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BEGINNING TO UNRAVEL THE LONG-TERM IMPACTS OF CURRENT CRISES AND DISRUPTIONS

PGRI INTRODUCTION: Michelle Carinci has held senior leadership roles in the lottery industry since 1982. A Canadian national, she was appointed CEO of Lottotech in 2012. Prior to joining Lottotech, Michelle held the position of CEO at Atlantic Lottery Corporation, which under her leadership was recognized three times as one of Canada’s Top 100 Employers. As President and CEO of the Atlantic Lottery Corporation, she developed and implemented a corporate social responsibility framework which strives to promote integrity, transparency and responsibility. Prior to joining Atlantic Lottery Corporation, she was President of Gamescape, a wholly-owned subsidiary of GTECH, and a Corporate Vice President in charge of marketing and customer relations at GTECH. She began her lottery journey at Western Canada Lottery Corporation in 1975, before moving to the British Columbia Lottery Corporation.

Michelle has been recognized four times as one of the top 50 CEOs in Atlantic Canada and is a member of the Lottery Hall of Fame class of 2006. She is a strong promoter of responsible gaming, having been one of the founding members of the Responsibility Certification Program on behalf of the WLA. In that role, Michelle aided in the creation of responsible gambling principles and its associated frameworks and standards which were unanimously approved by 140 organizations worldwide.

I am pleased to have known Michelle since introducing myself to her after her presentation at the very first lottery industry event I ever attended – the WLA Conference in Singapore in 2006. Michelle graciously agreed to talk with me now and share her insights into how to frame some of the most perplexing questions about big-picture mega-trends and how they will influence and re-shape our world in general, and the worlds of business and lottery in particular.

Paul Jason: What was the situation in Mauritius at the outset of the pandemic?

Michelle Carinci: Similar to organizations around the world, Lottotech had to

respond quickly to ensure the safety and health of our team and all stakeholders as well as focusing on business continuity. Fortunately, in Mauritius we had time to

put together a detailed Business Continuity Plan in response to the Covid pandemic which complements our existing BCP anticipating there would be a lock-down of some sort. So, in most respects, we were well prepared for a lock-down and confinement. In addition, we applied an excellent Enterprise Resilience tool provided by E & Y to ensure we had considered the impact of a lock-down on all aspects of the business.

A rapid response forum was created where key team members could meet virtually several times a day. Once we were satisfied that the team was safe and supportive measures were in place we did the usual stress test of the top line, profit and loss, and cash flow. Strengthening our liquidity became important as we had to shut down the sales entirely because lottery play and revenue were not considered an essential service.

While we have Security as a Service 24/7, the company had never tested security in a work-from-home environment, so once the confinement period was over an assessment was done through a third party and subsequently the findings were addressed.

This was also the first time the Company experienced the need to continually postpone draws and from an IT perspective that was not a trivial undertaking. Half a world away from each other the teamwork between Lottotech and IGT was admirable.

What were some of your observations and key learnings from this experience?

M. Carinci: Several things come to mind in reflecting on the past several months. One in particular stands out for me and that is how the team grew stronger, more agile and worked together across all disciplines to support each other and the communities we work in and to get the job done. Thank goodness for technology which was the integral enabler for all this to happen seamlessly.

The second aspect that comes to mind is the magnifying glass the pandemic placed upon the global issues we are facing from a growing myopic nationalism/populism, to the changing environment and the disparities relating to the distribution of wealth throughout our communities and society in general. I started to consider the impact this disruption could have upon our industry. I began to wonder as an industry what more we could do together to meet the challenges and make a difference in our respective worlds. We have always taken pride in making a difference in the communities we operate within through the earmarking of our revenue for good causes and our corporate social responsibility programs. In fact, this is a qualifying factor to be a member of WLA.

