

OBSERVE

The Odgers Berndtson Global Magazine_ Issue 03 2014



■ ODGERS BERNDTSON
Search Intelligence



At Odgers Berndtson, we help organisations recruit the best people for their most important jobs. In an increasingly connected and complex world, and in a time of widespread economic uncertainty, we believe our services are more critical than ever.

The ability to identify, develop and motivate ambitious and talented individuals and teams remains a vital point of competitive advantage for companies and other organisations, regardless of their size, sector or objectives.

Most importantly, this principle applies on a global basis. With a network of more than 50 offices in 29 countries worldwide, we know that effective leadership is a vital quality regardless of national borders.

odgersberndtson.com

Join the conversation at:

 [@odgersberndtson](https://twitter.com/odgersberndtson)

 [#obobserve](https://twitter.com/obobserve)

 [Odgers Berndtson](https://www.linkedin.com/company/odgers-berndtson)

OBSERVE

The Odgers Berndtson Global Magazine_ Issue 03 2014

Pixar's unsung hero

**An exclusive
interview
with Pixar's
Ed Catmull**

MNCs beware!
Why doing business
in Asia is harder
than you think

Executive stress
How are you
coping?



■ **ODGERS BERNDTSON**
Search Intelligence

Observatory 6
News, information and ideas that affect global business today

COVER: Ed Catmull 10
The President of Pixar Studios talks exclusively to *Observe* about working with Steve Jobs and nurturing creative talent

New York Health Round Table 16
US and British health leaders meet to discuss key issues

Vox I: Get on board 19
Why board diversity means more than just gender equality

Fast companies 20
Observe talks to Shane Snow about his new book *Smartcuts*

Performance time 23
We talk to CEO Positions about getting the best out of a CEO

The long read: Asian puzzle 26
Mark Braithwaite on why doing business in Asia is so tough

Spotify's vision 31
Katarina Berg, Spotify's VP of Global HR, on talent spotting

Testing, testing... 34
A look at the state of psychometric testing today

Rage against the machine 38
Artificial Intelligence in the boardroom? Well, why not?

Vox II: Thinking in public 41
Clive Thompson on social media as a vital business tool

How are you coping? 42
Alina Dizik on the myths and realities of executive stress

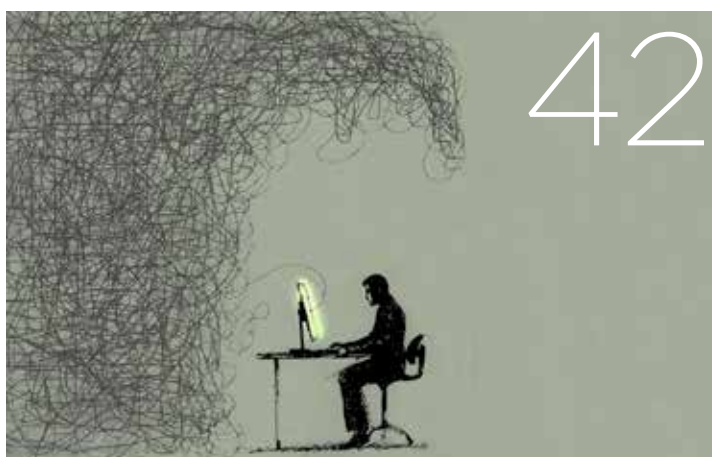
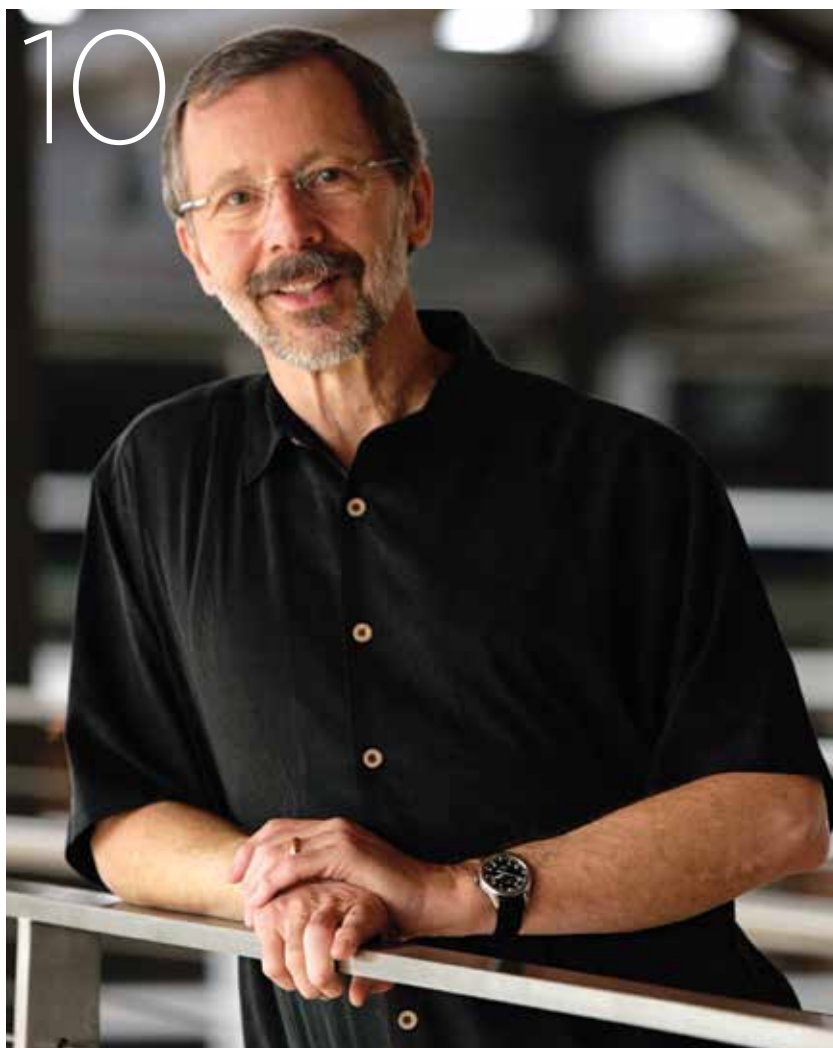
Bookshelf 46
Timothy Geithner's epic on the global crash is our top choice

