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The Odgers Berndtson Global Magazine_

Issue 01
Spring 2014

An exclusive interview with Güler Sabancı

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Turkey's most powerful woman

Peak performance
Are drugs becoming the business norm?

The data deluge
Why Big Data is everywhere and what you can do about it

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PHOTO: NURAY UYSAL

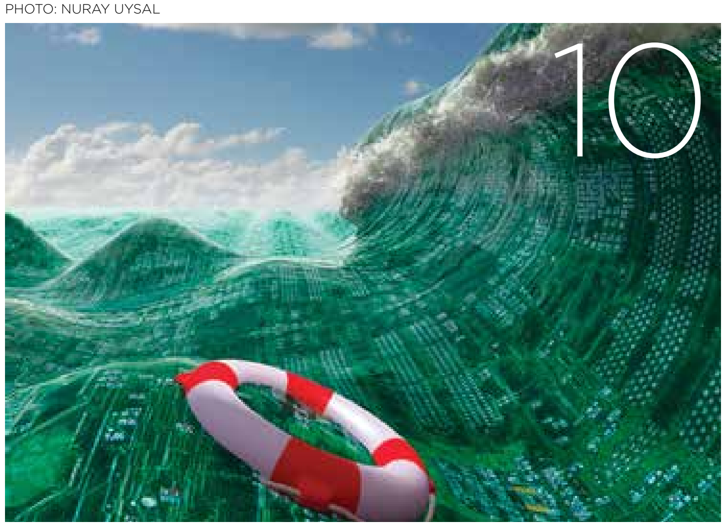

ILLUSTRATION: MICHAEL O'SHAUGHNESSY

"The most critical part of all this data is visualisation; mapping it, so it can be immediately grasped through a picture"

MIKE YOUNG PAGE 10

Welcome to the first edition of *Observe*, the global magazine from Odgers Berndtson, one of the world's leading executive search firms.

Observe is an articulation of some of the trends and insights gathered by our consultants worldwide. Some of these topics already have currency in boardrooms while others seek to challenge perceived wisdom.

Our cover story is an exclusive interview with Turkey's most respected businesswoman, Güler Sabancı, chair of Turkey's Sabancı Holding, a diverse international conglomerate.

Güler, named as one of the most influential women in world business by the *Financial Times* and a recipient of the Clinton Global Citizen award, offers penetrating insights into today's globalised business world.

It will come as no surprise that matters digital feature strongly in this edition. The internet-enabled innovations of the past 20 years continue to find new ways to disrupt existing business models, shaking up established players and creating exciting opportunities for ambitious, nimble innovators.

We hope you enjoy *Observe* and look forward to any comments you may have – do please contact me directly at: **observe@odgersberndtson.com**
We look forward to sharing the second edition with you later in the year. With best wishes for a prosperous 2014!

Richard Boggis-Rolfe,
Chairman,
Odgers Berndtson

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Observe brings you a range of interesting, offbeat and surprising global stories

PEOPLE

YELLEN'S CHALLENGE

Janet Yellen, who has just succeeded Ben Bernanke as head of the US Federal Reserve, has succinctly summed up what lies ahead for her: "The challenges facing our economy in the wake of the financial crisis have made clear communication more important than ever before." (Source: *New York Times*, 20 December 2013). The world will be watching her every move.

ILLUSTRATION: PHIL DISLEY

SOCIAL MEDIA

IMPROVE YOUR IMAGE

According to global public relations firm Weber Shandwick, CEOs who are active on social media can improve the image of their company. It also said that social network use can boost reputation, financial results and employee communications.

The company only surveyed employees at an executive level, but pointed to the news that Twitter and LinkedIn use among Fortune 500 CEOs increased by around two per cent in 2013. This could point to a trend of general adoption and not the success of individual use. It has also been reported that a Domo and ceo.com study found that nearly 70% of *Fortune* 500 CEOs have no social media presence. Of the 30% that do have accounts, many have never been used or are 'ghost written'.
ceo.com/social-ceo-report-2013

TECHNOLOGY

CEOs ON FILM

Research by Cisco suggests that the next generation of US executives will rely heavily on video technology. Business leaders under the age of 34 see business-class video as an important means of communication as well as a contributor to success. Potential advantages of using video include saving money on travel costs, engaging more effectively with telecommuters and attracting a wide range of talent.
newsroom.cisco.com

WORTH WATCHING

BUSINESS TALKS

The Boardroom Channel is a series of weekly discussions, hosted by TK Kerstetter, chairman, NYSE Governance Services (Corporate Board Member), about issues affecting the boardroom from board planning retreats to board diversity, and a look back at the key board issues of 2013. You can also download transcripts.
boardmember.com

DIVERSITY

SLOW PROGRESS?

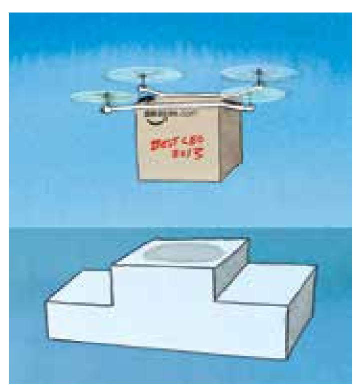
The US is making slow progress in its efforts to increase the number of women on corporate boards.

According to analysis of data from companies in the Russell 3000 index in 18 states across the country only 12.1 per cent of board seats are held by women. A report by the Alliance of Board Diversity also found that white males make up 70 per cent of *Fortune* 100 board positions and 73.3 per cent of *Fortune* 500 seats.

PEOPLE

BEST CEO OF 2013

According to Prof. Sydney Finkelstein of the Tuck School of Business in Dartmouth, USA, Amazon's Jeff Bezos stood out for his "long-term focus in an era where CEOs live in fear of missing quarterly numbers". Described as a "cross between UPS, the NY Public Library, and a giant warehouse", Finkelstein considers Amazon a "boring business" that Bezos has made into a cool brand with low prices. "Super competitive, Bezos thrives on beating up weak players and industries, and what is now a giant company is as nimble as a startup. Bezos is building a huge talent pipeline via MBA hires and his recent use of the drone delivery story as a PR coup just before Cyber Monday was a stroke of genius. Jeff Bezos is the new Steve Jobs of business."
Runners-up were:
no.2 – Akio Toyoda (Toyota)
no.3 – Pony Ma (Tencent China)
no.4 – John Idol (Michael Kors)
no.5 – Reed Hastings (Netflix)
@sydfinkelstein



TELECOMMS

APPLE IN CHINA

Apple's decision to finally sign a deal with China Mobile to sell its iPhone to the world's largest

mobile network came after six years of negotiations. The timing is apposite: China Mobile is currently rolling out the world's largest 4G network. By the end of 2013, China Mobile's 4G services will be available in 16 cities including Beijing, Shanghai, Guangzhou and Shenzhen. By the end of 2014, China Mobile plans to complete the rollout of more than 500,000 4G base stations, which will cover over 340 cities with 4G services. However, the deal comes at a time when China Mobile will have to contend with lower interconnection fees from rivals as part of the Chinese government's latest effort to promote competition.

WORTH READING

DIGITAL DIVERSITY

The 'Gender Diversity on Corporate Boards' app from The Catalyst Research Centre for Equality in Business Leadership, is full of insightful statistics and information about women on corporate boards. Well worth downloading.
available from the app store

PEOPLE

AHRENDTS TO APPLE

Angela Ahrendts' move from Burberry to head up Apple's retail operations has met with interesting comment. Carolina Milanesi, research vice president at technology research company Gartner, writing in *Global Finance* magazine, said: "With Burberry, Ahrendts successfully tackled two issues that Apple is currently facing: an increasingly popular brand in need of retaining its high end status, and a retail business that must preserve its boutique feel despite its growing customer base." One to watch.

MANAGEMENT

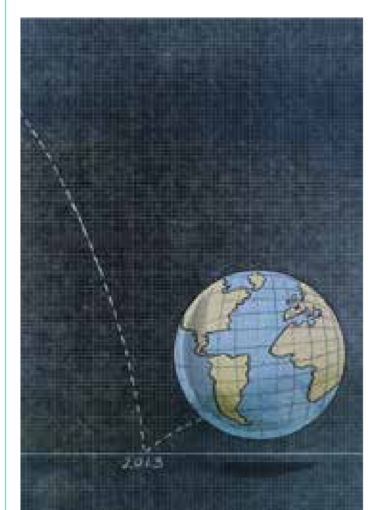
INSIGHTFUL IDEAS

Katherine Bell, editor of HBR.org, has put together a penetrating piece focused on 'The Ideas that Shaped Management in 2013'. The list includes such areas as, "If your knowledge-based industry hasn't been disrupted yet, get ready", "The rest of us still have a lot to learn from Silicon Valley", and "Being nice makes you a better leader and your company more profitable – new research proves it". There's much wise counsel in Bell's piece.
blogs.hbr.org

ECONOMICS

THE YEAR AHEAD

Citi's recently published 80-page outlook for the global economy in 2014 leaves very little to the imagination. According to Willem Buiter, Citi's chief economist, as 2013 drew to a close, "the global economy looks to be exiting the slowdown of the past three years and entering a new phase of

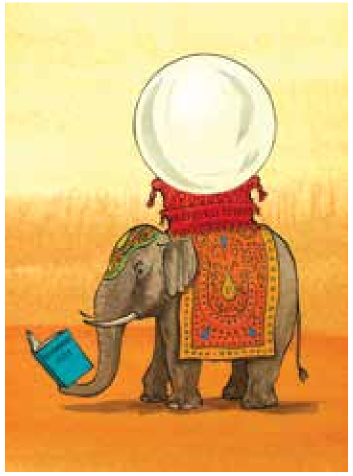


modest recovery and growth". He adds: "What is revolutionary about 2014 is that the likelihood of severe downside tail events, which could paralyze the global economy, seems to have diminished significantly (though not disappeared). Granted, the euro-area is still work in progress, China presents meaningful question marks, Congressional gridlock in the US could still throw sand in the federal fiscal wheels and geopolitics can always surprise. But enough progress has been made that all of these issues seem less threatening today than 12 months ago."
Observatory will report back later in the year on just how prescient Buiter's comments turn out to be.

MARKETS

REIMAGINING INDIA

A new publication from McKinsey & Company, called *Reimagining India*, is well worth reading. The foreword declares: "While McKinsey consultants have contributed a few essays to this volume, *Reimagining India* is not the product of a McKinsey study; neither is it meant as a 'white paper' nor coherent set of policy proposals. Rather, our aim was to create a platform for others to engage in an open, free-wheeling debate about India's future." And that's exactly what it does. It claims that even the world's biggest brands can struggle to succeed in India. Coca-Cola chairman and CEO Muhtar Kent, writing in the book, urges global companies to accept the market as it is, not as they wish it to be.
He says: "For The Coca-Cola Company in India, the rewards from being in the market will materialize only if we see our investment in broad terms: not just capital investment in bottling plants and trucks but also human investment in schools and training, social investment in women entrepreneurs, and technological investment in innovations like solar carts that can power a cooler, a mobile phone, or a lantern by which a young boy or girl can study. That's an expression of our →



commitment to India – and our commitment to succeed on India's terms."

mckinsey.com/insights

LEADERSHIP

IN CONFIDENCE

A global survey by Harvard Business Publishing found that only 32 per cent of executives think their organisation has the right leadership talent and skills to achieve its strategic goals. Similarly, only 31 per cent claimed their superiors have the necessary leadership skills to succeed in the current business climate.

prweb.com/releases

PEOPLE

NEW CEO AT GM

Mary Barra's appointment as the new chief executive of General Motors is a tough assignment. She is the fifth CEO at GM in the space of just four years. When asked in a recent *Los Angeles Times* interview about her management style, she replied: "Collaborative. When we have to make tough decisions, giving direction and setting the strategies for the products of General Motors, there should be constructive tension. We should have vigorous debates.

"I try to create an environment where people feel they can voice their concerns and we can get the best ideas on the table and then make the right decision. But at the end of the day, when the decision has to be made, if we don't have complete unanimity, I have no qualms about making it. But I want that tension in a constructive way to make sure we evaluate things from every angle. I am pretty hands-on as well. I will call a chief engineer when I am driving a vehicle."

PEOPLE

THE LONG WAIT AT LLOYD'S

Lloyd's, the London-based international insurance market, has appointed its first female chief executive since it was founded in 1688. Inga Beale, 50, will replace Richard Ward at the helm. Beale said: "Lloyd's is already an international leader but this unique market has an extraordinary opportunity to increase its footprint and to cement its position as the global hub for specialist insurance and reinsurance." Ms Beale's work will be cut out for her as she inherits an institution that is in the middle of a major modernisation drive.

SOCIAL MEDIA

THE YEAR AHEAD

Inc.com's five predictions for social media in 2014 are worth seeking out. It concludes: "If you think the social web is noisy now, in 2014 you'll see more content than ever before. This means you and your business need to create better, more fun, and more valuable content in order to be noticed and to truly benefit from social media."

inc.com/dave-kerpen/5-predictions-for-social-media-in-2014.html

PEOPLE

REINVENTING BLACKBERRY

John Chen, the recently-appointed chairman and CEO of BlackBerry, has a Herculean task ahead of him. But he remains bullish about his task: "I need to go out and convince the world that the fight has now started. It's a long haul journey, no question." Chen states that he will rebuild the BlackBerry name by chasing the business customers who helped to make the company a powerhouse in the smartphone industry.

