

Institute of Corporate Directors

Podcast Transcript: Be it resolved that crisis reveals leadership and resilience defines survival.

Page | 1

Rahul Bhardwaj (00:05): Welcome to Be It Resolved, the podcast where bold ideas meet courageous leadership. I'm Rahul Bhardwaj, President and CEO of the Institute of Corporate Directors in Canada. In each episode, I speak with experts to delve into pressing issues, impacting directors and decision making in the boardroom.

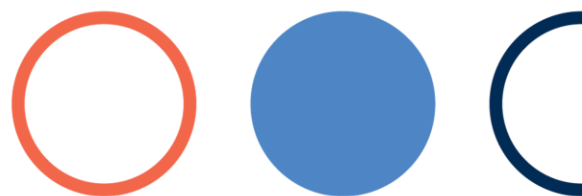
My guest today is Major General Darcy Molstad, Chief of Force Development at the Canadian Armed Forces. Drawing on decades of leadership in high stakes environments, Major General Molstad will share his powerful lessons and experience from leading military strategies to help us all better understand strategy and risk.

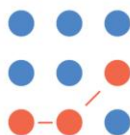
For our listeners today., our resolution is: Be it resolved that crisis reveals leadership and resilience defines survival. Which way would you vote now?

Welcome, Major General Molstad.

Major General Darcy Molstad (01:01): Thank you very much, and please, for the podcast, call me Darcy.

Rahul Bhardwaj (01:05): Happy to. And Darcy, I gotta say you were so well received at our ICD National Conference. Everybody really appreciated your insights and I'm looking forward to diving in more deeply. Our conversation now is gonna take us from leadership and VUCA into the heat seeker in a room full of candles so I'm sure that's gonna be interesting. And let's get started. You have a really interesting perspective on the VUCA world, and maybe you can take us through that a little bit.





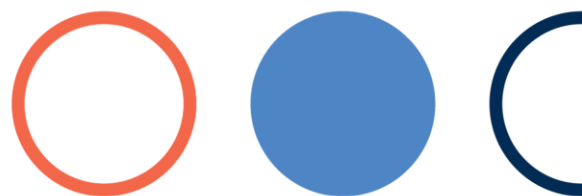
Major General Darcy Molstad (01:31): Yeah, absolutely. I think that, you know, what we're seeing right now in all aspects of life, whether it's geopolitics, on a global scale, or even here just yesterday politically at a national scale, and then of course within our businesses within the military, is we're living in an environment that is incredibly volatile, uncertain, complex, and ambiguous. Which means that we need to retain the ability to be agile in our decision-making, in our thinking, and be ready to adapt very quickly at the pace of relevance because the world is moving very, very quickly and we have to keep pace with it.

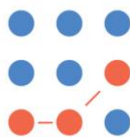
Page | 2

Rahul Bhardwaj (02:05): Absolutely. So VUCA has now been defined as volatile, uncertain, complex and ambiguous. And when we bring that into the boardroom as well, this is the same environment the directors are operating, especially within their companies. Let's talk a couple of things here. How does one approach this VUCA world? Are you an optimist? How do you balance that with realism?

Major General Darcy Molstad (02:27): I think there's a natural tension between optimism and realism and we as leaders have to remain optimistic because if your cup of optimism is less than 50% full, that gets projected on all of your people and the whole organization. And so we have to retain that level of optimism that's needed but we also have to be realistic and honest with folks about the challenges that we will all face in various aspects of business or of military operations or of life. So I think that, you know, the VUCA environment, the fundamental thing is because it's volatile and complex and ambiguous, we know it's gonna change rapidly; that that doesn't mean that we can't plan. Our original plans will very likely not survive first contact with the enemy or the environment. But we have to plan because it's a fundamental part of the process to be able to enable our decision-making to be agile in the future.

I've heard statements like if you plan early, you plan twice. You know, accept that; accept that your plan early will likely not be the plan that you actually execute. But the thinking that goes into that planning will be a huge benefit when you get into those agile situations when you have to change and adapt in a rapid way.



