

The former CEO of TD Bank — who led its U.S. expansion and the tripling of its market capitalization — talks about his track record of ‘doing the right thing’.

Thought Leader Interview:

# Ed Clark

by Karen Christensen

**In your time as CEO of TD Bank [2002-2014], you became known for embracing LGBTQ+ issues. Describe how and why you became involved.**

First, I’ll segue a bit and go back to my eldest son’s wedding a few years ago. As is the custom, he stood up to give a toast, to thank everyone for being there. He proceeded to go on and on about his mother, and all the things he had learned from her; then, he turned to me and said, “My dad? Not so much.” Once the laughter subsided, he paused and said: “I actually did get one really important lesson from my father: Do the right thing.”

That simple concept has been a core belief and motivator for me throughout my career. And let’s face it, working in financial services, this approach stood out a bit. Back in 1994, when I was running **Canada Trust**, we were the first financial institution to provide same-sex benefits to employees. To be perfectly honest, we didn’t even think much about it; it just seemed like, *why wouldn’t you* provide same-sex benefits? We didn’t see it as part of any bigger agenda at the time; it was simply the right thing to do — so we did it.

Fast forward to 2002, when I became CEO at TD. At the time, we had about 55,000 employees, and I asked my HR executive, How many people have signed up for our same-sex benefits program? The answer shocked me: 50. I immediately viewed this as a personal failure of leadership on my part. It really brought home to me that just ‘doing the right’ thing is not enough: You actually have to *build a culture* where people understand what is right and do the right thing.

Culture can be defined in so many ways, but at TD, we defined it as, ‘what people do when no one else is looking’. When I found out that so few employees had signed up for same-sex benefits, it showed me that, when no one was looking, we were basically running a homophobic organization, where people felt uncomfortable asking for some basic employee rights. That was a huge learning moment for me.

Another key lesson I learned is this: A leader’s good behaviour is not enough to instill good behaviour throughout an organization. I used to think that if I behaved in a certain way, naturally, people would follow suit. But that is not how it works. I have



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been in situations where a new leader takes over and they are arrogant, and they yell at their people; and the culture gradually shifts to reflect that behaviour. But where the opposite is true — when there are huge cultural issues and historic prejudice — the simple fact that the new leader doesn't buy into those prejudices is not enough. It requires a proactive, constant effort to change the culture.

### Tell us more about your role in changing TD's culture.

As I found out, you really have to 'campaign'. I used to say that I was running for office, every single day. When I left TD in 2014, we had 85,000 employees scattered across North America. Obviously, you can't just order that many people to believe in what you believe in, so you have to be *very explicit* about your expectations. There is no room for subtlety. I used to go into meetings and say, "At this bank, you can't yell at your employees. If you do it accidentally one time, fine; but the second time, you will be gone." And we actually fired people on those grounds.

That's another key lesson regarding culture change: You have to be prepared to follow through on your values, and act on them. Simply put, you have to be intolerant of intolerance, and recognize that change will only happen if you put your whole personal brand behind that change. Of course, the first reaction when you take a stand on something will be, 'This too, shall pass'. People will think you just want to make headlines, or look good in the business community. That's why you have to let them know that you are going to be *relentless* — to the point that you will say to your Board, 'If I don't win this battle, I will be a complete failure as CEO'.

You also have to be prepared to be tested, from time to time. At TD, we become major sponsors of annual pride parades in the cities we operated in, and one of our competing banks actually put out messaging that said, 'Do you really want to be associated with a bank that would sponsor this type of parade? Have you seen what people wear in this parade?' Sometimes, I would sit down at a meeting, and a colleague would say to me, 'Your actions have cost me my bonus! I just lost Client X to the bank across the street'. In these moments you have to be prepared to

say, 'Sorry, but that's the way it is. If you don't want to work for a bank that believes in these things, please walk across the street and apply for a job.'

At one point, we bought a bank in South Carolina, and the night before I was to meet with its management team, there was a big event sponsored by the local business community. I was up at a podium, talking about TD's vision and our values. At one point, an elderly gentleman worked his way through the crowd, waving his cane, and went up to the microphone, and said, "Well, the least that I can say about you is, you are not a Yankee." I thought to myself, 'Oh boy, we really are in the Deep South here.'

When I sat down with the management team the next day, I said to them, 'I strongly believe that most business choices are 55/45. People who think it's all deadly obvious are missing half of the reality.' But, I continued, 'Values are not contestable: You are either *in* or you are *out*. This is not a deli. You can't say, 'I like this one, but I don't like that one. There is a very good severance package for anyone who doesn't buy into our values, and if you are one of them, you should declare yourself now, because you will not last'. That was an extremely difficult conversation to have, because obviously, I didn't want to lose the entire management team. But that is the sort of stance that you have to take.

You also have to be prepared to talk about what you're doing in public. Many times, I would say to my management team, 'Here's what we are going to do...', and I could see their eyes glaze over: They were thinking, 'He'll never actually do that!' So, at our next big investor conference, I would announce it to the entire crowd. It was amazing: Once I said something in public, people realized that I was dead serious.

### What is your take on increasing income inequality?

Former President **Barack Obama** called income inequality "the defining challenge of our time". The reality is that the globalization of technology has made a few people very, very rich, while the average person has seen few, if any, gains. This has been a complete disruption of what we used to think of as

‘normal growth’ — whereby everyone across a society grows together. Unfortunately, when this happens, people actually move *backwards* in their thinking. Whether it’s prejudice of race, gender or sexual-orientation, we are seeing more of it, because people are afraid, — and they are desperate to get their ‘old world’ back.