SOCIETY

FOR SOCIAL GOOD

Billed as an "action-oriented social network for the common good", Horyou aims to link personalities, individuals and organisations together to connect within an internet-based global community. Horyou "represents a new internet philosophy where noble ideals become actions and social media is at the heart of it. At Horyou, all generations can build a healthier and more constructive relationship with technology. Horyou is free and opened to everyone".
Whether or not Horyou will live up to its claims remains to be seen.

horyou.com

GLOBAL TALENT

TOP RANKING

INSEAD, the global business school, in partnership with Singapore's Human Capital Leadership Institute and Adecco, has created the first ranking of 103 countries on their ability to attract and incubate talent. The index shows the top 10 slots mostly populated by European and wealthy countries as well as a wide gap between prosperous and low-income countries. Switzerland tops the list, with Singapore in second place and Denmark in third. Rock bottom in 20th spot is France, with United Arab Emirates in 19th place and Ireland 18th. The US ranks at a modest 9th place.

insead.edu

Alexander the (not so) Great

JOSÉ MEDINA analyses the qualities of one of history's most divisive leaders

There are countless books and films about Alexander the Great noting his grandeur, his energy and, of course, his leadership. However, I feel there are three objectives he did not reach that are essential when we evaluate any leader: what legacy did he leave behind? How did he perform in the position or how did he benefit from it? How did he define his mission and then set about achieving it?

In my view, Alexander (born in 365 BC) did not perform satisfactorily in any of these areas. His shortcomings as a leader were that he left things worse or, at best, exactly the same as they were before. Alexander simply served himself as he pleased, with a narcissistic leadership style. He satisfied his own military passions rather than carrying out his obligations as a statesman.

Alexander's story is one of a person who had it all. One can liken his behaviour to that of supremely talented Hollywood stars who become famous at an early age but then struggle to deal with premature success.

Not that he didn't get a particularly stellar start in life. Alexander's father Philip II chose the greatest teachers of the time to develop his physical strength and his knowledge of literature and philosophy; Alexander was an avid learner.

Alexander's lust for power was fulfilled when his father was assassinated by his own general. No one knows if the general had been egged on by Alexander, his mother Olympia, or perhaps both of them. But as a result, Alexander was proclaimed king when he was just 20 years old.

ILLUSTRATION: MICHAEL O'SHAUGHNESSY

Alexander's management style alternated between cruelty and generosity: he destroyed Thebes and pardoned Athens, maybe as a result of the respect he had for for the city acquired from his studies.

Acclaimed by the Greek states, they provided him with the troops and resources to undertake a triumphant military expedition against the Persian army. Aware of the precarious loyalty of Athens, Alexander left one-third of his troops in Greece and set out on his crusade.

He had no idea what he would find in Asia. If he had known, he wouldn't have tried to conquer it with just 23,000 men. I believe what drove him to Asia was a dream of glory.

His victories aroused the admiration of contemporaries and of future generations. He conquered Damascus, Sidon, Tiro, all of Egypt, Babylonia and Persepolis; he founded Alexandria and defeated Darius, and made it to the Himalayas.

Before his death at just 32 years old, Alexander murdered Cleitus, the friend who had saved his life, when Cleitus reminded him that his victories belonged to his father because he had left Alexander with a formidable army.

Alexander focused intently on what was ahead, never looking back. His leadership style was that of a heroic general more than a statesman. He had prodigious hardware, but tempestuous software. ■

José Medina Joint Managing Partner, **Odgers Berndtson** Spain and Portugal

Riding the data tidal wave

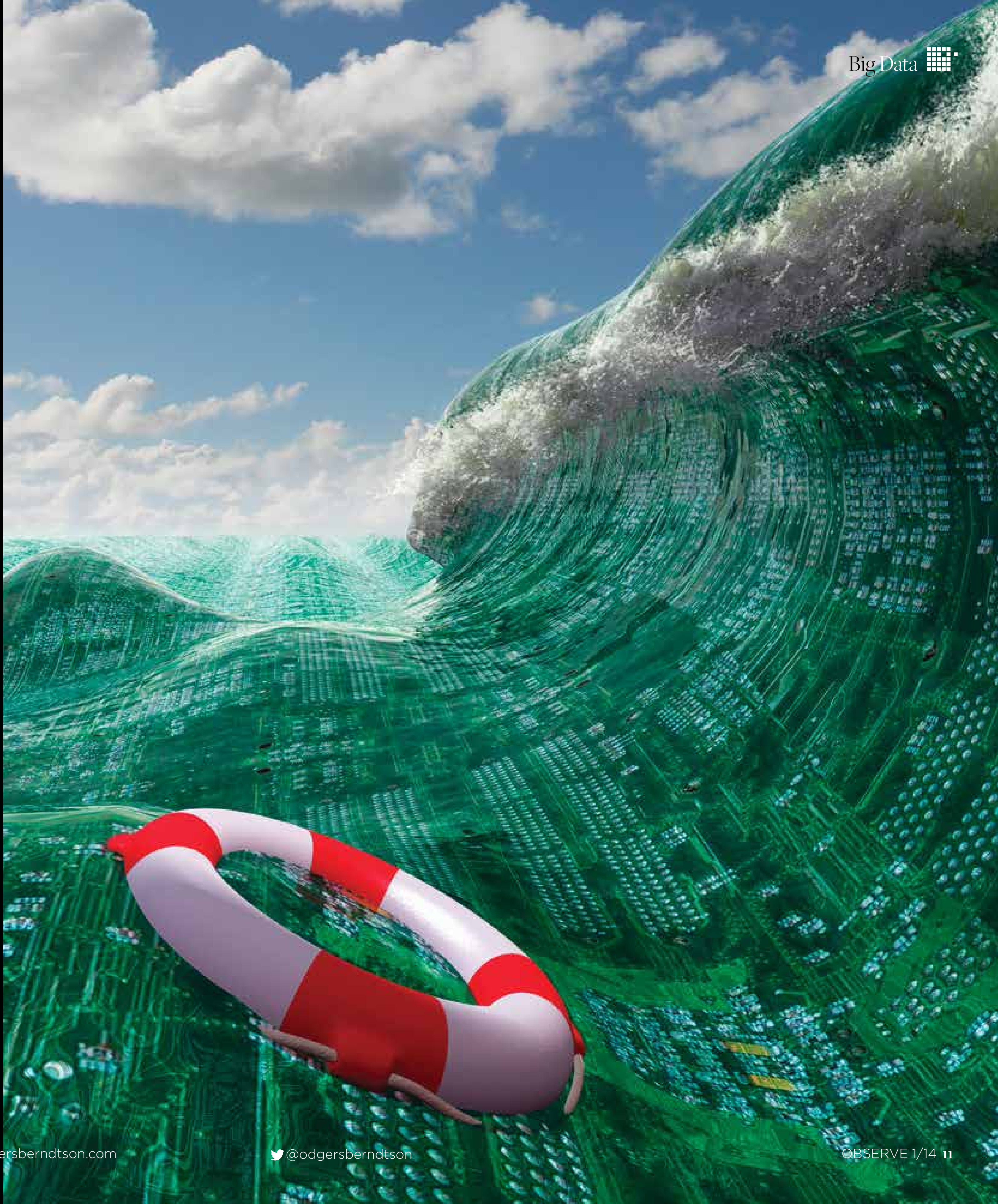
If you think Big Data is just a buzz phrase, think again. It is likely to radically change the way businesses operate, consumers behave and technology is deployed. GARY MEAD investigates

Does Big Data just mean Big Hype? Not entirely, but amid such a fast changing landscape it's all too easy to lose direction. Data has always been around; the only difference today is the sheer volume.

Data capture and storage have grown exponentially. CEOs are under pressure to create brand new capabilities and models based on Big Data. They are understandably worried that if they don't get to grips with it they will lose out to their competitors. Indeed, the vast majority of corporations are failing to exploit Big Data effectively for competitive advantage.

In a 2013 White Paper, 'Getting Big Value from Big Data', the German software company SAP says: "The key is to focus on the opportunities and rewards of Big Data initiatives rather than →

ILLUSTRATION: IKON IMAGES



getting stuck in endless discussions about technology. The technologies supporting this space are evolving so fast that investing in capabilities is more important than investing in individual pieces of hardware and software." As the opportunities to collect ever-increasing volumes of data explode, the biggest value of this data tidal wave – its commercialisation – can become an overwhelming task. Getting into the hearts and minds of customers via the collection of data, and spotting emergent trends within that data, is key.

According to Mike Young (pictured left), CIO with Aegis Media, "the trick is to understand what you are trying to achieve by collecting all this data. CEOs can feel a little overwhelmed by new media – their teenagers are on Facebook and come along and say 'Why doesn't your company have a Facebook page?'. For the business it's not about having a Facebook page, but how does the data collected and interpreted from the new media help sell more products? It shouldn't be data-gathering for its own sake. Data is only any good if you can draw valuable insights from it." For the CEO the important thing is to focus on the actual challenges of the business; Big Data is just another tool in the box.

> "It shouldn't be data gathering for its own sake. Data is only good if you can draw valuable insights from it"

This voluminous data growth has been fuelled by the astonishing rise of the internet, from just 50 million users worldwide in 1998 to 2.7 billion (about 40% of the global population) today. Global e-commerce sales have been growing by some 20 per cent annually and in 2013 surpassed $1 trillion for the first time. Each single transaction can yield an enormous amount of information about the purchaser. Storing the monumental quantities of data gathered from e-commerce is the least of the problems: making sense of it and putting it to commercial use is giving rise to the new God of the marketplace – the statistical predictive analyst.

Daniel Singer, of Mavens, the research-led digital strategy agency, plays the same tune. "There's a temptation to be in Twitter, to engage with these things, but the first question ought to be 'What am I trying to achieve?' Then the collecting of and dealing with data will have a purpose, make sense." For corporations, data collection, whether from electronic point-of-sale, store loyalty cards, or surveys, is all about gleaning insights into consumer preferences. Once collected, the more important step is spotting trends and patterns, segmenting those ever-more finely, and then re-targeting brand advertising or marketing.

Big Data is not just about collecting greater volumes of consumer information; it's also about making that information more transparent and usable at much higher frequency. Big Data allows ever-narrower segmentation of customers and therefore much more precisely tailored products or services. This sounds scarily intrusive but predictive statistical analysis has a potentially huge benefit: the elimination of the tendency towards unconscious human bias in favour of age, appearance, ethnicity and gender. If competence is what really matters, in any field, then human bias is just a distraction.

But it's in marketing and advertising that Big Data is making the biggest inroads right now. Alan Mumby, Partner and Head of Technology, Entertainment and Communications at Odgers Berndtson London says: "Now we not only understand this data, but know how to use it in the universe of work; everything from retail to finance. This really is marketing Nirvana. I see Big Data as good for customers. No longer will they be subjected to scattershot advertising. It completely overturns the old aphorism of Lord Leverhulme about half his advertising money being wasted, but the trouble was he didn't know *which* half." Leverhulme might soon be history.

For Young, Aegis is sitting on the edge of an untapped gold mine, thanks to its data collection. Storage, retrieval, updating, visualising – "the churning and crunching of the vast amount of data we have and continually gather is all about building insights for our customers. Aegis provides all media support for General Motors worldwide, a $3 billion account. The ambition of GM – as for marketers in most organisations – is to know as much as they can about the person they want to sell to. Our data allows a more accurate construction of that picture. For me – for GM – perhaps the most critical part of all this data is visualisation; mapping it, so it can be grasped through immediately understandable graphics."

Viktor Mayer-Schonberger and Kenneth Cukier, in their 2013 book *Big Data: A Revolution That Will Transform How We Live, Work, and Think*, compared the growth of Big Data to a kind of social change ushered in by the Enlightenment's *Encyclopédie*. If anything, that's probably too conservative. Potentially, Big Data – even though it's a misnomer – will create the kind of profound revolution not seen since the 19th century's industrialisation. ■

Gary Mead is a business journalist and former commodities editor of the *Financial Times*

WHAT IS BIG DATA?

- mckinsey.com
- sciencemag.org
- gartner.com

Big Data is a constantly moving beast. What was considered big a few years ago is today a mere speck. The US IT research firm Gartner developed a useful definition of Big Data, often referred to as the '3Vs' – increasing Volume (the amount of data), Velocity (the speed of data in and out), and Variety (range of data types and sources). Some organisations add a fourth V – Veracity. Over 20 years – between 1986 and 2007 – the world's technological capacity to store information grew almost 100-fold, from 2.6 exabytes (one exabyte being equivalent to one quintillion bytes) to 295 exabytes. In layman's terms, this growth in data collection capacity was equivalent to less than one CD (650 MB) per person in 1986 to almost 61 CDs in 2007. Walmart handles more than a million transactions every hour; the consumer information it consequently collects currently amounts to almost 200 times the information contained in all the books of the US Library of Congress. Globally, the technological capacity to store data has roughly doubled every 40 months since the 1980s. The big question facing all corporations is – how to make the best use of this tsunami of information?

Cover story

TURKEY'S MOST POWERFUL WOMAN

Güler Sabancı heads up Turkey's largest conglomerate, Sabancı Holding. She talks exclusively to *Observe* about being part of a long-established family business, why strong leadership is so important and what the future holds for a rapidly changing Turkey. Report by CALEB LAUER

PHOTOS BY NURAY UYSAL

On a sunny, cold January day in Istanbul, Güler Sabancı steps from the elevator onto the 28th floor and introduces herself with a smile and handshake made for the middle of a busy workday – warm, straightforward, and ready to get on with things. Rather than sit on the upholstered armchairs and sofas looking out over the city, she suggests the boardroom across the floor.