I reflected on how as an industry we responded to the need for a responsible gaming strategy and framework and how that is part of our DNA today. What else might we do collectively as an industry to continue to have the consent to operate from all stakeholders into the future not just to protect our business but also because it is the right thing to do. There are inspiring examples of gaming organizations rallying during the crisis, doing their part to ensure vulnerable groups are cared for and protected. How can we keep that momentum going and make it even stronger? Do we have technology applications that go beyond gaming that could benefit society as a whole? Are we taking the time to consider what's next for us beyond the games and are we living up to or into

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our purpose? The answer is likely yes, but then the question is, can we do more?

How might the world be different when we come out of this crisis?

M. Carinci: During the confinement period we have all had the time to think about this very pertinent question. After reading about and listening to what experts and folks more qualified than I am on this matter are saying, I think there are several trends that may have an impact on our industry and perhaps on us personally and professionally. But honestly, I still have more questions than answers.

According to those who study global mega trends, we may see an acceleration of these trends such as cyberwarfare, work/life boundaries, climate activists and behavior economics just to name a few. It is estimated by major technology providers that the world has already experienced two years of digital transformation in just a little over two months.

There has been an acceleration of the use of technology. For example, the adoption of the public cloud, remote and flexible working hours, technology that improves business continuity, the use of collaboration tools like Microsoft Teams and a heightened awareness of the need for Security as a Service. A good example of this is the acceleration of cashless solutions to eliminate the need to handle cash and interact physically at retail.

The pandemic has driven risk-mitigating processes and procedures designed to track employee health, reduce human to human interactions as well as upgrading ventilation and physical barriers. The need to mitigate risks may challenge privacy protection and lead to a little more permissive ethical mindset. The contact tracing process introduced by many countries and organizations during the pandemic is a good example of this.



Michelle and husband Jan helping to contain the oil spill off the coast of Mauritius.

Social distancing has prompted organizations to embrace video conferencing like never before. Virtual classrooms and virtual learning, while controversial, have become viable alternatives.

The development of next generation remote working technologies, such as augmented and virtual reality, are predicted to create such efficiency that organizations will likely retain them into the future. For example, Loto-Québec recently deployed a robot to present a cheque to a winner.

Many are rethinking their real estate footprint as well as considering new collaborative and teamwork models.

Unfortunately, enabling remote work and teaming raises the risk of isolation and loneliness which may impact well-being and productivity. So we need to balance technology adoption with creative approaches to maintain a sense of community and meaning. At Lottotech we have found that a high percentage of employee engagement in our CSR initiatives is effective in doing this.

Organizations will be challenged on innovation during this time of scarce resources and concern about cash flow. Balancing the investment of innovation for the long term

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Michelle, Jan, and the team building “boom” barriers to contain the environmental disaster

while continuing to win in the short term will become both a science and an art.

IMPACTS ON SOCIETY

We now find ourselves operating in a world where the safety expectations of organizations, workers and society have heightened. For example there has been a backlash recently from students who are being asked to sign waivers if they attend university classes in person. I am certain many businesses have looked into this liability as well.

We may be in a period of significant business transformation. Companies are rethinking or reinforcing their corporate purpose and sustainability goals, their ways of working, use of digital technology and imagining new business models. All these will be further fueled by Generation Z and the Next Gen.

An E &Y analysis of the World Bank population projections and estimates states that Generation Z (age 10-24) represents 24% of the world population. Representation varies around the globe, for instance in leading economies such as the USA it is 20% of the population while developing economies like Africa are 32%. Seems to me that our industry needs to pay particular attention to this important group. According to Ipsos, Gen Z are very progressive on social issues.

This generation as we know was born entirely digitalized. According to Pew Research there is nearly 100% smart phone penetration among this group, they have multiple social media accounts, and they spend more time on social media than any other group.

Their commitment to global sustainability and climate change tops their list of global challenges. They are concerned about pollution and natural resources. For example, our nineteen year-old daughter Lia, living in Canada half a world away from Mauritius, called us the day of the recent oil

spill in one of our beautiful lagoons, urging us to do something. (We did!)