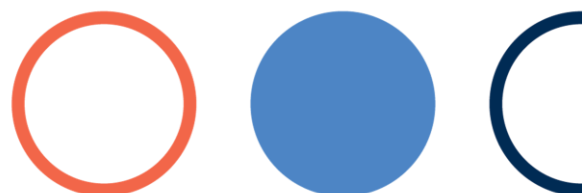


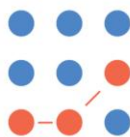
Rahul Bhardwaj (03:39): So organizational preparedness seems to be key here. And if we translate that into the boardroom, you hear a lot about planning out future scenarios and try to understand that as it'll impact potentially as strategy and how to mitigate risk, obviously the bad stuff, but take advantage in the opportunity side of risk as well. How do you think of that in the military and what sort of lessons do you think that that could help translate into the boardroom?

Major General Darcy Molstad (04:06): I think it's a matter of, again, foresights is very, very important, whether it's military foresight or business foresights. We're always trying to, you know, look around the corner, if you will, in order to anticipate what's coming next. It's very difficult to anticipate with any degree of certainty, but we need to be able to characterize the future environment in terms that are abstract but useful. So when I talk to my team about developing our concepts and foresights, that's the guidelines I give them. We need to be abstract enough that we're not constraining ourselves to a single precise prediction because it probably won't come to fruition. But then we also have to be specific enough for our foresights to be useful as well. So we have to think into the future, characterize what the environment's gonna look like, and then probably imagine future scenarios.

You know, we could probably have infinite number of scenarios that could happen, but you wanna pick the big ones, what are the big scenarios that you want to think about? And maybe go through that mental process of planning to see how you would react to that scenario. And in that, you're developing a database of thinking, a database of decision-making that you can then leverage if you're faced with something similar. You won't be faced with exactly the same scenario, but you'll be faced with something similar and you can draw upon your thought processes to be able to then develop a good course of action.

So I can talk about intuition versus instinct, and this gets into that topic about heat seeker and a room full of candles later on. But there's a fundamental difference between intuition and instincts.





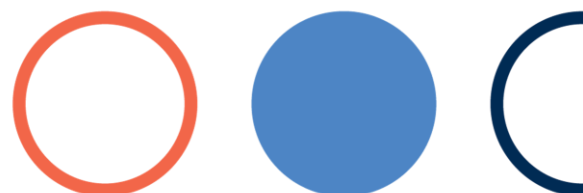
In a crisis situation, emotionally we wanna react instinctively; that's reacting based on our gut and it's an automatic response, but we have to then more rely on our intuition, which is informed by our years of experience, that database that you develop over time. Intuition is not necessarily just a character trait that you have, it's developed over time with experience.

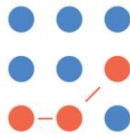
Page | 4

Rahul Bhardwaj (05:59): So you've mentioned the word foresight a number of times, and I wanna unpack that for a second. It's not unusual for directors to look at their role in the boardroom as comprised of hindsight, oversight, and foresight. And particularly in the VUCA world, at ICD, we've been talking about the importance of really indexing more on the foresight, which is something that you've raised. I'd be curious, in your development as a leader, how did you build up that foresight or that intuition? Was it deliberate and is this a part of building your own resilience?

Major General Darcy Molstad (06:35): I think it's about having a learning mindset. We all have to have the humility to know that we as leaders, no matter how much experience you have, don't know everything. So the humility and the self-awareness to know that you have a lot to learn from other people, from other organizations. Hindsight's very important as well though, because again, that's what informs your intuition, that database of experience and knowledge. But one of the things that I talk about, you know, with my team and with other organizations that I mentor, is that you wanna learn fast and forget even faster. So in hindsight, when you think about something that happened in your past, you wanna learn from it as quickly as you can, pull what you can and then to inform better decision making in the future. But then don't let the emotional response of being angry that you've made the wrong decision on something in the past, then cloud your judgment into the future.

And so it all kind of feeds into each other. And then of course, you know, there's decision-making models that we use in the military. Certainly as a former fighter pilot, I like the OODA loop, observe, orient, decide, and act. And so when we observe the environment around us, we wanna make sure that we're looking at the right information.





Oftentimes we use metrics that are measurable rather than metrics that we truly need and we have to figure out what is the difference between the two of them, and then orienting yourselves to what that means. And also recognizing that we all have inherent biases. And in the orient phase of the OODA loop, it's the biases that can get you into trouble. Where, again, it's founded in your intuition, but it may not be true, you know, so you have to make sure that you counter your biases and that's where diverse boardrooms will come into play. Having that diversity of perspectives and then of course developing courses of action in order to then decide and then act upon those courses of action.