Pulling a chair up to the table she shows off the abstract art hanging on the wall. The artist, Ms. Sabancı says, is a young graduate of the university that bears her family name. Work, especially that of others, is something Güler Sabancı is happy to promote.

"There is nothing in this company that I have done on my own," she says. "There's nothing that I alone can do or that I alone can change." On the contrary, everything, she says, requires teamwork.

It has been ten years since Güler Sabancı succeeded to the executive chair of the family business, Sabancı Holding, Turkey's largest conglomerate. She took over following the death of her uncle, Sakıp Sabancı, who had run the company for almost four decades. Then, Ms. Sabancı modestly managed expectations for her upcoming tenure, saying she would work to "maintain" what her uncle and his team had achieved. "Leadership is not something where you can arrive and the next day change everything," she says.

But during Ms. Sabancı's watch the conglomerate has grown from powerhouse to the largest Turkish enterprise by revenue (over USD14bn in 2012). At its core, Ms. Sabancı says, her job is to manage a diversified portfolio; and when she came on the job in 2004 she wanted to focus the portfolio.

"Then we had eight business segments. Now we have only five. The change is immense. And one of these five – energy – is completely new...we were able to attract expertise from the industry and create a great leadership team for the energy group. [And] in 2013 we became the largest private energy producer in Turkey."

ABOUT SABANCI

Sabancı Holding is the parent company of the Sabancı Group, Turkey's leading industrial and financial conglomerate. Sabancı Group companies are market leaders in their respective sectors that include financial services, energy, cement, retail and industrials.

Listed on the Istanbul Stock Exchange (ISE), Sabancı Holding has controlling interest in ten companies that are also listed on the ISE.

Sabancı Group companies currently operate in 18 countries across the world.

In 2012, the consolidated revenue of Sabancı Holding was TL 26.1 billion (US$ 14.6 billion) with EBITDA of TL 5.1 billion (US$ 2.8 billion).

Sabancı also owns the grid that distributes electricity to the Asian side of Istanbul and the grid that lights up Adana in south Turkey, the place Güler Sabancı was born in 1955 and where her grandfather, Hacı Ömer Sabancı, first ventured into business; a young man in the 1920s, trading and ginning cotton.

And now energy is set to be a core Sabancı business for the 21st century. "This makes it a seriously different portfolio than it was ten years ago," Ms. Sabancı says.

Turkey itself is a seriously different place than it was ten years ago. Inflation has been tamed. A single party governs the country – a relief from the shaky coalitions of the past. Banks, stringently regulated since Turkey's 2001 financial crisis, weathered the global fallout following Lehman Brothers' 2008 collapse well. And the country's growth projections suggest Turkey needs to double the capacity of its current energy infrastructure to meet the demand expected in 2020.

Everything, of course, is relative and very complex. Even a cursory look at a year's worth of Turkish headlines show how wild a ride Turkey can be. Since the late 1970s, when Ms. Sabancı started working her way up through management appointments in various Sabancı companies, Turkey has lurched from *coups d'état* to other crises of the first order, but the relative stability of the last decade has only been part of the story.

"We are in an emerging country. Now and then we forget this, but it's good that we have the markets to remind us. Whether socially, politically or economically – things are moving. But if you are well-informed, capable, and have the tools, systems, and the people to make it work, you can find many opportunities. Of course, this comes with risk. [But] that's what makes emerging markets more exciting."

To mitigate risk, Ms. Sabancı prescribes classic precautions: conservative decisions, more equity, less debt. But she also →

> Güler Sabancı has dedicated much philanthropy and non-profit work to improving the lot of women in society

says the non-business activities of the Sabancı group – the university, a museum, and a billion-dollar foundation that funds dozens of charity programs – are themselves elements of a risk management strategy. Beyond their intrinsic social value, these activities provide Sabancı decision-makers with windows onto what's happening in Turkey, helping them follow trends and sentiments of the country, Ms. Sabancı says.

Güler Sabancı has dedicated much philanthropy and non-profit work to improving the lot of women and girls in society. She has won international accolades for her work with the United Nations and the Clinton Global Initiative advocating gender equality and gender inclusion, especially in the workplace. "I myself have had the opportunities and I have been supported throughout my career. But I was aware enough to see that not every woman has had the same opportunities." The first task, largely accomplished, was to raise awareness. "And now we are in an era that this issue has been widely accepted [as an issue] all around the world." There's still work to do, however. "Even if everyone agrees, it doesn't mean you've solved the problem."

With their dynamism and growth, emerging markets can be where the most progress is made in terms of gender inclusion, Ms. Sabancı says. And this, in turn, will strengthen business. "The ways we handle knowledge, innovate, create, change, and implement things are the most important element of business success. Women bring different ways of looking at these things. I see faster, more effective and more creative results when teams have women in them...[so]not only is it good to have women working, it is also a good leadership decision to have women on your team."

Sabancı makes sure people know when women are promoted to management positions within the company. "Transparency is very important, not only in reporting to the public, but also reporting inside the company. It has to be clear that within the pipeline there's room for women to advance."

Recruiting qualified staff of any gender remains a challenge. "Universities are everywhere now, in every city across Turkey. That doesn't necessarily mean that what you call a university can deliver what one would expect from a university," says Ms. Sabancı. And quality technical and vocational education is scarce – Sabancı companies are having to provide staff on-the-job technical training of the kind that should be widely available in schools.

"With our per capita income, with our labour costs, it's obvious Turkey is not going to be another China. But in our position we need added-value, we need technological industries. This must be reflected in our education system," says Ms. Sabancı.

But for executives interested and willing to work in an emerging country like Turkey, the challenge will reward with a very enriching educational experience, Ms. Sabancı says with a laugh and a smile. ■

Caleb Lauer is a freelance writer based in Istanbul. He has covered Turkey for various publications since 2006

The new world of digital everything

The power of digital is reshaping our society at a startling rate. Are your board members and leaders ready to embrace change?

How do your board and leadership team prepare for the avalanche of new technologies and the demands that they place on your business model? How do you cope in a world in which 1.5 billion people use social media to communicate and collaborate; five billion customers leverage their mobile phones to conduct commerce and share information; and 2.5 quintillion new pieces of data are accumulated each and every day?

Our answer? Put the right people in the business. Without question, those people need to be digitally savvy executives and board directors. So how do you get started?

ILLUSTRATION: IKON IMAGES

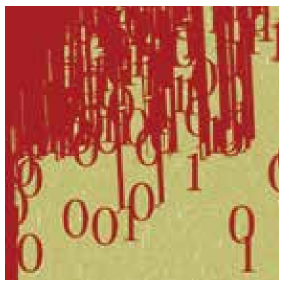
We have found the enemy of change and it is us!

Here are some alarming facts:

- According to research from Stanford Graduate School of Business and The Conference Board (a global, independent business membership and research association working in the public interest), less than 7 per cent of boards use data from social and mobile networks. Furthermore, only 33 per cent of CEOs are members of the social set, according to the business intelligence organisation domo.com. In addition, the University of California at Berkeley has found that Twitter is an excellent source of early indicators of stock price movement for investors.
- The average tenure for CEOs in the USA is around five years, down from more than ten years a decade ago, and it's currently around four years for the *Fortune* 200. The pace of digital and technological change is such that it takes no prisoners.
- A Sierra Ventures study of *Fortune* 500 executives showed that nearly a third identified Big Data as critical (see feature p10), and almost another third pointed to mobile devices. A smaller group, 24 per cent, picked cloud computing, but only 12 per cent singled out social media.

So how did we get to a place where the leaders of the capitalised world have become so disconnected from the digital realities of their customers, employees and investors? Simply stated, technological changes came faster than boards and managers were able to adapt. In the last 30 years, as technologies changed every aspect of our customer, employee and investor communications, corporate boards barely morphed from their original 'old boy networks' (rarely the early adopters of new technologies) to today's digital-enabled leaders. In fact, many organisations make bad →

business decisions that cost them their futures. Witness the demise of once great brands like Kodak, Encyclopedia Britannica and Circuit City that underestimated the power of the digital revolution.



In the past 20 years we have seen boards diversify from this homogeneous group to include politically correct, more diverse leaders, but not necessarily digitally savvy ones. This has resulted in disaster for many organisations. At the time of its demise, Lehman Brothers had a very distinguished and diverse board; all of its members were successful in their respective areas and all commanded gravitas and respect. The board consisted of a female admiral who was impressive in her own right, but not the most astute analyst of derivative product or mortgage-backed securities.

Other members included a former actress, the former CEO of a computer manufacturer, the former CEO of an industrial company, and the former CEO of an auction house. In fact, the only board member who had any finance background was a former investment banker in his 80s who wasn't even a capital markets or risk professional. No wonder the world was shocked by the rapid and regretful demise of a once great firm. The same is happening again on many boards, but this time the blind spot isn't complex mortgage securities but the intricacies of our highly networked world.

Fortunately, the truly great organisations are realising that neither the old boys nor the politically correct board directors and leadership teams are sufficient for our flattened world. Digital pioneers are leading the way in this regard. Google, for instance, has a board with acute 'digital awareness', and others, like Coca-Cola and US insurance giant Allstate, have added two or more digital experts to their ranks to keep on top of the competition.

The map to success

So what do you do if you are lacking strong digital expertise? There are three key steps to get you started.

STEP 1
Assess your board members' and leaders' digital skills

Our experience as global executive recruiters and digital board members has led us to categorise companies and their boards and leaders into four groups:

Digital natives: Natives are the creators, the ones who get it, who challenge or change business models and succeed in doing so. These are companies like Apple, Google, LinkedIn, Facebook, Wal-Mart and Nike.

Digital adapters: Companies such as Allstate and GE didn't start the revolution but they have committed to change with aggressive CEO-led initiatives.

Digital immigrants: These companies know they are behind and are aware of the challenges posed by their new competitors. They want to go 'native', but tend to apply Band-Aids to the problem. These are companies that missed the impact of today's technologies.

Digital illegals: These companies are clueless! Unaware, they are plodding along with a business-as-usual perspective. They are the ones that will perish first. Think Encyclopedia Britannica, Blockbuster and Borders.

STEP 2
Recruit digitally competent leaders and corporate directors

Once you have identified the category that your company falls into, the process of developing the skill sets to compete effectively in this new environment can commence. It is during this phase that companies must dispel their traditional strategic planning methodology; companies often make the mistake of using old thinking to develop a new digital strategy.

In the new approach, first hire talent to develop the go-forward strategy. Most likely, these people will not come from inside your company or industry. Think back to the music industry when it was experiencing disruption from a little company called Napster. This threat to the industry required them to think through their new hires. At the time, a major music company needed a head of technology. Napster's prior CIO hailed from consumer packaged goods, since one of the challenges they addressed was the supply chain. They wanted to cut the cost of CD production and ensure timely delivery to retailers.

However, in 2000, the profile for a head of technology in the music business needed to be re-evaluated. The company required not only a CIO, but a CTO as well – their business was about to undergo a significant shift. Their needs were not only CD production, but also data encryption and intellectual property protection. A CIO from any other media entity would not do at this stage; they needed to think outside the box to recruit this person, and that is our recommendation to you. Think differently when it comes to recruiting these new professionals to your ranks.

Today, the face of the music industry has changed completely. Take Katy Perry who, with over 40 million Twitter followers, can reach her fans with less than 140 characters and without spending much on marketing.

Other industries can look to the media and entertainment sectors to learn some valuable lessons. While an insurance company may wonder why it would put a guy who built a digital media business on its board, it may want to think twice about digital marketing and customer acquisition strategy before answering that question.

STEP 3
Educate other members of your board and leadership team in 'digital everything'

It is not enough to assess your board and bring in a competent digital leader, as this new member will be in danger of becoming 'the token'. Beyond recruiting this type of individual, education of the board and leadership team is the next step to help reorder the thinking around how to foster an innovative digital culture. Educating your leadership team will go a long way in ensuring your company will recognise the changing digital landscape in your sector, but will also help you to identify the best way to nurture innovation and develop cutting-edge social and mobile technology. In this way, your company will not optimise to death, but instead find the path to true innovation.

How do you do this? Hire young millennials to mentor your senior executives (reverse mentoring). At the dawn of the email age, Jack Welch of GE mandated that his senior executives hire a 20-something to familiarise them with the technological changes sweeping through corporate America. Not surprisingly, GE went on to be a leader and innovator, creating new online purchasing mechanisms and sales tools that were ahead of their time.

No need to fall in potholes

As you begin this journey into all things digital, be aware of three pitfalls that all organisations should avoid.

Firstly, avoid thinking you are digital with only one or two leaders and corporate directors. CEOs who think they have addressed their digital strategy by hiring a single digital executive to build a digital presence are sorely mistaken. Many companies will start hiring Chief Digital Officers (CDOs), but if the company is not fully committed and the CDO is not fully supported, the hire will become nothing more than a figurehead who will serve as an internal ambassador for digital. Companies must understand the purpose of hiring the right digital talent. And talent means an entire team and more than one digital director.

Secondly, avoid using today's digital technologies throughout your entire organisation. With the advent of social, mobile and cloud-based platforms (offered as a service), existing technology infrastructures may prove to be a burden rather than an advantage to many large companies. McKinsey's research clearly points out that companies that embrace digital technologies perform better than those that don't and receive the benefits of faster growth, more flexibility and improved margins. Bain's research about Big Data shows that boards that use Big Data make faster, better and more competitive decisions.