Sixty percent of the Gen Z population live in countries with high vulnerability and low readiness when it comes to climate change according to Coastal DEM Data. I think the pandemic has given new energy and maybe even hope to fight climate change. To quote the Swedish activist Greta Thunberg “The world’s response to the Covid pandemic shows us we can act fast and change our habits and treat a crisis like a crisis”. Digital connectedness will likely result in a stronger activist movement with Gen Z.

This group and the Next Gen, our digital natives, will bring different expectations relative to society, technology and ethics, driving business transformation, sustainability and ways of working.

How do we adapt to this generation as an industry to ensure we continue to have the consent to operate well into the future?

Behavioral Economy

Fear and uncertainty give rise to irrational acts such as the hoarding we saw during the early stages of the pandemic. Will the isolation created by social distancing change our priorities with more emphasis on personal connection over social media? Will customers value experiences over material things more and more?

How has the spreading of misinformation impacted our attitudes towards social media?

Behavioral psychologists are speculating that we may have moved from the Internet of Things to the Internet of Behaviours. After all, we have discovered without knowing it that we provide more information to search engines than to our families. Our phones and social media now hold data about our behavior, preferences and perhaps even our

state of mind. We now live in a world where target marketing is easily deployed through the use of this information.

What new business models will the behavioral economy companies need? What new risks does it raise? What competencies do we need? As an industry how can we ethically use data in understanding and communicating with our players?

Cyber security

Cyber security (CS) certainly has become a concern in most organizations. There will continue to be greater emphasis on CS as the cyber risks escalate. In my view this will always be a moving target. Not just malware and phishing, but we have seen the emergence of what some refer to as weaponized disinformation. The target is the truth. Just consider the current and 2016 US elections. Businesses, organizations and yes political parties can now become the victim of these attacks. Since we now live in an environment of transparency of information, undermining its credibility is a powerful weapon.

Disinformation and selectively edited material on social media platforms have the power to create impacts on public opinion and behavior. This risk to business is real.

How will we protect our brand reputation, customer loyalty and share price against this emerging risk? Seems more complex than protecting our information systems.

What leadership challenges do we face in this “new norm”?

M.Carinci: Leadership and people challenges continue to evolve. The focus now is on enhancing our skills to ensure we continue to develop great teams virtually through new technologies and to ensure our teams maintain a culture of pride and purpose. I am certain as leaders we are operating with a very high emotional intelligence through this crisis and disruption.

Maintaining a culture of teamwork, collaboration and trust in this new work from home and social distancing environment is a new challenge. Each team member needs to feel a sense of importance, have confidence they are contributing to the business in a meaningful way and know how they fit into the big picture and the future of the business. I found this much more challenging while working remotely but again technology was the great enabler to allow for communication and collaboration. What more can we do to enhance the design of remote collaboration?

We found that working from home did not impact productivity. In fact I would venture to say it improved productivity. After confinement was lifted during a debriefing we discovered that team members worked more hours as they didn't have to commute to and from work. They also worked different hours to accommodate the many at-home responsibilities. Perhaps even sleep patterns changed.

The absence of what was once normal social interaction physically in our professional and personal worlds may have enduring negative effects that we need to understand and continually address. There has been a lot of talk about the health and protection of employees. Mental health should be included in that conversation.

I found it important to continue to discuss our purpose and reinforce the team's sense of pride in the company. Authentically demonstrating our commitment to society and the community during the confinement period was our best reinforcement. What is clear is how important measuring our environmental and social impact is and placing more weight on the progress of social wellbeing as well as encouraging teams to look for opportunities that present themselves as a result of this crisis.

How do we effectively celebrate our successes and positively deal with our challenges if we are not in the same physical space?

The way we work, and the way we view leisure, learning and retirement is being challenged. We now have the opportunity to rethink the entire model of training and development, reconsider the five day workweeks and mandatory retirement.