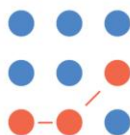
Page | 5

So, you know, we go through professional development processes within the Canadian Armed Forces. We have various phases of development where we do higher level learning, Master's degrees. We are forced to learn through experience; we get into crisis management situations quite often, and therefore we build our database of skills to be able to manage those crises. And then foresight, again, it's all about looking around the corner, anticipating, characterizing, and we can't think of all eventualities, but we need to think of enough of them to develop the skills to be able to deal with it.

Rahul Bhardwaj (08:54): You know, I'm getting the sense when I'm hearing this, it's a very deliberate process and one wouldn't be all that surprised. In fact, we're probably relieved to know that. But I've also heard in the boardroom that learning something new is important, but unlearning the old is perhaps even more important, but really difficult. What do you think about that?

Major General Darcy Molstad (09:12): I 100% agree and unlearning the old is all about those biases that will hinder you. It's about leadership, characteristics and traits that are not productive. We have to think progressively and how do we lead into the future? I know that the old school military mentality was to lead through fear, sarcasm, and ridicule. But I would argue that the stereotypical military general officer is not somebody that's in a room barking orders and tearing a strip up and down somebody. They are somebody that is listening, that is hearing other perspectives, that is processing it, and then making it an informed decision and being resolute in their decisions, but ultimately doing it in a collaborative way.





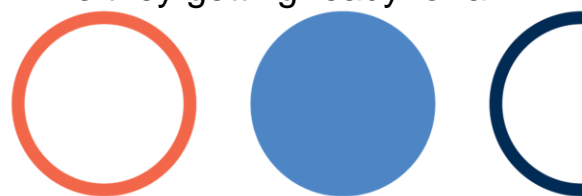
And so unlearning old habits is very, very important. And I think you and I have talked about this in the past is we tend to learn the most from leaders that have bad character traits than the ones that are really, really good. Because it's easy to say, I will never be like that person but it's a lot harder to emulate a really good leader because you want to be genuine, you wanna be yourself. And so, unlearning old habits is important and that comes with humility. Page | 6

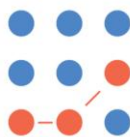
Rahul Bhardwaj (10:18): Right. I'm also guessing here that the cultural change that you just described to something that's a little bit more open and and thoughtful or listening, I guess, you're not doing this to be nice, you're doing this because you think it's gonna have better strategic outcomes. Is that correct?

Major General Darcy Molstad (10:34): Absolutely. What I wanna do is I wanna create a culture and an environment where I prepare my team for the surge, prepare them for the difficult times. And the way you do that is you do that by treating people with respect and dignity. You make sure that they feel valued, that their opinions are heard. You obviously compliment the great work that they're all doing, take responsibility for the failures, as a leader, that's our role. You enable them, you make sure that you provide them with the tools that they need to get the job that you're asking them to do. But ultimately creating that culture of safety and security and and value so that when it comes time for the surge, and I say, team, I need you to put in a long day today. I need you to help me come up with a solution to this problem. And you'll have all of them lining up ready to do that for you because you've created that culture.

So it's just about getting results. Being a good human for one. I mean, it's not necessarily transactional. I don't wanna do it just to get the result. I wanna be a good human. People will remember you not for what you do in your life. They'll remember you for how you treat them. And I think that as leaders, we have to remember that.

Rahul Bhardwaj (11:41): That's interesting. When you talk about the surge, because you mentioned it a couple of times, when you're working with your teams, do they know that they're being prepared for a surge? Are they getting ready for a surge?



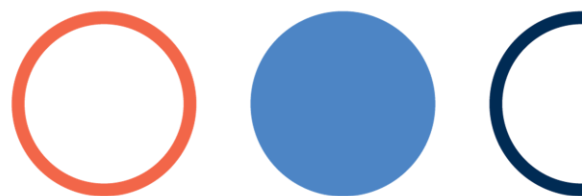


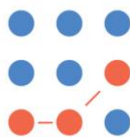
Major General Darcy Molstad (11:53): No, I would say no, probably not. I think that this is something that, you know, we just sort of do in our day-to-day dealings. I remember growing up as a young leader and my children would watch me as a squadron commander, a wing commander and base commander. And my son would often ask me, and he was a very young lad at the time, but he'd be like, you know, how can you go up and talk to everybody and shake everybody's hand and how can you go and engage one-on-one with them? And I explained to him at that early age, it's all about making a connection and making sure that you have that eye-to-eye connection. Show them that you're human, even though you're a leader of the organization. And those small gestures make a big difference. Again, we all have a great BS detector, so we know when that's genuine and when that's not genuine.