Finally, add digital to your business model rather than creating a digital business model. It is not sufficient to just recruit digital directors and leaders; companies need to adopt their business models. More specifically, to be a leader tomorrow, organisations must 'go digital' and reallocate their capital accordingly. Our research shows that companies that become digital business models – those that move from making and selling things (including services) to those that codify their IP as Big Data and analytics, or build social and commercial networks – are worth two to four times more than then their brethren (manufacturers, retailers and distributors, and services firms).

Reshape to survive

It's time to reshape your board and leadership team if you don't want to follow in the path of those that did not believe in the power of digital to reshape our society.

The bottom line is that you have a chance to either be a disrupter or be disrupted. It's your decision to make; we hope you make the right one. ■

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Big in Japan

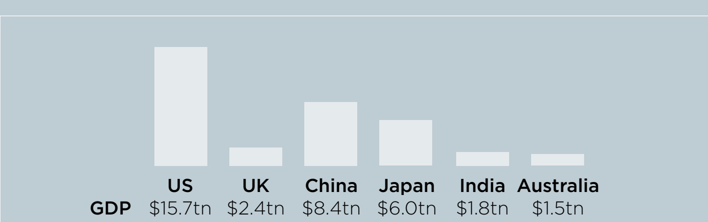
JOHAN UITTENBOGAARD looks at some of the most productive ways to unlock your company's potential in the enigmatic Japanese market

Land of opportunity

IBM derives 10 per cent of its revenue from Japan and 35 per cent from the US. Based on pure GDP statistics and IT spend, this is the right split for a truly globalised company. Oracle, on the other hand, realises close to 5 per cent of its revenue from Japan and 43 per cent from the US. You might assume that IBM operates better as a global company, but it's not that simple where Japan is concerned.

The Japanese economy has seen little growth for many years but there is more positive sentiment now than there has been for the last two decades. Economic growth in Japan will not be 'double digit' but, if IBM can squeeze more than $10 billion of revenue a year out of Japan, there is certainly opportunity. Is there a key to unlocking the potential for success in Japan? For many companies, fixing their market share issue in Japan is like adding another UK market to the revenue stream.

The simple table below gives context to the scale of the Japanese economy. Interestingly, a lot of multinationals source more revenue from Australia than they do from Japan.



The big issues

Let's take a look at one of the main issues that constrains US and European companies when doing business in Japan. The key challenge, almost without exception, is the dilemma between local Japanese leadership and expatriate leadership.

In a country where relationships are still seen as a key to success, having Japanese management brings with it many advantages in selling into the C-suite. The understanding of local practices and expectations is paramount. Issues we often see include the Japanese team choosing to deliberately limit transparency – often hiding very real issues that constrain performance – and miscommunication due to limited English language ability (our estimate is 5 per cent at management level). Also, the excuse for not implementing global initiatives because "Japan is different" is randomly used to avoid changing the status quo.

These negative experiences often lead companies to consider an ex-pat to run their Japan operation. The major advantage is that alignment with HQ is usually very good, and in a number of instances employee satisfaction rates increase. A few issues remain, though. Second-level Japanese management still hides issues and a lot of matters are decided behind the back of the ex-pat MD. Unless the ex-pat MD has at least a few trusted Japanese lieutenants, little will change and, with the departure of the ex-pat, things will revert to the original situation in no time.

Another option is to hire a local non-Japanese executive. The main issue here is that there are very few individuals with enough Japan know-how and with the appropriate management and leadership competencies to lead anything more than a small to mid-size organisation. As always, the laws of supply and demand price these people at a premium.

From our observation, the companies that have made a successful turnaround in Japan, gaining better global alignment, transparency and overall revenue performance, have one main thing in common: they have all had a strong and commitment from the regional and global executive team. When you leave recruitment to local Japanese management, more opinionated or 'HQ-oriented' candidates are blocked from advancing to interviews with the global executive team. With the successful cases, we have seen the global and/or regional headquarters driving the hiring of new (internal or external) management.

Local loyalty

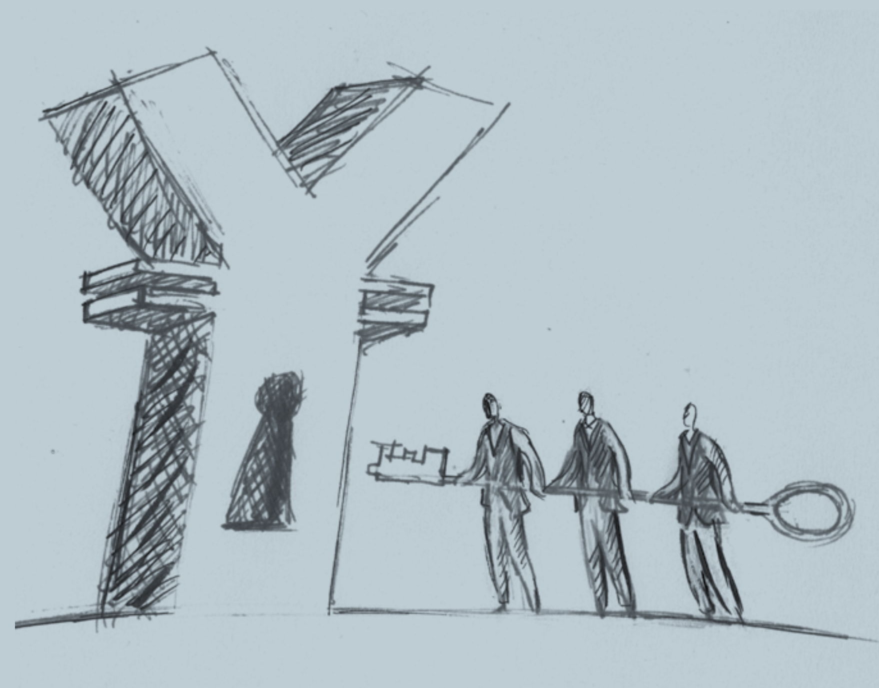
A second key challenge is that the Japanese generally prefer to buy Japanese products. Why is this? For one thing, Japanese products are developed specifically for Japanese needs. While US companies might initially focus on developing products for the US market, which in most cases suit many other markets too, Japanese companies design products to match Japanese preferences.

The smartphone market is a good example. Until the iPhone was introduced, almost 100 per cent of mobile phones in Japan were manufactured locally, yet these same products had almost no market share beyond Japan.

Also, Japanese products are well known for high quality and strong support levels. Foreign companies are perceived as providing poor customer service, often relying on non-Japanese support overseas, which is not widely accepted by the Japanese customer. A key factor for both the enterprise and the consumer.

Finally, Japanese companies tend to keep each other in business. A major supplier of raw materials for toner for a specific printer manufacturer, for example, will buy printers from its biggest customer.

ILLUSTRATION: MICHAEL O'SHAUGHNESSY



The keys to success

Those companies that have successfully broken into the Japanese market have a few things in common. Firstly, they are operating in relatively new markets, where major Japanese companies are not strong competitors. Secondly, they have, at HQ level, a strong commitment to Japan and a solid support structure in Japan. Thirdly, they are willing to localise or customise their solutions to Japan.

Companies usually fail on the second and third points, along with a failure to hire the right kind of people who know how to manage, as opposed to being managed by local distributors and end customers.

Unlike most overseas markets, Japan is unique in that it provides serious local competition to global vendors. Success in Japan requires companies to deviate from the typical globalised 'cookie-cutter' approach. The needs of each company doing business in Japan will be different but the two fundamental steps that are clear from studying the success stories are this. Firstly, establish clear localised differentiators against Japanese competition in terms of both product offering and of support in building the go-to-market strategy. Secondly, ensure regional and global involvement in selecting, then building, commitment and communication from the first two layers of Japanese management. ■

Johan Uittenbogaard Managing Partner, **Odgers Berndtson**, Japan

WHAT PRICE PERFORMANCE?

Will the use of 'smart' drugs change the way we live, work and interact? How soon will it be before a drugs test is the natural precondition for a job interview? Not long, argues MARK BRAITHWAITE, who believes some executives – like some sportsmen and women – will find it difficult to resist the lure of drugs, smart or otherwise, that substantially aid both cognitive and physical performance

PHOTOS: GETTY, ALAMY

Business performance

Lance Armstrong created and lost a personal fortune of more than $100 million from his drug-fuelled cycling career. We all know the story but Armstrong is definitely not alone as a 'drug cheat' in sport. In a brutally competitive environment, when professional athletes reach the limit of their 'clean' potential, they face tough choices. Cheat, or accept second place.

Sports professionals stop improving when the combination of training, nutrition and genetic endowment are all optimised. The muscle can only do so much. Sports scientists have managed to tune and improve athletic performance consistently over recent years, but every athlete has a limit and the doctor's bag containing EPO, anabolic steroids, testosterone, human growth hormone and more provides real temptation.

What's this got to do with the business performance of executives? A lot more, I will argue, than you might think.

The pursuit of corporate competitive advantage in the business world is and should always be front of mind for every executive. But today, individual competitive advantage is just as important. Executives become executives because they are competitive, and like professional athletes, they naturally take advantage wherever they can. The drug culture that is embedded in professional sport is, I maintain, set to invade the business world.

The debut of 'smart drugs' in business is, probably, inevitable. A number of workers who spoke to news.com.au, the Australian online news site, on the condition of anonymity said the use of the smart drug Modafinil [see below] had grown among workers in competitive, fast-paced industries in recent months. "I think it's a combination of being in a mentally tiring job with a lot of competition and a workload much larger than there are hours in the day," said one 35-year-old Sydney finance worker who had tried the drug after reading about it online.

"The stories I read were all very positive, and being in a busy stressful job with not enough time, it's exciting to think there might be something that can give you an edge on the competition, but mostly to combat exhaustion."

Evidence shows, however, that smart drugs do not in fact increase IQ, but alter brain chemistry in a way that allows access to everything we have available. Is this really cheating?

When you think about drugs in sport, the mind naturally goes straight to cyclists and 100 metre runners who use drugs to enhance muscle performance. What most people don't really think about is that other sportsmen such as golfers and tennis players may be using drugs to relax or focus for long periods of time.

The drugs used by Lance Armstrong were not developed for sport but to treat illness. The by-product was that those drugs were found to also enhance physical performance in athletes. Similarly, some drugs developed to treat cognitive illnesses have been proven to enhance cognition in the healthy. Drugs developed to treat debilitating diseases of the mind are suddenly in demand by the healthy as smart drugs or cognitive enhancers.

Put succinctly, smart drugs work by altering the supplies of neurotransmitters, enzymes and hormones that affect the brain. Though not everything is known about them, it is thought that they modify neurochemical supplies, reducing noise levels and allowing signals in the brain to be clearer, thus increasing the quality of information flow in the brain: surely something that any executive would be keen to have at his or her disposal.

But do they really work?

Professor Barbara Sahakian, Professor of Clinical Neuropsychology at the University of Cambridge, in collaboration with the University's Department of Psychiatry and Imperial College London's Division of Surgery, recently commented on a study that discovered that the smart drug Modafinil improves cognitive flexibility and reduces impulsivity in sleep deprived doctors. Approved by the US Food and Drug Administration, Modafinil is a wakefulness-promoting drug that aids those with narcolepsy, those suffering from shift-work sleep disorder and those suffering from other sleep-related conditions.

However, the ethics of using smart drugs such as Modafinil are rather complex. For example, if you were booked in for surgery and you knew that a doctor using Modafinil would be able to perform better, perhaps you would not be too concerned with the ethical questions surrounding it. But what if you were interviewing to hire a new CFO and found out that the candidate was using smart drugs to help them in the interview? Might you think otherwise?

There is a belief that improved regulation might open the floodgates to a new brand of highly developed smart drugs. Critics worry not that cosmetic neurology might help individual fighter pilots or surgeons strive for better performance, but that the widespread use of cognitive enhancers might provoke a pharmaceutical 'arms race' widening inequalities in competitive environments like the worlds of business or education. In other words, warns Roger Cohen of the *New York Times,* "what starts as a matter of individual choice can quickly become one of collective coercion".

Perhaps of deeper concern is the fact →

Business performance

that these drugs are already being widely used by the next generation of executives currently in college or university.

In a study published in the *Journal of American College Health* of more than 1,800 undergraduates, 34 per cent admitted to the use of ADHD stimulants. Studies in the UK and Switzerland came up with similar results. These students were using prescription drugs that were not prescribed for them. It's a deeply worrying trend.

As business people, we get ahead by being smarter than our competition. Like the athlete who reaches the upper limit of his or her natural ability, the concept of popping a pill to be smarter could be too much of a temptation for some to resist. For the next generation of graduates though, it is already the norm.

So, how smart do we need to be?

Garry Kasparov, the Chess Grandmaster, is reported to have an IQ of 190. This is scary smart. You need to be about 115 to get marks good enough for university entrance. The borderline for gifted is around 130 and 150 gets you the Mensa 'genius' title. If you ever visit a chess club (and I have), you will see a room full of odd-ball people who would all pass the Mensa entry test but cannot hold much of a conversation.

The point here is that all intelligence is not equal. IQ just measures raw computing power. Malcolm Gladwell in his book *Outliers* says that once someone has reached an IQ of somewhere around 120, "having additional IQ points doesn't seem to translate into any measurable real-world advantage".

But surely being smarter would be better? We have all felt this at one time or another. Just spend 15 minutes with someone you consider to be brilliant and

> Phone apps such as Lumosity take the user through regular 'brain exercise'

cognitive envy creeps up on you. No scientific proof is needed for this one.

The big question then is can we really get smarter? We all have good days and bad days. There are days when we can perform at the top end of our ability and days when we are just sluggish, both physically and mentally.