When this happens, we need leaders to stand up and say, ‘We are not going to let this become the norm; we are going to fight it.’ Leaders also have to talk to their peers and say, ‘Let’s be honest: The distribution of income in the world right now is ridiculous: It is not sustainable for the top 1% to be enjoying all the gains, while the real income of the average worker barely budges’.

By the way, we’re kidding ourselves if we think Canada is an exception to all of this. There is a part of every Canadian that smugly thinks to herself, ‘We are pretty special here’. The fact is, we are just as vulnerable to the rise of intolerance as anyone else. And in my experience, no prejudice is more deeply ingrained in society than homophobia. All of us have to fight it — and not just once, but *every day*.

### **Each year in Canada, the big banks’ profits continue to increase, while other parts of the economy struggle. Why is this happening?**

Generally speaking, bank earnings grow in line with the economy, and the only thing that might cause them to grow faster is demographic changes. The fact that the Baby Boom generation is nearing retirement definitely means that wealth management earnings are growing faster; and, if we continue to see a housing boom, that will also contribute to earnings growth. But generally, as an investor, I would not expect bank profits to grow any faster than the economy itself is growing.

Should bank compensation packages for executives continue to go up? In my view, the answer is No. Financial sector executives are more than adequately paid. In fact, if you contrast Canada to the U.S., there has been more moderation happening here, because our Boards have pushed back, and our bank leaders have been more moderate in terms of what they are asking for. The bottom line is, if they want to be seen as leaders in society, they

have to acknowledge that we have a severe problem right now, where lots of people are not benefiting from economic growth. And that means looking at their own compensation.

### **You believe the growing income gap is not just unfair, but corrosive to society as a whole. How so?**

We are seeing a prime demonstration of that in the U.S. today, where large parts of the population had been hurting for quite a while, and the reaction was to turn to a more populist leader and introduce even more racism, sexism, homophobia and protectionism into society. These things are the direct result of the average person believing that the leaders of society are reaping all the benefits, and that they don’t care what happens to ‘the little guy’. We are seeing the same phenomenon in Europe.

Just look at the proposal that President **Trump** made [in February 2017] around healthcare. He basically proposed to pay for a massive tax cut for the rich by reducing health benefits to the poor — despite the fact that he ran his campaign on ‘Looking after the little guy’. That type of thing is highly corrosive to a society.

### **Do you fear that the populist approach will cross the border into Canada?**

I’m hopeful that it will not. We did see increased inequality in Canada in the 1990s, but since 2000, that has not happened, because we run much more generous programs than those in the U.S. As a result, the very poor in Canada have not lost position in terms of their income. That is not to say that they shouldn’t be paid more — but they have not lost their relative share. The thing to worry about is this: As technology continues to evolve, it is the working middle class that will fail to see the benefits of economic growth. We must take steps to mitigate that.

### **On that note, you are now working (pro-bono) for Ontario Premier Kathleen Wynne, as her business advisor. Describe the work you are doing.**

We are developing a framework for long-term, sustainable economic growth, measured against a pretty straightforward goal:

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Making the average citizen better off. This focus on the 'average citizen' is important: We need to show that growth can, and will, benefit working and middle-class Ontarians — not just those at the top of the income pyramid.

Ontarians get that we are all better off if we can avoid widening income disparities, and hopefully reduce them. We have built an open, tolerant society that is able to attract and harmoniously absorb thousands of immigrants each year — a unique asset in North America. But when we step back and look at what is happening in the rest of the world, I worry that we are not changing fast enough to adapt.

Doing so will require some paradigm shifts and tweaks in policy. These include shifting our focus in manufacturing to become a world leader in 'smart manufacturing'; recognizing the importance of the service economy and focusing on how we can be leaders in service exports; reducing regulatory burdens on the economy by focusing on the lowest cost way of achieving desired regulatory outcomes; turning more of our small businesses into mid-sized businesses and exporters; and avoiding a race to the bottom, focusing instead on the parts of the economy where we are competitive — so that we can afford to pay more to those at the lower end of the wage scale.

### You have said that there is a 'huge paradox' facing today's public sector. Please describe it.

Demand for government services is growing rapidly — driven in part by our aging population. But its capacity to act is constrained by a shrinking labour pool and, in turn, a slowing domestic economy, which are putting downward pressure on its revenue streams.

Back in the 1960s and 70s, recovery in Europe, productivity gains, the baby boom and growing female participation rates all fed a period of extraordinary growth. All politicians pretty much embraced the same mission statement: Find a problem to fix and make the world better — and they seemed to have the resources to do it. A lot of good came from this period: Medicare. Old Age Security. Today, politicians face harder choices. Not just managing in a world of scarcity — but also dealing with forces that can make a society less fair.

We need a civil service that can do more with less; that can think of innovative solutions; that can re-engineer the delivery of government services; and that knows how to manage change. This requires not just bold thinkers — but people with an active focus on the *doable*. The onus isn't all on the civil service, of course: The business community must also step up and support the discussions required for our society to keep pace with a complex world. And it must lend a hand — sharing its expertise to make innovative ideas a reality.

### Going forward, how will you apply your 'do the right thing' credo?

In addition to my work with the province on a range of projects — from electronic health records to issues of privatization — I'm still very involved with charities, in particular, organizations devoted to homelessness and the LGBTQ+ community. Years ago, when I found out the high percentage of street youth that was LGBTQ, I was shocked. Today, I feel truly blessed to be in a financial position where I can spend so much of my time giving back. **RM**

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**Ed Clark** (UofT BA '69) is the former President and CEO of TD Bank Group. He retired in 2014 after 12 years in the role. He is now a senior advisor to Ontario Premier Kathleen Wynne and chairs the Advisory Council on Government Assets and the recently-launched Vector Institute. He also serves on the Board of Trustees of The Brookings Institution and has been chair of the advisory board for the School of Public Policy and Governance at the University of Toronto since 2011.