Page | 7

I've had leaders come up to me and do the exact same thing, but as soon as I walked away, I knew that that was just a proforma greeting and he didn't really care what's going on in my life. But you have to do it and be genuine at it. And as a fighter pilot, when I would go up to my aircraft, my F18, prior to a mission, with a lot of things going on in my head about what I needed to do during that mission, it's very easy for me to just stay compartmented in my bubble, walk up into my cockpit, without even saying anything to the technicians on the ground at that airplane, and then go ahead and execute my mission. And that probably wouldn't have been faulted for doing that, but I made sure that when I went up to that airplane, I stopped and I took a few minutes, even if it was just a few minutes to talk to the techs that were at the aircraft, thank them for preparing it for me because I couldn't do the mission without them. It takes a team to get, you know, all of the results that we wanna achieve. And that paid dividends.

You know, I had missions that I could accomplish because techs went the extra mile to get my airplane ready when it wasn't quite ready or fixed a problem if it needed to be fixed. And there are other folks out there that may not have received that same level of treatment. And so again, it's about being a human first, knowing that the result is that you're gonna achieve better performance from your team.





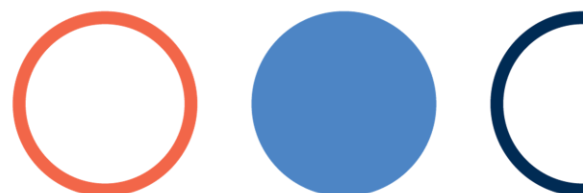
Rahul Bhardwaj (13:49): Interesting. There's an old corporate truism, some people really don't like it, but they probably heard, and that's culture eat strategy for breakfast. And whatever you might think of the saying, it still highlights the importance of culture in a really big way. Let's jump into the resolution for a moment. It says crisis reveals leadership. Can you talk to me a little bit about what does it reveal about leadership?

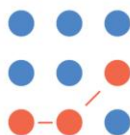
Page | 8

Major General Darcy Molstad (14:14): I was thinking about this, and I think that if anything, I would actually change one word in that. And it's that crisis doesn't reveal leadership, it reveals character. And obviously character is a foundational element of leadership. But what happens in a stressful environment, in a crisis, is that we revert to our instinctual emotional behaviors and that is your character. And so, when we have somebody who's a leader who is either suppressing a negative character trait in the normal course of business, when there's no stress and there's no pressure and we're not in a crisis mode, they may revert to that negative character trait in a moment of crisis. And so I think that character is really important in that first sentence of crisis revealing leadership.

Of course, it reveals good leadership and bad leadership. We've all seen examples of crises that have been managed incredibly well and crises that have been managed really poorly. And it's all about what kind of traits do you need to manage that crisis? And it's about calmness, energy, optimism versus realism. It's about communication. You know, those that can effectively communicate and be genuine in those communications really are able to navigate crises much better than those who cannot communicate well.

Rahul Bhardwaj (15:32): Interesting. So if you're gonna wordsmith the resolution, I'm gonna do a little wordsmithing as well on this. So you said it should be that crisis reveals character, you said reveals not builds. Does crisis build character or does it actually reveal it?





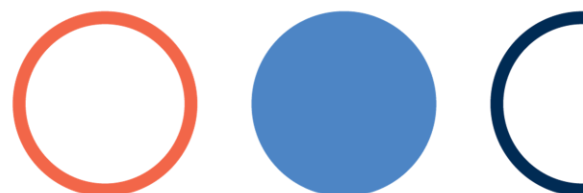
Major General Darcy Molstad (15:47): I think it can do both. I think that there are certain people with characters that are fundamentally unchangeable. You know, oftentimes we say that we can evolve our character and our ethics, but there are certain elements of somebody's ethical foundation or character foundation that will likely not ever change. That doesn't mean we don't try. And again, it comes down to the humility and the learning mentality, but I think that it will reinforce character. It may build it just ever so slightly upon the foundation that you have, but it's not gonna fundamentally change somebody's character. So I think it does build it, but it doesn't fundamentally change it.