Our IQ did not change. It's just that on the good day we got to take the Ferrari out for a spin, while on the bad day, it had a flat tyre. We each have a trading range of our personal cognitive performance and it's all about chemical interactions in our brain that set the scene for how we will perform on any given day.

Executives need to be able to perform every day. A high salary comes with high demand. Making the best decisions quickly, multi-tasking, prioritising a list that is longer than the hours in the day and moving from processing facts to dealing with emotion are just a few of the conflicting pressures. Those pressures don't stop, so high energy and a need to focus for 12 hours or more every day is just part of the job.

We reach our physical peak in our 20s, but we also reach our cognitive peak at the same time. Like the slow physical decline we see with age, we are also on the slow slide of cognitive decline. It's just not on view to the world like our ageing bodies.

Sports scientists have worked relentlessly to figure out how athletes can have a good day every day. It's a complex science but the manipulation of nutrition, exercise, rest and sleep are the key variables. Similarly, cognitive performance – in the boardroom or elsewhere – is maximised in the same way, but most of us have completely missed this.

Specialists treating ADHD are now using lifestyle manipulations before drugs and getting great results. Interestingly, the lifestyle manipulations are identical to those used by the sports scientists: nutrition, sleep, exercise, stress management and so on. Like the sports pro though, drugs come into play when the results are just not enough.

Dr Fernando Gómez-Pinilla from the Departments of Neurosurgery and Physiological Science at UCLA believes that "...specific nutrients can affect cognitive processes and emotions. Newly described influences of dietary factors on neuronal function and synaptic plasticity have revealed some of the vital mechanisms that are responsible for the action of diet on brain health and mental function."

He adds: "Several dietary components have been identified as having effects on cognitive abilities." Fish oil and ginkgo biloba tea are at the top of the list, while saturated fat is the biggest no-no as far as our brains are concerned. He also concludes that the cognitive enhancement gained from good nutrition is amplified when combined with exercise and the right amount of sleep. This is not exactly news but how many executives really adhere to this simple but effective mix of good diet, exercise and regular sleep? The digital disruption (otherwise known as sheer panic) senior executives suffer from when they spend just a few minutes away from their email, cell phone, social media touch points or tablet is probably causing serious harm not just to their cognitive power but to their ability to behave clearly and effectively. In today's world though, few are prepared to sacrifice the trappings of modern life – electronic or otherwise – for a truly healthy regime, even if their lifestyle is holding them back from reaching their true cognitive potential.

The science journal *Nature* published a →

paper by Dr Charles Hillman and others from the University of Illinois, titled ‘Be Smart, exercise your heart: exercise effects on brain and cognition’. It declared: “Physical activity training appears to have both broad and specific cognitive effects: broad in the sense that various different cognitive processes benefit from exercise participation, and specific in the sense that the effects on some cognitive processes, especially executive control processes (which include scheduling, planning, working memory, multi-tasking and dealing with ambiguity) are disproportionately larger.”

While smart drugs are creeping towards the mainstream (and even into the boardroom), so is the science of cognitive training. Phone apps such as Lumosity take the user through a series of daily puzzle challenges that are claimed to improve cognition through regular ‘brain exercise’. There is plenty of evidence to support that this kind of exercise does in fact yield significant, positive results.

Cognitive scientist Mark A. Smith, from the Center of the Neural Basis of Cognition at Carnegie Mellon/Pittsburgh Universities, explains: “Far-reaching advances in cognitive psychology and cognitive neuroscience over the past decade have identified a close link between frontal lobe ‘working memory’ circuitry, and fronto-parietal problem solving and reasoning circuitry – core elements of IQ. Our working memory is used for holding information in mind (images, concepts, language and numbers) for brief periods while engaging in active, goal-focused thinking or comprehension, while screening out distracting information. Working memory has a limited capacity, and the bigger that capacity the more the cognitive ‘RAM’ power a person has for processing information – to make connections, generate alternatives, and grasp relationships. This brainpower lies at the core of being smart. If super brain Eddie Morra in the movie *Limitless* changed one thing in his brain, it was his working memory circuitry!”

The working memory is, then, rather like the RAM of a computer. The more programs you have running, the slower the computer runs. Overload it too much and it crashes. It seems that like the PC, we need to reboot, too. This means taking away the demand and stimulation for a while by doing something different like walking, gardening, surfing, yoga or whatever is your own preference. Just not more work.

Smith continues: “IQ training software has now been developed for selectively targeting working memory circuitry, resulting in long-term neuroplasticity changes increasing short-term memory capacity, problem-solving ability, self-control and overall IQ.”

Daniel Golman’s work supports the concept of working memory being a critical component of our cognitive performance and our ability to use our intelligence fully. It was Goleman who brought us the term ‘emotional intelligence’. His latest book, *Focus, the Hidden Driver of Excellence*, teaches how to use our full intellect and at the heart of this is our working memory.

For most of us, the concept of improving our cognitive potential is new. In fact, getting started is a bit like taking up running. The more serious we are about the training, the faster and further we will be able to run.

Science is telling us to take a brisk walk to the supermarket, buy an apple or a piece of fish, download some IQ training software, pass on that extra glass of wine and have a good night’s sleep. You might want to take some ginkgo biloba and fish oil, too. Tomorrow we will be better than today. People using smart drugs today, though, have no idea what the long-term effects might be.

“For most of us, the concept of improving our cognitive potential is new. In fact, getting started is a bit like taking up running. The more serious we are about the training, the faster and farther we will be able to run”

Most cognitive studies seem to work with healthy college-age volunteers or old people with well-advanced, age-related cognitive decline. Not surprisingly, the results from interventions in older people are more pronounced. Most of you reading this will be in neither group, but it seems that we have more potential to improve than the 22-year-old volunteer at his or her peak.

But where is the line between looking after your health and being a drug cheat? Most sports scientists don’t support the use of ‘illegal’ drugs in sport, but they know it is all around them. Athletes who dedicate their lives to their sport will often do anything to win. Business people take risks all the time and the possibility of using drugs to achieve an advantage may be just too tempting. But beware: although smart drugs do increase concentration, some users have found themselves becoming too focused, even obsessive, on a small part of the overall workload. As a result they complete less work, and smart drugs have ended up hindering rather than helping their studies. Pharmaceutical companies will continue to invest in trying to cure diseases that cause cognitive decline, as there is big money in being the producer of the most effective drug for, say, Alzheimer’s or Parkinson’s disease. As each generation lives longer, the commercial potential for these drugs is huge and growing.

The question then remains: how long will it be before drug testing will take place before job interviews? ■

Mark Braithwaite is an **Odgers Berndtson** Managing Partner, operating across the Asia Pacific region. He has competed in cycle racing since 1976 and as a tournament chess player since 1984.

What will the business technology landscape look like as 2014 progresses? *Observe* provides a roundup of some of the areas to watch – and be prepared for – this year

Tomorrow's world

What does your toaster say about you? The Internet of Things (IoT), otherwise known as machine-to-machine computing, will play a significant role in 2014 – one which will only expand in future years.

IoT can perhaps be considered the ultimate expression of the Internet Age. Three Italian academics, Luigi Atzori, Antonio Iera and Giacomo Morabito, described it thus: "The basic idea of this concept is the pervasive presence around us of a variety of things or objects – such as Radio-Frequency IDentification (RFID), tags, sensors, actuators, mobile phones, etc. – which, through unique addressing schemes, are able to interact with each other and co-operate with their neighbors to reach common goals." In layman's terms, that which was traditionally not connected to the internet is connected with well-understood existing technology of known reliability so that it can communicate and be tracked without a human operator. Author William Gibson's prescient observation that "the future is already here – it's just not very evenly distributed" has never been more correct.

According to ABI Research, more than 30 billion devices will be wirelessly connected to the IoT (sometimes referred to as the 'Internet of Everything') by 2020 and the ramifications for business are staggering. A real-time global picture of a company's entire inventory down to the last nut or bolt, for example, would become a matter of glancing at a self-updating spreadsheet rather than a gigantic international stock audit which would undoubtedly be obsolete by the time it was finally assembled. Minute by minute updates on the locations of staff, conditions of shipments or energy efficiency of buildings can be only a click away.

Then again, other ramifications deserve serious consideration as well. *PC Pro* magazine recently remarked that "when any technology bursts into the mainstream through the back door, those of us who work in and with the IT security industry get more than a little nervous. Just how safe is the Internet of Things? For some, the Internet of Things is a Big Brother scenario straight out of an Orwellian nightmare where your house and the things in it collect data about what you are up to and to send it back to an anonymous central server." You have been warned.

See, for example:
theinternetofthings.eu
internet-of-things-research.eu
iofthings.org

Attention PC aficionados. By the time you read this, it is likely that Microsoft will have released an update for Windows 8.1 (they're usually worth the wait) that will launch alongside a new, smaller Surface tablet and the launch of Windows Phone 8.1.

microsoft.com

It's a mobile phone, but not as you know it. Project Ara is Motorola's attempt at building a smartphone industry where you no longer have to keep buying new smartphones. Instead, you just keep upgrading and replacing individual parts such as the camera element. According to Technobloom.com: "Motorola has a vision of modular smartphones. These powerful computers in our pockets would no longer have to be bought and then disposed of when they get old. They will be upgradeable, but not in the sense that you have to purchase a new two-year plan along with a brand-new smartphone. If there are any modules that you need to repair, replace or upgrade, you can do so without throwing the entire package into the bin."

motorola.com

Forrester recently released its top technology trends for the next three years, and top of its list was 'digital convergence'. Forrester reckons that the physical and digital worlds are converging and that as a result consumers are locked into the idea that, whether or not they are in the physical world or the digital space, a uniform service is expected.

Elsewhere in its comprehensive report, Forrester avers: "Firms that embrace Big Data concepts, open data, and adopt new adaptive intelligence approaches are creating next-generation smart systems that overcome limitations and create disruptive business innovations." What's more, Forrester suggests "predictive apps able to sense their environment and respond in real time, anticipate user action and meet users in their moment of need" will be winners in the marketplace.

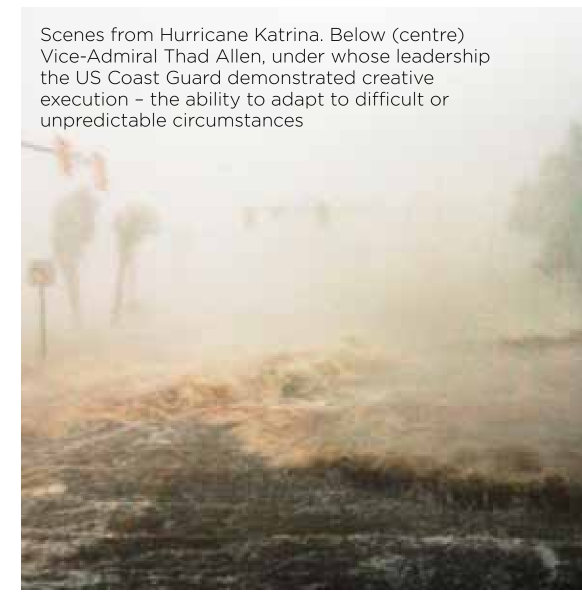
forrester.com

Observe believes that 2014 will be the year of Wearable Media, from the Pebble smartwatch to the Nymi Wristband – which uses your unique heartbeat to securely authenticate a user's identity – and from wearable computers to the Google Ngram Viewer. The last of these is described by *The Atlantic* as "a fabulous language-analysis tool", adding that "Ngram allows armchair historians to plot the trajectories of words and phrases over time based on an enormous corpus of data extracted from the Google Books digitisation project".

No doubt some bright CIO will find a use for it…

getnymi.com
getpebble.com
books.google.com/ngrams

EXECUTIVE ENGAGEMENT



Scenes from Hurricane Katrina. Below (centre) Vice-Admiral Thad Allen, under whose leadership the US Coast Guard demonstrated creative execution – the ability to adapt to difficult or unpredictable circumstances

ERIC BEAUDAN is the author of *Creative Execution*. He uses military history and natural disasters to show how strategies can be successfully implemented

PHOTOS: ALAMY

When Hurricane Katrina made landfall near New Orleans on 28 August 2005, no one believed that it was about to become the worst natural disaster in US history. By the time the city's levees and flood walls failed, killing 1,200 people, the federal organisation charged with the rescue and response effort, FEMA, soon became overwhelmed by the task. As the devastating break in the 17th Street Canal levee widened to 500 feet and water from Lake Pontchartrain spewed into New Orleans, residents were left scrambling to deal with dead bodies and the 22 million tons of debris strewn around the Louisiana coast, including 350,000 automobiles and 35,000 boats destroyed by the storm.

While FEMA was fumbling for resources in Washington DC and trying to decide whether it was safe to send supplies into New Orleans, its sister agency inside the Department of Homeland Security, the United States Coast Guard, rose to the occasion and immediately deployed 5,600 personnel from every Coast Guard district, from Alaska and Maine, to New Orleans. Working non-stop in gruesome conditions, Coast Guard rescue workers saved more than 24,000 lives and evacuated 9,400 people to out-of-area medical facilities. In one week, the Coast Guard rescued more people than it had in the entire previous year!

Under Vice Admiral Thad Allen's leadership, the Coast Guard demonstrated what I call 'creative execution': the ability to adapt to difficult or unpredictable circumstances, and mobilise an organisation to win against the odds. Allen brought together a clear plan of action to deal with the crisis, identified clear priorities for search-and-rescue teams, took bold action to cut through red tape and organisational boundaries, and was a visible on-scene commander. The Coast Guard showed New Orleans that it was possible to clean up and rebuild, supplying both the material and the emotional fuel required for the city to have the confidence to move forward. It achieved a decisive victory against a backdrop of total destruction and loss of hope.

