if it means speaking up against someone from their same identity group.

Furthermore, your identity group (gender, race, etc.) impacts how you perceive a possible hostile, biased act. Studies have shown that when men and women observe the same sexist acts aimed at women, women tend to perceive them as hostile much more frequently than men do. So, what is felt as bias by a minority group may not be perceived as bias by the majority (men, whites, straights, etc.).

As a result, when a woman or someone of color complains about bias, others may not be aware of it or "see" it, thus furthering the bias that the person complaining is playing the victim role, is "too sensitive," and not being sincere. They are perceived as unfairly playing the race or gender card. So, if someone from the "out" group speaks up, they are often ignored and members of the "in" group either do not see the bias or fall victim to the "Bystander effect" or the "Diffusion of responsibility".

Research has shown that the risk of speaking up can be minimized if there is a sense of strong group cohesiveness. In the low-cohesive groups, larger group size inhibited helping. In contrast, in the high-cohesive groups, larger group size facilitated helping, which is a reversal of the often-obtained bystander-intervention effect. Apparently, high cohesiveness not only prevented diffusion of responsibility from occurring but actually increases individual responsibility for help as the number of bystanders increased. The same research found that people in the low cohesive groups did not act even when the need for help was at a high level. This seems to explain the ”Bystander effect”.

The people in the crowd that watched Kitty Genovese get repeatedly stabbed and did nothing, were just a group of random passersby and people in nearby buildings looking out because of her screams. They were not a cohesive group. The chances of speaking up, then, are significantly increased when the project team or the business unit has a strong sense of cohesion–-when people are committed to each other and the team as a whole.

Increasing the chances that speaking up will be heard
There are two factors that can increase the chance that the person speaking up will be heard.

1. *Someone in the ”in” group speaks up as mentioned above.* If someone from the ”out” group speaks up, they are often ignored. It is important, then, that someone in the majority speak up for the bias act to be truly seen and dealt with. Understanding the behaviors that constitute belonging and its connection to eliminating bias in discussion and decision making, and elevating all of the voices on the team, can be game changing.
2. *The team creates a safe place to speak up.* It is important for teams to create an environment where everyone, whether in the ”in” group or the ”out” group, feels safe to discuss whether or not they feel accepted for who they are and can bring up issues of feeling excluded or disrespected. There are ways to make sure this happens. For example, make discussions of belonging an intentional part of team discussions.

Periodically have team members complete anonymous, short surveys that include items such as:

- On a scale of 1-10 (with ”1” being ”never” and ”10” standing for ”always) how often is your opinion solicited?
- On a scale of 1-10, how often do you feel your ideas are not discussed or taken as seriously as the ideas of others?
- On a scale of 1-10, how often in the last 3 months have you held back opinions you felt strongly about?
- On a scale of 1-10 how often do you feel you can be your true self at team meetings?

Keep the surveys short and only do them every 3 or 6 months. Ideally, over time as these topics are discussed openly and honestly, people will feel safe enough not to wait for an anonymous survey to being up sensitive issues.

The important point is to make a safe space for people to speak up if they feel that they are not being included in discussions. Make a safe space for people to speak up if they feel that they are not being included in discussions. ●

4 Medium

How to be a leader that inspires people to change

No matter how old you are or what type of role you have in life, there are times you're a follower, and there are times you're a leader.

When your company has to deal with a huge setback, there must be people who lead the way toward growth. When your relationship with your partner is on the line, one of you must commit to improving it. When people talk and write about leadership, we often assume that you need a title to be a leader. ”A CEO or president, that's a leader,” is what most of us falsely assume.

Being a leader has nothing to do with your job. Leadership is a character trait that we can all cultivate. In fact, leadership is one of the essential skills that every person should have.

Some people are naturally more dominant and assertive. But leadership is about more than those things. Leaders could be introverted and soft-spoken.

But how do you lead? How do you get people to follow you? How do you get people to listen to your ideas? This is what leadership is about. You can't make people do anything. You can't make people follow you or listen to you.

There's only one leadership strategy

Everyone knows this. You can only lead by example. There's no other effective way to inspire people.

If you want your team to be positive, you must be positive. The same is true for your family, partner, and friends. Leadership is about ownership.

If you think that your team sucks, you suck. ”But I'm not the leader or manager.” That's what people often hide behind. So what? Remember how we talked about that leadership is not about titles? So, you might technically not be the leader at work, family, or group of friends; you can still set the right example.

- **Only expect from others what you expect from yourself.** Never ask others to do something you're not doing.
- **When things go wrong, try to stay calm.** Life is nothing but a series of solved problems. That means we run into challenges, problems, and bad situations all the time. It's important that you stay calm and take your time to think. If possible, don't make quick decisions. When you stay calm, others will too.
- **When you screw up, admit it.** There's no place for your ego.
- **Be clear about my values and rules.** People must take you seriously.
- **Respect others and don't try to change them or tell them what to do.** It's impossible to change people. You can only change yourself. What other adults ultimately do is none of your business. You can set the right example, but sometimes it doesn't work or takes more time. There's nothing more to do than to accept that.

The most important thing is that we change ourselves. And when we change, others often feel inspired to do the same. That's the greatest thing one could see. ●

! If you want your team to be positive, **you** must be positive.

Executive m-Report

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