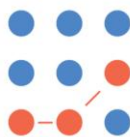
Page | 9

Rahul Bhardwaj (16:26): Right. I think, you know, we'll bring this into the boardroom in a couple of minutes and another great example, but for the time being, let's connect this to resilience though. So crisis and leadership and resilience. So the second part says, resilience defines survival, but let's at least connect crisis and resilience. And you've spoken about the importance of resilience. What does it mean in your context?

Major General Darcy Molstad (16:49): I think resilience, again, it's that ability to be in the surge, for one; to not be reliant on others all the time. When I think of resilience in a national defense and a domestic context, you know, the Canadian armed forces has been involved in numerous domestic operations over the last many, many years supporting forest fires, floods, et cetera, evacuations of communities. And this comes down to overall societal resilience. So for example, if a hurricane or tornado blows through an area and trees are blocking a main artery a highway, I think society, nowadays doesn't drive around with a chainsaw on the back of their truck. And then, you know, you go to a blocked road, you get out of your truck and you get a chainsaw out and you cut it up and you move it outta the way. We tend to now rely on all levels of government, municipal, provincial, and federal to come and help us. And so that level of resilience in society is not as present as maybe what it would've been in the past.

I often visit other countries in my roles, whether I was deputy commander of joint operations, commander in my current role, and a sense of resilience in Eastern Europe, in Latvia, Lithuania, Estonia is very different from the sense **of the** concept of resilience in Canada.

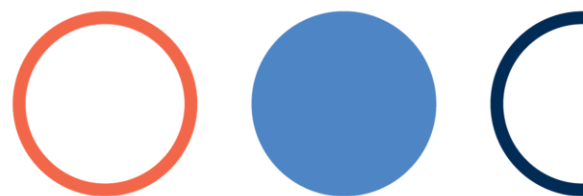


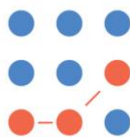


In Sweden, for example, they just recently issued a pamphlet, and I don't want to fear-monger, but I mean they issued a pamphlet to the entire population about what to do in the event of war because the threat is close to them, the Russian threat is close. And so they are advising about water supply, food supply, energy, contingencies. And so, you know, from a societal resilience perspective, that's just the extremes. Where you stand depends on where you sit. And if you don't sense a threat, then you therefore don't prepare for that resilience. So again, coming to the boardroom, we don't have to fear-monger and always think that there's threats facing us every single day, but we do have to plan. And planning is part of your resilience - planning those scenarios, tabletop exercising them, war-gaming them so that you develop that database that will then inform your intuition to be able to make the right decisions.

Rahul Bhardwaj (19:00): So resilience then, I think we can agree is sort of key to survival, or at least key to success, survival being really important as well. Let's talk a little bit about how one builds resilience. I'd be curious to know the lessons in the military, are you deliberate about it? Is it something you hope is an outcome or is it something you actually put your minds to and advance from a design perspective?

Major General Darcy Molstad (19:24): Yeah, we build resilience structurally. Obviously we have a hierarchical chain of command and therefore we try to empower lower levels in our organization to be able to step up and take on the role of their superior. But also cognitively, there's a cognitive resilience that we need to talk about as well. And I like to think of things in terms of fluid and crystallized intelligence. You may have heard the two terms, but crystallized intelligence comes back to intuition. They're related where you're recalling facts and info from a stored database of knowledge and then you apply that to new problems. So you're using that database, applying it to a new problem. That over time increases or stays stable. And the way it increases is through learning, through reading, through listening, professional development courses.





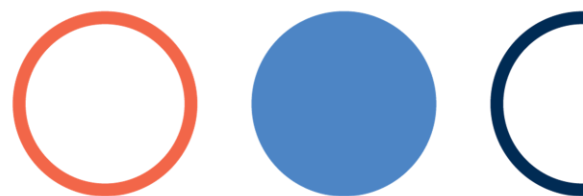
Now, fluid intelligence on the other hand is the ability to solve new and abstract problems based on base logic and reasoning. So not necessarily based on your database of experience, but based on logic, analytical thinking, and reasoning. That side of your intelligence declines with age. And so most leaders of corporations, of boards of the military, we're not young anymore, we're getting on in age, but there's a trade-off. You're trading with your age, your experience, and your crystallized intelligence, but you have to work hard to maintain that fluid intelligence. And the way you do that is through a healthy body, a fit brain, keeping physically fit, mentally fit, and then that lifelong learning habit.