The same slow, confused reaction that characterised FEMA's response to Katrina took place at the Fukushima Dai-ichi nuclear plant when it was hit by the tsunami that struck Japan in March 2011. Unable to make a quick decision about venting the building pressure inside the reactors, the plant's operator, Tokyo Electric Power Company (TEPCO), quickly lost control of events. Three of the plant's six reactors experienced a partial meltdown, and a hydrogen gas explosion damaged the containment core. We now know that it will take 30 years to decommission the plant, which will be entombed in a sarcophagus similar to the one built over the Chernobyl plant.

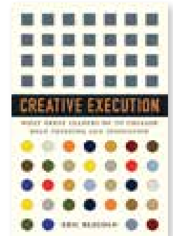
There is nothing that TEPCO could have done to prevent the earthquake that triggered the 14-metre tsunami waves, but the company's attempts to downplay the impact of the emergency and refuse the advice that was being provided by the Japanese government and global experts was a catastrophic human failure on a scale that hadn't been seen since Katrina. With all of Japan's 54 nuclear reactors now shut down and prevented from restarting due to public outcry, TEPCO effectively crippled an industry that was supposed to provide 50 per cent of Japan's energy by 2030.

Is creative execution for you?

The same behaviours that TEPCO and FEMA displayed in their attempts to respond to their respective crises are duplicated inside organisations every day. According to the Boston Consulting Group (BCG), 61 per cent of mergers and acquisitions (M&A) sealed between 1995 and 2001 reduced shareholder value. If you consider the fact that an average of 21,000 M&A transactions take place every year, and that the average value of deals has doubled since 2002 to more than $110 million, a 60 per cent failure rate adds up to US$1.4 trillion worth of deals that fail to meet expectations each year. The figures only start to improve in 2010, the first year since 1988 when BCG estimates that acquirers are, on average, generating positive returns from their acquisitions.

Why does this pattern of large-scale organisation failure repeat itself so often? Because an organisation's success hinges not on the strength of its strategy, but on its leaders' ability to craft a realistic view of *how* the strategy will be implemented, and empower its people to get engaged in its execution. Without this ability, the fog of change quickly turns execution into a value-destroying lip service that *reduces* the organisation's effectiveness.

From my work with dozens of leaders and organisations from Toyota to Google, I have determined that creative execution requires five ingredients:



Beaudan's book, *Creative Execution*, is widely available in both print and e-book form

Eric Beaudan, Global Head **Odgers Berndtson**'s Leadership Practice based in Toronto

1. A unique strategy
Without a compelling, visionary and unique strategy that you can explain to your board members, customers or employees inside of two minutes, execution is a doomed enterprise.

2. Candid dialogue
◀ Jack Welch called lack of candour "the dirtiest little secret in corporate America". As CEO of General Electric, he made a point of letting people know exactly how he felt about them and their performance.

3. Clear roles and accountabilities ▶
Leaders, managers and employees need to match the candid dialogue that led to the ownership of the strategy with roles and responsibilities that link individual and team goals to the strategy.

4. Bold action ▲
Like Google founders Larry Page (left) and Sergei Brin's decision to download the entire content of the internet from their dorm room computers, bold action provides a tangible taste of how the strategy will be deployed. It transforms doubters into believers and passive bystanders into active participants.

5. Visible leadership
◀ At Trafalgar, Nelson refused to remove his decorations or cover his Admiral's uniform while pacing the upper deck of HMS Victory. He was convinced that his presence on deck would encourage his sailors to fight harder. He was shot and killed while leading England's greatest naval triumph; that's visible leadership!

On the path to diversity

There are encouraging signs that the number of women on the boards of companies in Asia is accelerating. But be warned, says ALEXANDRA HENDRICKSON, there is still work to do

It is a truism that today's most successful companies have management teams that are younger, more diverse and globally oriented. Indeed, it is that desire for diversity in boardrooms that, in my view, produces better decision-makers and stronger companies. In Asia, however, the situation is both complex and encouraging. Although the number of women on for-profit corporate boards varies widely in the region, the outlook for increased participation by women board members in many Asian countries is positive.

Encouraging diversity

While the Scandinavian countries have set a high bar at 30 per cent (see chart) female participation on for-profit corporate boards, the UK and the United States still lag behind. Compared to them, many Asian countries look pretty good. In addition, 2013 regulatory initiatives in countries like Hong Kong and India (see below) will doubtless encourage increased board diversity.

Being a board member at a badly managed company is too risky for many highly qualified executives (male and female), but as corporate governance improves in Asia's emerging economies, companies should be able to attract more women to their boards.

Women's board participation in Asia ranges from 14 per cent in Australia to a paltry 1.1 per cent in Japan. Thailand has 9.7 per cent, Hong Kong 9.5 per

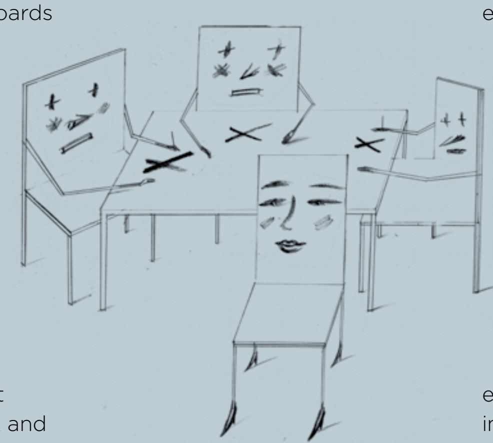


ILLUSTRATION: MICHAEL O'SHAUGHNESSY

cent and China 8.4 per cent.

Board participation by women is expected to improve in Asian countries where it is currently not as high, thanks to some recent regulatory requirements. For example, last year India's Parliament passed into law a new Companies Act mandating that certain classes of public companies have at least one woman on their boards. As a result, search firms there have been flooded by mandates from top companies to legally comply.

In Hong Kong all companies listed on the Hong Kong Stock Exchange are now required to respond to a new Code Provision about board diversity, providing a statement explaining their diversity policy in their annual reports. The country may allow a broad definition of 'diversity' ranging from gender to career experience, but nevertheless the provision at least forces boards to address their level of diversity to their shareholders.

At times the response to these initiatives is that the available pool of high-quality experienced women is simply insufficient, but non-profit organisations such as Women on Board in Australia and the Women's Foundation in Hong Kong are proving the naysayers wrong by identifying well-qualified women and raising their profiles to corporate board chairs and CEOs.

For example, The 30% Club, sponsored by the Women's Foundation, is striving to increase the representation of women on boards in Hong Kong to 30 per cent, and runs an ambitious program to promote women on boards. This includes building the pipeline of women qualified for board membership and spreading the word to board chairs and other influencers.

The 30% Club has also taken the initiative in disseminating a Voluntary Code of Conduct for Hong Kong executive search firms. This Code lays out steps for search firms to follow to promote diversity throughout the search process, from accepting a brief through to the final designation of successful non-executive directors. In the past, board chairmen often made the initial contact with a board candidate and recommended the candidate for an interview with the nominating committee. This meant that the board was comprised of friends of the chair. Ideally, companies should retain search firms to identify *independent* candidates and make recommendations directly to members of the nominating committee.

Cecilia Tsim, Managing Partner of Odgers Berndtson, Hong Kong who took a leadership role in drafting the Code, said: "Familiarity and comfort level often dictate the selection of non-executive directors, particularly with women NEDs, so the few known names often circulate to all of the boards. Using search firms enables the board to uncover hidden gems. There is certainly an adequate number of professionally accomplished women in the Hong Kong workforce to spread around the boards in multiple sectors without resorting to the 'usual suspects'."

Due diligence required

Still, no professional executive wants to be on the board of a badly behaving company. Lax corporate board governance in countries like Indonesia, Malaysia and China may make executive women there reluctant to seek board seats.

Take China, for example, where women's participation in business fares well compared to other emerging economies, but where disciplined governance is sometimes lacking. China's labour force participation is higher than that in the United States and the United Kingdom according to a recent study conducted by global consulting firm Booz & Co. It is socially acceptable and expected for women with small children to be in work, and 25 per cent of the country's entrepreneurs are female – in fact, half of the world's self-made female billionaires are in China.

Given this state of affairs, you might expect that women's board participation should be higher than Norway's. But executive women, particularly those with experience at Western multinationals, are not eager to join the boards of Chinese companies. Senior roles in state owned enterprises are effectively government posts. The Chinese Communist Party has only 25 per cent women and a quick look at the Central Politbureau Standing Committee of the Communist Party tells you everything you need to know about the success of women penetrating the upper reaches of Chinese politics. Holding a corporate managing director position is part of the career experience of a successful Chinese party bureaucrat. At state-owned enterprises important decisions are made by the CEO and party members on the board, with input from other board members often being pro-forma.

% FEMALE	COUNTRY
36.1	Norway
27.0	Sweden
26.8	Finland
18.3	France
17.9	South Africa
17.2	Denmark
17.0	Netherlands
14.1	Germany
14.0	Australia
14.0	United States
13.6	Poland
13.1	Canada
12.7	Turkey
12.6	United Kingdom
11.3	Austria
10.0	Switzerland
9.7	Thailand
9.5	Hong Kong
9.5	Spain
9.2	Belgium
8.4	China
8.2	Italy
7.0	Greece
6.9	Singapore
6.6	Malaysia
6.5	India
6.0	Indonesia
5.8	Mexico
5.1	Brazil
4.8	Russia
4.4	Taiwan
2.8	Chile
1.9	South Korea
1.1	Japan

Female director representation by country (Source: GMI Ratings)

At privately-held companies, weak corporate governance may be a bigger risk. Being on the board of a company that is caught committing fraud is hardly an attractive proposition. Besides running financial risk from shareholder suits, board members could see their own reputations damaged.

Despite the pitfalls and cultural mores of countries across Asia many current initiatives and trends are helping women take their rightful place at the board table. Surely, that is a positive step forward. ■

Alexandra Hendrickson is a Partner in **Odgers Berndtson**, China

Finland's Holvi founders: (l-r) Thomas Madsen-Mygdal, Markus Oksanen, Kristoffer Lawson, Anssi Partanen, Anders Dahlqvist

A trust transaction

As the banking sector strives to regain the trust of customers, both experienced institutions and innovative start-ups are seeking to offer innovative solutions

The effects of the global banking crisis still reverberate today. Some of the old banks remain, hollowed-out shells; some are still standing, remarkably intact; and entirely new banks, like green shoots, have emerged. The distinctive difference of these new banks lies in a combination of better marketing – presenting a 'cool' image to potential customers – and deploying infinitely better IT to improve customers' personal banking experience.

SIMPLE

The Portland, Oregon-based **Simple** bank, founded by Josh Reich, CEO, has, since its start-up in mid-2012, notched up 40,000 customers – and there's a long and growing waiting list – using its online services. In July 2013 Simple passed a key landmark, exceeding $1 billion in transactions. Simple's website plays on the widespread distrust of traditional banks: "Welcome to better banking" is the first statement greeting visitors.

What is 'better banking'? For Reich and others doing new banking start-ups, the dream of humanising how banks are experienced has a hard-edged reality – the utilisation of digital technology to make the experience friendlier, easier to understand, more personal and customisable. Simple's USP is to offer customers a neat 'Safe-to-Spend' application. This takes your current balance, automatically deducts upcoming payments and pending transactions, calculates any regular savings, and gives an easy-to-read final total of what you are able to spend. Inevitably, in this brave new banking world, Simple – the name gives it away – markets itself as a humane alternative to conventional banking, but with a twist: unlike traditional banks, Simple is also nimble in its appeal to younger customers, who have grown up in the world of digital technology.

HOLVI

In Finland, **Holvi**, founded in 2011, says it offers "a whole new perspective on banking services" according to its homepage. Holvi is even smaller, with around 10,000 customers currently but ambitions to grow fast. Its co-founder, Kristoffer Lawson – who enjoys the title of 'Chief Evangelist' – says the idea for the bank grew out of a digital arts festival he was organising. The financial transactions company Lawson used for reconciling payments for the festival was clunky and inadequate. "I thought we could do better," says Lawson, who studied computer science at Helsinki University.

Like Simple's Reich, Lawson is steeped in digital technology. This tech-savvy background, combined with starting a bank from scratch, offers the chance to create a bank that isn't cluttered with the culture or the antiquated technology of more long-established banks. For Lawson, the essence of Holvi "is that everything regarding your personal account can be set up online within a couple of minutes, and you can have an immediate real-time overview of your finances. Technology is at the core of what we do." Holvi likes paradoxes. It claims to be a bank that isn't a bank; it "replaces your bank". As with Simple, Holvi has the support of a much bigger partner; customer funds are held in client money accounts in Nordea Bank Finland plc, while Simple's partner is Bancorp, the US-based diversified financial services holding company.

In some ways all that Holvi and Simple are doing is overlaying the old-fashioned personal banking experience with marketing more appropriate to the digital generation – why shouldn't banking be like that? It's technology at the service of marketing. No branches, paper statements or human interface.

Handelsbanken

Yet there are some older established banks that not only survived the recent maelstrom but thrived – none more so than the Swedish bank **Handelsbanken**, which has been around since 1871, and where the human interface is at the core of the bank's operations. Even in 1990, when Sweden experienced its own credit-fuelled financial crisis, Handelsbanken was one of the few Swedish banks to avoid a government bail-out.