The challenge for all of us now is finding a balance between being inspirational while pushing on performance, responding to the multitude of questions when there are no clear answers and maintaining visibility and an engaged workforce. Spend time checking in, not checking on!

Key Performance Indicators

Given all the changes and shifts we are experiencing, organizations may want to consider their metrics of success. Perhaps revisiting our balanced score card to ensure the right amount of emphasis is on the elements of corporate social responsibility.

For example, the GDP in a country may be good but it may be that the well-being of society is not keeping pace with the GDP in areas like income and wealth distribution.

Similarly, our organizations may have a sound cash flow and a positive bottom line, but is our social and environmental impact as positive?

Today, we are being called upon more and more to look beyond profit and think about purpose by balancing the interests of shareholders with those of workers, customers, communities and the environment.

Fortunately, there are credible impact tools that can holistically assess the impact on our business model and operations tools that measure a company's relationship with its workers, the community, the customers it serves, and the environment. Tools that enable business to take action on their Sustainable Development Goals. I have been impressed by the heightened social conscience of business leaders during this difficult period. I truly hope this is a trend.

Are we aligned with prevailing social values and are we investing enough in human and social capital.

What might lottery operators be doing now to position themselves for success in the post Corona virus world?

M. Carinci: Sadly I am not certain when there will be a post corona virus world. But during this time, we will be challenged with the scarcity of resources and the need to invest in innovation while trying to balance both the short term and long term strategy.

Wharton Professors offer this advice: 1) Invest in innovation talent and retention; 2) take the outside-in approach on innovation, monitor trends and work with teams to develop identified future needs; and 3) encourage prudent risk taking, ensuring your teams are looking for opportunities and long term solutions not just firefighting in the short term.

With regard to positioning for the future, the economic repercussions will depend on the environment that each lottery operates within. Those that are already offering a cashless solution through mobile and online are well positioned to continue to generate revenue throughout a disruption if they are allowed to continue operating. Those lotteries who operate only within the bricks and mortar channel and don't have a cashless solution are obviously more at risk if there is another confinement period but also face the risk of not attracting the "digital natives" who are more inclined to favor a paperless/cashless model. Lotteries that are operating in social channels through gaming houses and casinos will have challenges maintaining revenue the traditional way due to social distancing requirements. Unfortunately, online casino options don't replace the ambiance and experience of a physical casino. However, technology today allows

for social distancing in physical space – an example of this is virtual dealers. Sports betting obviously has been impacted as well. However, it has caused the acceleration of virtual sports events which has been a trend that will likely continue.

We now have another opportunity to convince legislators and regulators that a cashless solution is much more than a commercial proposition, it is a health protection measure as well. If a cashless solution is not within reach at this time, a halfway measure is to offer the "QR code app" which allows players to place their bets on their phones and then register their bet at retail using the QR code on their phone. At least it eliminates the need for a bet slip and changes the interaction at retail.

We were concerned that a prolonged confinement period with no opportunity to play the lottery would impact players' habits and patterns. We discovered that while patterns have changed, overall sales have rebounded almost back to normal within a few weeks. Part of the reason may be that the Company kept a high profile on the social responsibility front by organizing a large scale initiative to create and distribute hundreds of food hampers to vulnerable families.

In Summary

M. Carinci: As I said earlier, there are more questions than answers but as long as we keep asking the questions the answers will present themselves. Here are a few to consider as we paint our future canvas.

How do we better serve our various stakeholders through technology and a heightened sensitivity to our social and environmental impacts?

How do we protect our brand reputation with our loyal customers in this new cyber world?

How do we take advantage of the plethora of information we have about our customers in an ethical manner?

How do we sustain a culture of teamwork, collaboration and belonging in a new workworld?

What will the Generation Z and Next Gen expectations be when it comes to lottery and gaming?

All in all, there are some positives emerging from this "world reset." It is now up to all of us to take advantage of them and continue to make a difference in the world through the good work we do every day. ■