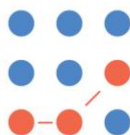
Page | 11

So I think balancing the two is important. Understanding where you sit in that fluid intelligence is important as well. In the CAF, the Canadian Armed Forces, we have all of our general officers do a series of psychometric testing that feeds into our succession planning promotion boards. One of them is the Ravens Advanced matrices, which is a fluid intelligence test to see where you sit on that scale. And then you can then kind of come up with a game plan to develop that. So there is a cognitive resilience that we have to think about.

Rahul Bhardwaj (21:21): Interesting. So let's play a little hypothetical here. If we take this conversation into a boardroom, and if we situate ourselves in the role of a director, a fiduciary duty, act in the best interest of the corporation, you have oversight of culture, strategy, and risk. And now you look at all of that and you say, I think it's really important that we have a organization that is resilient, strategy, risk. What are the hallmarks of resilience that one might wanna look for when you're looking at an organization like that? If you were to look at a company or if you're a board and you looked at an organization, you say, I could tell that there's probably more resilience here than there. Is there anything that would jump out at you?

Major General Darcy Molstad (22:04): What would jump out to me is are they training for it? Are they preparing for it? Are they exercising it in military lexicon? So the way that we exercise to develop resilience is, again, by that early planning coming up with all the contingencies that could happen or a series of contingencies, and then developing a game plan to address those contingencies and then exercising it.





In the Air force, as a young fighter pilot, we used to do maple flag exercises. They were large force employment exercises. And the goal of these large force employment exercises was to give a fighter pilot or air crew their first seven combat missions, the equivalent of their first seven combat missions to introduce the level of complexity and stress into a mission, even though it's a training environment to the near the same level as what combat would be like.

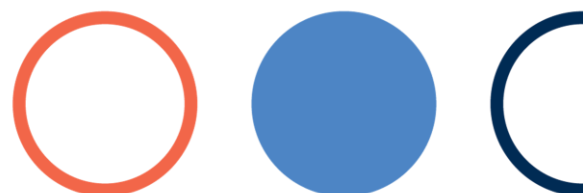
Page | 12

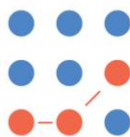
Because what they have found in the studies is that those first seven missions in combat, you're at your most vulnerable period because you've got the fog of war, you're stressed, you're gonna revert to your emotional responses versus your intuitive responses and your planned prepared responses. And so getting through training to develop that resilience through exercising and practice is important. There's probably lots of ways that businesses could do that, but I would be looking first of all for what is their planning process like, do they exercise, do they do tabletop exercises, and do they try to test their own resilience through that process?

Rahul Bhardwaj (23:32): So it sounds like the question is not, are we a resilient organization? More, what are we doing to be a resilient organization?

Major General Darcy Molstad (23:42): Yes, I would agree with that. Because you never know really how you as an organization or as an individual are gonna react to real crisis until that crisis arrives. Because even though these exercises are really important, it's not the same as the real deal, never is. So yeah, I would agree with that. It's how you are preparing for it rather than just what is your current steady state and never be satisfied with a steady state, you know, and never rest on our laurels. There's always learning to be had, and the only way you shape your future is by focusing on preparing in the present and doing the things in the present to shape that future. So I think that's important

Rahul Bhardwaj (24:19): And shaping that future, particularly in a corporate environment is a group activity. So managing group dynamics not the easiest thing. And I've gotta believe that you've learned some interesting lessons in the military in that regard.





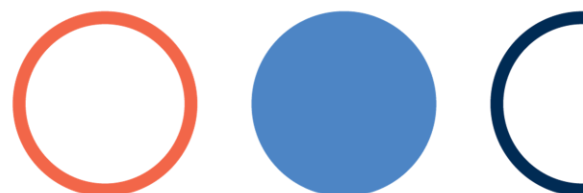
Major General Darcy Molstad (24:32): Yeah, indeed I have. And we've got all types of personalities in the military too, and it's all about the inclusiveness. I think I've talked about some of these themes already, but it's listening before you speak. Here's another great military saying that the army says quite often, 'God gave us two ears and one mouth for a reason', and it's to listen more than you speak. And I think as leaders you want to appear decisive and in charge, and you have to be careful not to walk into a boardroom or into a meeting and say, all right, team, here's the problem and here's what I think the solution is. What do you think? That's the absolute wrong approach to any problem solving within a team environment.