According to Ulf Riese, Chief Financial Officer with Handelsbanken, the bank's success is "dependent on being an extremely decentralised organisation in which employees are happy with their jobs. A typical Handelsbanken employee stays for 33 years. Our culture is built upon our focus on total client satisfaction; easy to say, difficult to achieve unless you get the culture right."

Handelsbanken is a traditional, branch-based bank, with today almost 800 outlets around the world. More than half of those are in Sweden but it has a strong and growing presence in the UK, the Netherlands and the Nordic region. Unlike Simple or Holvi, Handelsbanken places enormous emphasis on meeting with and building a relationship with a branch manager. It's a large, full-service bank but with completely decentralised decision-making; the branch manager is king. At Handelsbanken there are no budgets, no bonuses, no sales targets, no trading in tricky complex derivatives.

"We don't lend money to projects we don't understand," says Henrik Westman, chief press officer for the bank. Handelsbanken distributes profits to its employees on a flat rate – all staff get the same – and these profits go into a savings fund that is only accessible on retirement.

Three different types of banks, all trying to do the same thing – restore customer confidence. Banks are now so tightly regulated that risky ventures of the kind that brought low Lehman Brothers *et al* should be a thing of the past. Here's hoping that Holvi and Simple emulate Handelsbanken's work, and go on to build a well-satisfied customer base. ■

simple.com
holvi.com
handelsbanken.com

BOOKSHELF

Observe chooses some of the latest business books covering topics from the decline of unions to responsible leadership

Observe's choice read

Big Data Marketing
Lisa Arthur
Published by Wiley, Hardcover
€23/$30/£20.99
e-book £12.34/$20.34
"It's high time to tame the beast and get strategic about how to tackle Big Data," says Lisa Arthur in her challenging new book. If you are ready to move your business forward, bypass all the hype, and take Big Data seriously, then this might be the book for you. (See Big Data feature on p10.)

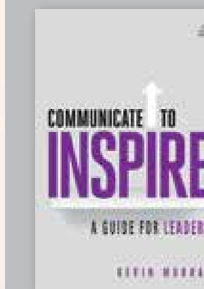
The CEO Difference
D. A. Benton
Published by McGraw-Hill, Hardcover
€19/$25/£16.99
Debra Benton's book describes in some detail how to stay relevant and competitive in any stage of your career in today's relentlessly changing business environment. She explains how to keep your career on an upwards trajectory through positively differentiating yourself, being open to change and staying intellectually curious. Worth a look.

What Unions No Longer Do
Jake Rosenfeld
Published by Harvard University Press, Hardcover
€31/$39.95/£29.95
Washington Post columnist Harold Meyerson says that Jake Rosenfeld "demonstrates brilliantly and authoritatively that the decline of American unions is a chief cause of the staggering rise in economic inequality. This is an important book that anyone who wants to know how our middle class has dwindled... should read."

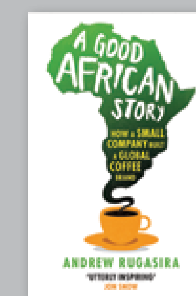
Taking Down the Lion
Catherine S. Neal
Published by Palgrave Macmillan, Hardcover
€24/$28/£16.99
e-book £14/$23.08
Better known as the man who bought a $6,000 shower curtain, Dennis Kozlowski, former CEO of Tyco International, is one of the most infamous white-collar criminals in the history of business. Neal gives us a compelling account of the fall of this controversial CEO who, when at the pinnacle of success, was taken down in a very public courtroom drama.

Responsible Leadership
Mark Moody-Stuart
Published by Greenleaf, Hardcover
€32/$35/£25
Paul Polman, chief executive of Unilever, calls Moody-Stuart's book "a wonderful anatomy of what it takes to be a sustainable and ethical business... wide-ranging in its scope and perceptive in its analysis, this is an important contribution for any modern manager keen to understand what it takes to operate responsibly in today's highly complex world."

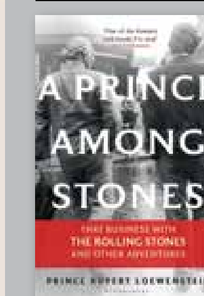
Ego vs. EQ
Jen Shirkani
Published by Bibliomotion, Hardcover
€22/$27.95/£16.88
e-book £12.63/$20.63
As leaders climb the corporate ladder of success, the risk of falling into 'ego traps' increases, which in turn can hurt business and threaten hard-won success. In *Ego vs. EQ* Shirkani presents ways of honing Emotional Intelligence (EQ) to eliminate business blind spots. Drawing on real life anecdotes, Shirkani's book is refreshingly different in its approach.



Communicate to Inspire
Kevin Murray
Published by Kogan Page, Paperback
€32/$19.95/£19.99
Inspiring leaders make us want to achieve more. So says Murray in this thought-provoking and practical guide to developing your own leadership skills.



A Good African Story
Andrew Rugasira
Published by Vintage, Paperback
€13/$23.95/£9.99
e-book £4.68/$7.71
Since it was founded in 2003, Good African Coffee has helped thousands of farmers to earn a decent living. Rugasira's personal story is both engaging and troublesome.



A Prince Among Stones
Prince Rupert Loewenstein
Published by Bloomsbury, Paperback
€11/$11.26/£8.99
e-book £11.88/$19.58
Loewenstein, former director of the merchant bank Leopold Joseph, was asked if he would be interested in "taking care of the finances" for the band. Here's his story...

Jony Ive: The Genius Behind Apple's Greatest Products
Leander Kahney
Published by Portfolio, Paperback
€13/$27.95/£14.99
e-book £9.82
Ive's designs have not only made Apple the most valuable company, they've overturned entire industries. Kahney had unprecedented access to Ive's world and the result is impressive.

The intelligent approach to search

The executive search industry is at a pivotal stage in its history. PATRIK KVIKANT argues that embracing social media is essential for companies in the sector, who must adapt or die

Executive search – the industry concerned with sourcing candidates for senior or executive positions – has been able to continue its *modus operandi* largely unchecked since its inception in the 1950s, despite changes in the surrounding world. The industry has capitalised on simple but fragmented information and made good business out of it. In the early days it was cumbersome to keep track of executives; information was not available in electronic form and seldom centralised.

ILLUSTRATION: IKON IMAGES

Tried and tested

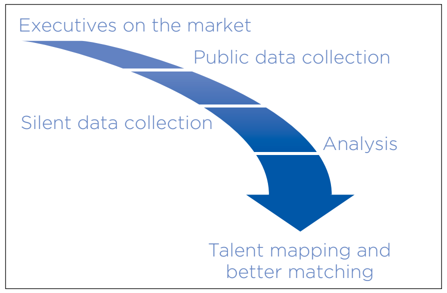
It was easy for the search industry to claim a position as a strategic gatekeeper; by collecting information and wrapping it in an informative package, executive search companies were able to capitalise on relevant, yet simple and superficial, knowledge. Like any industry with a good business model, the search industry could lean back and argue: "If it ain't broke, don't fix it."

This convenient business model has, however, rapidly come to an end due to the internet's impact on public information. Recruiters scan executives on the market by collecting public data such as trends, industries, companies and positions. They then add 'silent data' – performance indicators confirmed by referrals and references. Recruiters analyse both public and silent data in →

Executive search and social media

relation to their clients' needs and make a judgement on which of the candidates are suitable.

In essence, the executive search goes like this:



The big rethink

Social media has achieved in less than five years what clients could not achieve in 50 years. Social media – such as Facebook, LinkedIn, Xing, Tencent, Renren, Twitter and others – has rendered generic information a given starting point rather than an outcome. Public data collection does not generate added value from the client's perspective like before; in the future, the real added-value will come more and more from silent data collection.

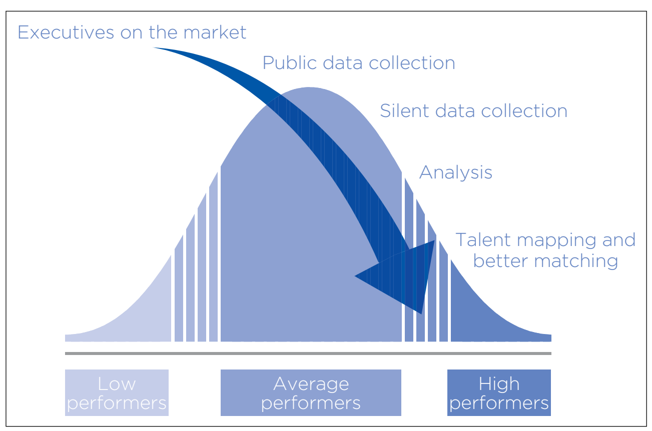
ILLUSTRATION: PETER LIDDIARD

> Community management will be crucial in sustaining your position as a trusted advisor

The executive search industry was trapped in its old business model for too long; recruiters will have to create better analyses to defend their position on the market. Those firms that are unable to move up the value chain will simply disappear. It is essential to understand the power of social media and, more importantly, how to use it for your own benefit. If you can't fight against it, fight with it.

Full disclosure

Social media is a dynamic tool for promoting yourself but not everything is disclosed. The user owns his or her profile and can therefore decide what information is available and what isn't; what you see is not necessarily what you get. The talent pool is substantially diluted due to the fact that normal distribution is present in social media; not all members can be high performers, even if their profiles strongly indicate so. The recruiter's main task, therefore, is to attain silent data in order to filter and verify the data provided in the 'open' platforms.

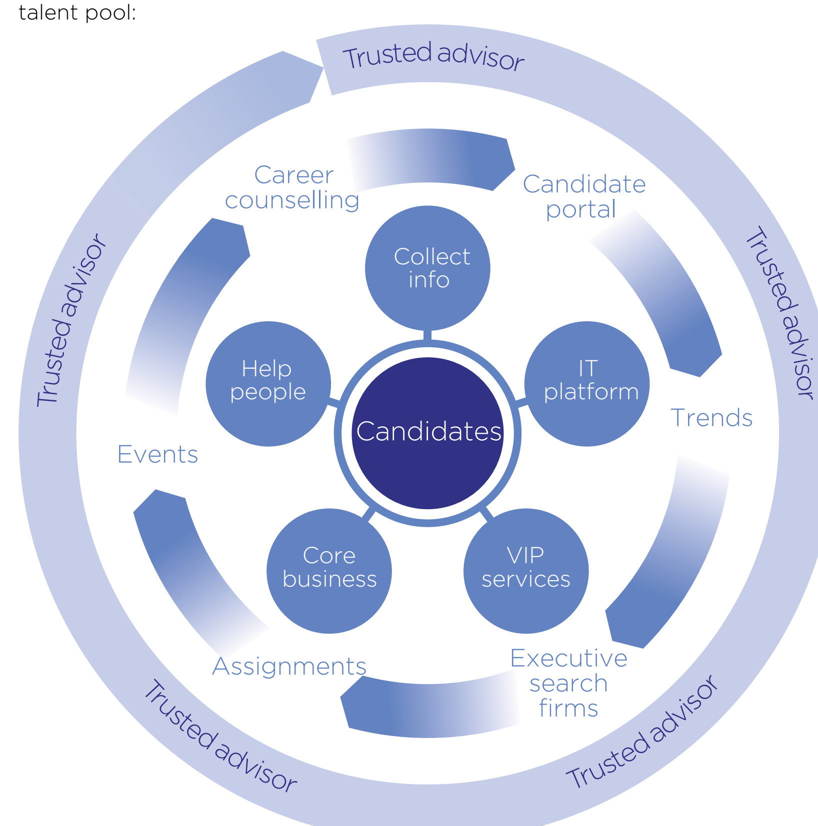


The future of executive search

In the future brand value will become even more important, as only a few players will earn the trust of the market. The exponential growth of information flow due to the internet is likely to commoditise and polarise the market at the same time. The strong companies – if they are aware of new trends – will become even stronger. They will be perceived as trusted advisors and partners, and will be rewarded with silent data.

Trust is crucial in gaining valuable silent information. But even more important than the brand is the community management of different stakeholders, especially the relationship to the candidates. Community management will reflect on the brand, and those search firms that are able to serve their most valuable community members – the candidates – will be rewarded with a strong brand. Sustainable business is, after all, a matter of giving and receiving. Community management will be crucial in sustaining your position as a trusted advisor and enhancing your brand.

As a consequence, executive search firms must be substantially more creative than before in creating added-value services. Here is one way of broadening interaction with the candidate talent pool:



In summary, the executive search industry is becoming commoditised because of the intrusion of technology. Only those firms and recruiters who truly understand the world of open platforms and the importance of giving in order to receive will continue to do well. The 'trusted advisor' role is hard to earn, and easily lost. Odgers Berndtson is working hard to receive and sustain this fragile trust. In the end, the candidates – and indirectly, the clients on the market – determine which recruiters survive. ■

Patrik Kvikant Managing Partner
Odgers Berndtson Finland

Changing places

Recent graduate Emma Donnelly spent the day with Nitin Kawale, President of Cisco Canada, as part of Odgers Berndtson's CEO × 1 Day programme

> CEO × 1 Day gives you a chance to get real-world experience. Something that is lacking at university

What was it like being CEO for a day?
It was really busy. From the minute that I walked into Cisco, it was go, go, go. As soon as Nitin arrived that morning his assistant gave him his schedule. They would then add things to it throughout the day. You could tell that this was the norm for him.

What part(s) of the day did you enjoy most?
I really enjoyed seeing how Nitin works in his environment and how staff respond to him. He makes these calls about once a month, via video conference, where any employee can contact him – from entry level up to director level. Employees are encouraged to speak about any issues they are having. I was able to sit in on one of these calls. It was surprising to me that he would make time to be available to all of the company's employees and that he felt it was time well spent. You could tell that if an issue was brought up, he would ensure it was escalated appropriately.

What were the most important lessons you learned about leadership?
The most important lesson I took away from the day was the fact that even though Nitin is president, he always has time for those entry level employees. You could tell that for him every employee was as important as the next.

Was being a CEO different from what you thought it would be?
One thing that surprised me was how Nitin seems to have a very good work-life balance. He talked with me about going home that night and having a party with his wife and friends. He is also an active dad. I always thought that if I were a CEO, this would be the one thing I would miss – life with my family. It was good to see that Nitin has a life outside of work.

What did you learn about yourself though the process?
I learned that I think I have the leadership skills needed to succeed in a CEO role. But I also learned that I need to work on fine-tuning my listening skills.

How did the day influence how you look at your own career?
When I originally applied for CEO X 1 Day, my plan was to get into sales in a company and work my way up to a CEO position. But being at Odgers Berndtson and learning about search made me realize that recruiting would be a better fit for me. Going through the actual search process, including the personality tests and the speed interviews, really drew me in. So when I graduated I took a job as recruitment specialist at Talentcor, a contingency search agency. I love it. I get the best of both worlds – helping candidates during an important transition in their career, while also interacting with clients. It utilises all of my skills.

Have you applied anything you learned in your life or work?
Nitin showed me that everyone in his company is important and I have brought this to my current role. Every single person who walks through my door gets treated the same.

Why do you think initiatives like this are important for students?
CEO x 1 Day gives you a chance to get real-world experience – something that is lacking at university. It teaches students about themselves and gives them a real insight into where they might fit in the work place.

Any last thoughts?
Being part of CEO x 1 Day was a very valuable experience. I was asked about it in every job interview I went to. It definitely gave me an edge. ■

ILLUSTRATION: MICHAEL O'SHAUGHNESSY

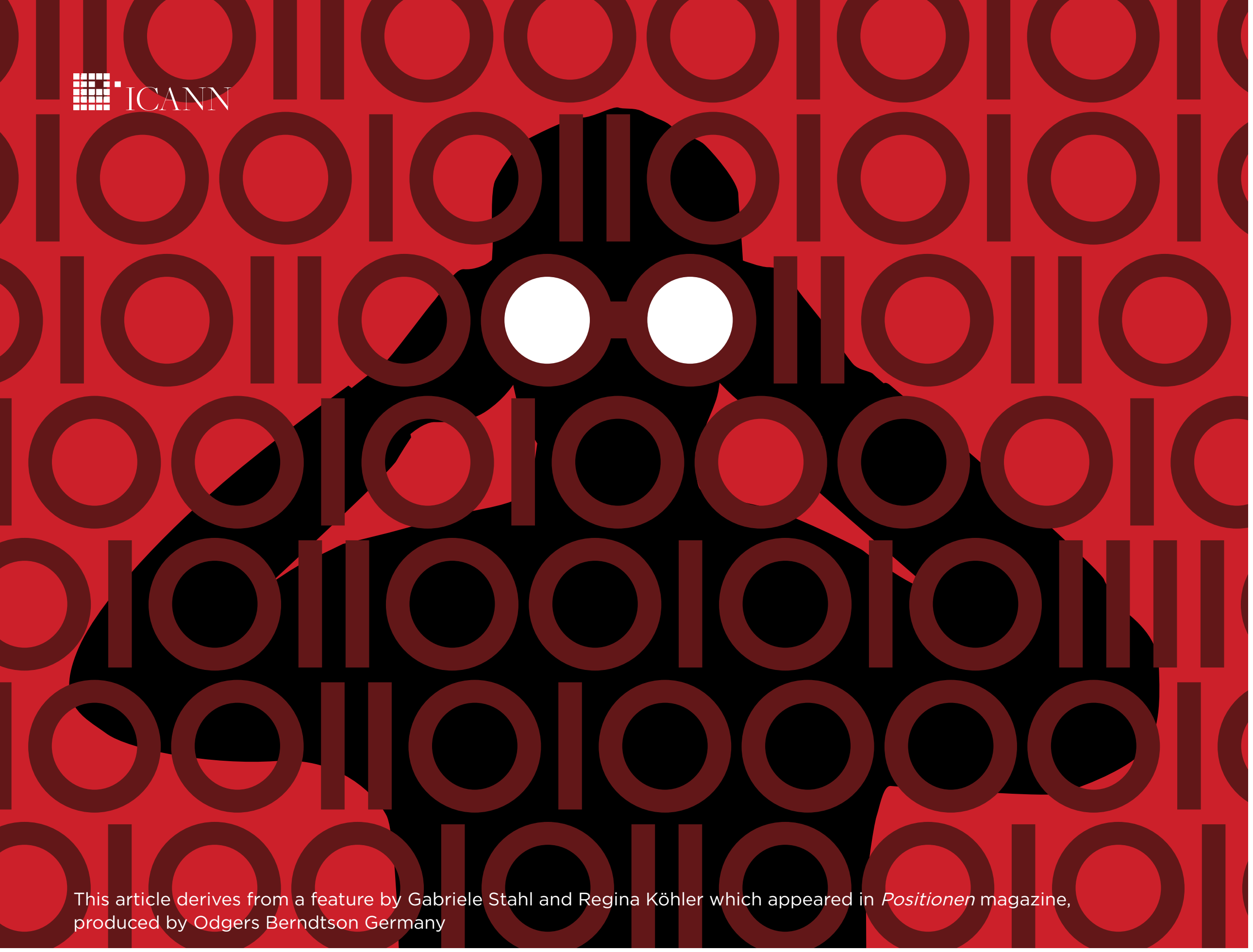
ABOUT THE PROGRAMME

CEO × 1 Day matches third and fourth year university students with some of the host country's leading CEOs. It gives students an opportunity to take in-class learning and apply it to real world situations and equips them with the tools and skills to start building their careers.

The CEO's participation shows an organisation's commitment to supporting young people by helping their career development.

Odgers Berndtson has been running its CEO × 1 Day programme for more than seven years. Apart from Canada, the programme is also running in countries as diverse as Italy, Spain and Germany, with Brazil about to launch.

ceox1day.ca



This article derives from a feature by Gabriele Stahl and Regina Köhler which appeared in *Positionen* magazine, produced by Odgers Berndtson Germany

ILLUSTRATION: IKON IMAGES

ICANN

GUARDIANS OF THE INTERNET

Without the work of ICANN the web could become unreliable and vulnerable

The name 'Internet Corporation for Assigned Names and Numbers' may mean little to you and you may not even have heard of ICANN – but without it the digital landscape would be chaotic and insecure. The internet prefers using numbers to letters, so, as well as a web address, your website/computer has a unique IP (internet protocol) address – like a numerical postcode. It is important that these two pieces of information tally, or you won't be able to find websites where you expect them. The URL and the IP address are kept by registrars like a phone directory: this website is at that IP address, and the companies that host your website inform registrars of domain changes.

Wolfgang Kleinwächter (pictured right), a professor of international communication policy at Aarhus University in Denmark, has been involved with ICANN since its early days.

"ICANN was set up to be the public guardian of a domain name system that would provide internet users with an itinerary of cyberspace," he says, before going on to add that "the idea of managing a resource such as the internet is an unparalleled challenge,"

Created in the US in 1998, ICANN makes sure that these two pieces of information tally: that where you want to go is where you end up.

As a governing body, ICANN also has the role of accrediting and policing registrars.

As well as this, the not-for-profit organisation has undertaken initiatives that have opened the way for registration of domains in hundreds of the world's languages and introduced measures to reduce cyber fraud. They also offer a mass of useful information for ISPs and registrars.

So how does ICANN strive to maintain its autonomy while mediating in what can often be fierce political power struggles? Its solution is its 'bottom-up, consensus-driven, multi-stakeholder model'.

Bottom-up means that members can raise issues at a grassroots level, the agenda is not set by the board. If relevant, the issue can rise through various advisory committees and supporting organisations until eventually policy recommendations are passed to the board for a vote.

Consensus-driven means that through its by-laws, processes and international meetings, ICANN provides a forum for all advocates to discuss internet policy issues. This process resists capture by any single interest – an important consideration when managing anything that serves a broad-reaching global community.

Finally, ICANN's multi-stakeholder model treats the public sector, the private sector, and technical experts as peers. The ICANN community includes registries, registrars, Internet Service Providers (ISPs), intellectual property advocates, commercial and business interests, non-commercial and non-profit interests, representation from more than 100 governments and a global array of individual Internet users.

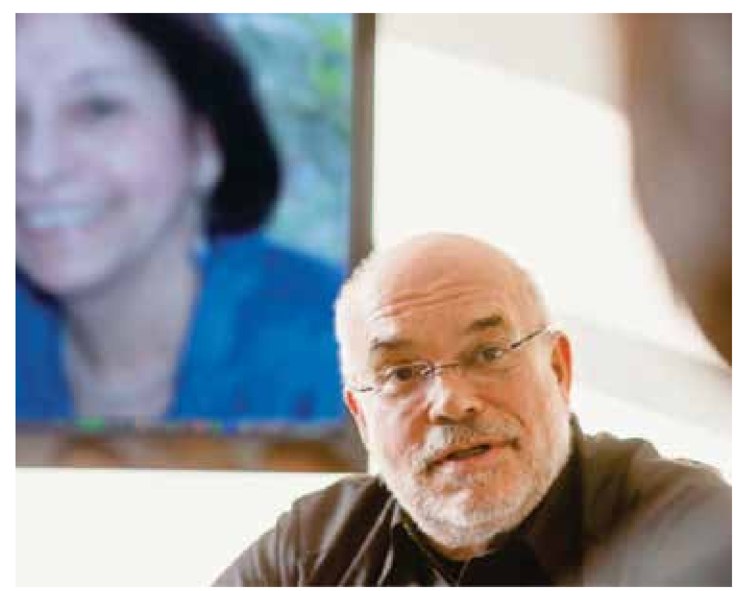
As its website states: "ICANN's fundamental belief is that all users of the Internet deserve a say in how it is run."

To serve this egalitarian ideology, ICANN has a Nominating Committee (NomCom), which invites Statements of Interest and candidate recommendations from the internet community for key leadership positions within ICANN – in both technical and policy co-ordination roles.

Both Kleinwächter and Vanda Scartezini – an electronics engineer and specialist in the area of intellectual property – have chaired ICANN's Nominating Committee.

The NomCom guarantees that one of the key conceptual ideas of ICANN is lived day by day: to manage a global, publicly available resource in a way that ensures all stakeholders are represented adequately and have a voice. "The NomCom's real challenge is to come up with a sufficiently large pool of promising candidates to fill the vacant positions," Vanda says.

At the end of the pre-selection phase, Odgers Berndtson steps in to assist



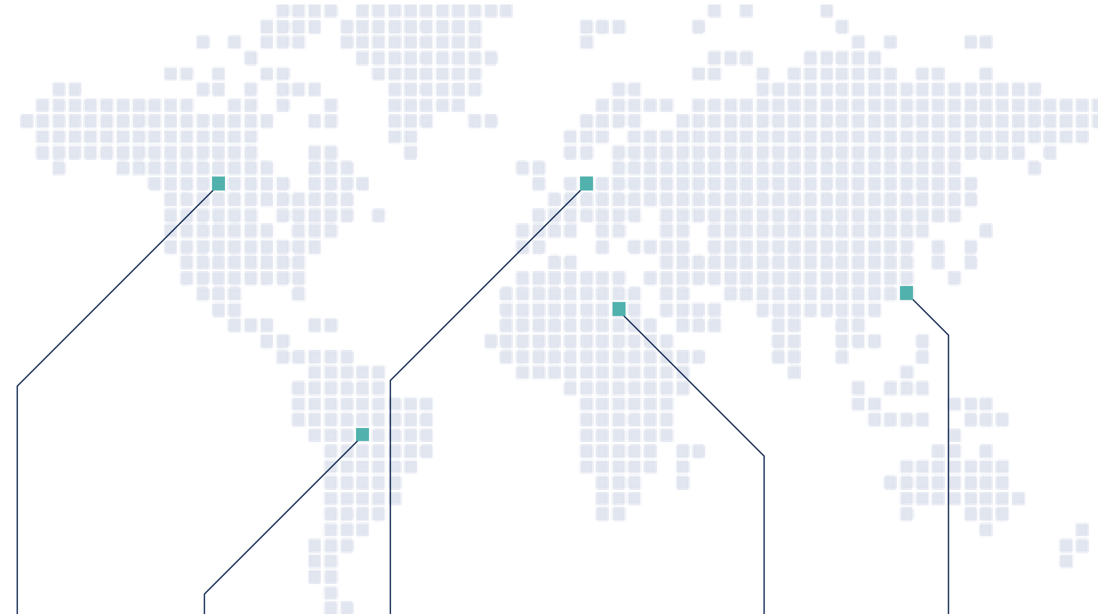
ICANN with the assessment of candidates.

"With its directors' assessment tool Odgers Berndtson helps us to select our final candidates in a process that is transparent and independent – two criteria that are very important to ICANN."

With such a diverse mix of responsibilities ICANN has an enormously important task in ensuring the internet operates in the way it should. Lucky for web users all over the world, it's one it has undertaken with both wisdom and gusto. ■

icann.org

It's search, but not as you know it...



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ARCHANT DIALOGUE

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