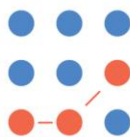
Page | 13

You need to walk in and maybe frame the problem for the team and say, here's the way I see the problem, but I'd be very interested to hear other people's perspectives on what the problem is. And I don't want to propose a solution yet, because I think that this needs to be a collaborative effort of deciding what we think we need to do to deal with it. And then engaging and being prepared to hear opinions that you may not have and challenge your own biases, challenge your own thinking, and be very respectful and deliberate and of course making sure that everybody feels heard and valued.

Rahul Bhardwaj (25:44): But every once in a while I understand there's a heat seeker that comes along.

Major General Darcy Molstad (25:48): Yeah, that's right. You know, this is the other thing and this is where I think instincts will take over. You know, you have in a situation where it's very easy to be a heat seeker in a room full of candles. We talked about the VUCA environment that we have right now, there's no end of problems to deal with. And so, which one to deal with first. If we're looking at a room full of candles, those that may react quickly without the logical thinking, the analytical thinking, the consultative approach, may just simply go to the first candle and guide towards it, then go to the second candle guide towards it.





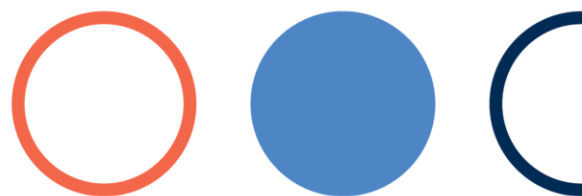
But in that VUCA environment, we may not be correct in our prioritization of the challenges, in our characterization of the challenges, but if we don't analyze it, think about it, and then prepare for what we're gonna deal with first, what bite of the elephant are we gonna take first, then we're probably not setting our organization up for success.

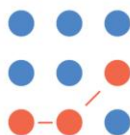
Rahul Bhardwaj (26:42): So what do you do to mitigate that, the heat seeker in the room full of candles?

Major General Darcy Molstad (26:48): I think that it's a matter of listening to them. If they think that, you know, this is the immediate priority and challenge, you know, you want to hear people out, but we also have to take the time to deliberate effectively. That's dictated to you by the urgency of the situation. In a military context, if I'm flying in a mission and I see an enemy contact in front of me 40 miles away, 40 nautical miles away, for me that could be a 90 second to 120 second decision-making process about what I do. In closer in ranges, it could be very much faster.

And so you have to use the time you have, you have to do what I would call a time appreciation. How much time do we have to think about this issue before we need to take some action? And once you've got that time appreciation, then you should fit the amount of analysis and deliberation and consultation into that to be able to develop your best courses of action and your best decisions. It's that balance between being decisive, but analyzing enough. Parkinson's Law says that we're gonna take all the time that we're given to do something and if we're given more time, we'll take more time. But you don't want to have paralysis through analysis, but you also want to take the time that you're given to deal with it effectively.

Rahul Bhardwaj (28:00): Now, some great advice was, you know, state the obvious. You know, boards are group activities, different levels of competency and understanding, and they're trying to navigate all of these group dynamics to make sure that they can maximize the chances of success on the strategy and minimize the risk. So there's some really good learnings in here.





And Darcy, this has been an extraordinary trip from VUCA to this position we're in right now, and we're kind of getting close to wrapping up and I thought I'd come back to you. You wordsmithed a little bit around the resolution itself, but if I come back to you and say, crisis reveals leadership or if you'd like builds it, that's fine. Resilience defines survival, what would be your vote? Yes or no?

Page | 15

Major General Darcy Molstad (28:43): I think my vote would be yes, with the caveat. And I think that again, it reveals character and develops leadership and resilience absolutely defines survival and the ability to reconstitute and regenerate and move to the next challenge. So my thumbs up.

Rahul Bhardwaj (28:59): Good to hear. Okay. Major General Molstad, thank you for sharing your insights and expertise with the director community today. Your unique perspective as a military leader and a champion of resilience has proven very valuable to us. So thank you for all. Now to everybody listening in, I hope you enjoy today's episode of Be It Resolved and that you've deepened your boardroom insights to stay ahead of emerging trends in this VUCA world.

If you enjoyed the episode, please subscribe, rate and leave a review on your favorite streaming platform. From the Institute of Corporate Directors in Canada, I'm Rahul Bhardwaj, until next time.