Profit and impact 48
Soushiant Zanganehpour on why business can shape a better future for all of us

Vox III: Customers as assets 51
Why customers should be added to a company's balance

Business technology 52
IBM's Dr Jim Comfort on the power of cloud computing

Why I took the job 54
Spotify's Jeff Levick



“Steve, being Steve, had a compelling way about him...”

ED CATMULL PAGE 10



Welcome to Issue 3 of *Observe*, our international business magazine available in print, online, on mobile and from app stores.

From the beginning it has been our intention to bring you as diverse a range of content as possible and this issue is no different.

Our cover story is an exclusive interview with Ed Catmull, President of the legendary Pixar Studios, who talks about working with Steve Jobs and John Lasseter and why nurturing creative talent is key to its ongoing success.

From the heady atmosphere of Los Angeles we cross the globe to Asia, where Mark Braithwaite has just completed a major study of the problems and pitfalls facing MNCs in the region. His findings should be read by anyone looking to do business there.

There's much more. We have features on such wide-ranging themes as executive stress, business philanthropy, healthcare, technology, the rise of Spotify and board diversity.

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 our next edition with you early in the new year.

Klaus Hansen,
Managing Partner,
Odgers Berndtson, Germany

[@odgersberndtson](https://twitter.com/odgersberndtson)
[#obobserve](https://twitter.com/obobserve)

Observe at your fingertips
Subscribe to the free digital edition of *Observe* and enjoy a rich mix of content



Observe travels the globe in search of eye-catching business stories

SOCIAL

ANTISOCIAL CEOs?

This year's Social CEO Report found that only 32 per cent of Fortune 500 CEOs have a social media account. Of those who do, two-thirds of them are only on one platform. Perhaps unsurprisingly, the most popular platform is LinkedIn. Seventy four per cent of those CEOs who are on one platform use that one.

ceo.com



MANAGEMENT

POPULARITY CONTEST

According to business website Inc, the seven key traits of a likeable CEO are:

- 1 They are honest and genuine.
- 2 They are positive.
- 3 They are personal.
- 4 They listen to people.
- 5 They work hard.
- 6 They recognise and reward effort.
- 7 They are authoritative, but considerate.

inc.com

Inc.

ILLUSTRATION: IKON IMAGES



BUSINESS

RALEIGH SAILS IN

Forbes has released its annual list of the best places to do business in America. 1 Raleigh, North Carolina, came out on top thanks to its low business costs, an educated labour supply and strong net migration. It was followed by 2 Des Moines, Iowa, with 3 Provo, Utah, in third. Atlantic City, New Jersey, came in 200th and final place.

forbes.com

MONEY

MONEY IN THE BANK

Time magazine recently reported on which companies have the highest cash reserves in billions of dollars. Many of those at the top have substantially more in the bank than some countries. The top five cash-rich companies are: Apple with \$158.8 billion, Microsoft \$83.9 billion, Google \$58.7 billion, Verizon \$54.1 billion and Pfizer with \$48.8 billion.

time.com

\$158.8 billion



\$83.9 billion



\$58.7 billion



\$54.1 billion



\$48.8 billion



FUTURE

NEXT GEN

Marketers are increasingly looking at how to engage with Generation Z – those born after 1995, who make up more than a quarter of the population of the US. Tips on how to engage with the first truly social media-fed generation include creating short 'snackable' content, communicating visually across a range of mediums and appealing to their entrepreneurial spirit.

mashable.com



PHOTO: ALAMY

TALENT

IT RECRUITMENT

CIO magazine has identified six key IT roles that businesses will need to recruit in 2015:

1. Technology broker – to provide buying advice and make sure purchasing decisions are sound.
2. Information insight enabler – to derive greater insight from management reports.
3. User experience guru – to understand and improve the user experience and improve collaboration and productivity.

4. Cloud integration specialist – to ensure purchased applications and software packages are compatible and integrate with existing systems.
5. End-to-end IT service manager – to take everything IT does and stitch it all together.
6. Collaboration and social media evangelist – to deduce which tools for collaboration and social engagement are available and what will work best in their organisation.

cio.co.uk/insight



ILLUSTRATION: IKON IMAGES

GENDER

CTO SMITH

The United States has appointed its first female chief technology officer (CTO), ex-Google employee Megan Smith, making a positive move towards ending gender bias in the industry. MIT graduate Smith has long been an advocate of getting more women in tech jobs and believes visible role models are key to attracting women to the industry.



PHOTO: DAVID HARTLEY/REX

BANKING

RISKY BUSINESS

McKinsey & Company recently reported that, though emerging market banks have enjoyed success over the past decade due to the global financial crisis having less impact, there are →

risks to be aware of. The report identified four priorities for emerging market banks to address: creating a risk culture – many have begun setting up dedicated sessions with business, risk and control functions to evaluate risk-response scenarios; improving credit collections; developing innovative risk models to make up for the lack of information on creditworthiness; and rethinking capital allocation. mckinsey.com/insights

MOBILE

KNOW YOUR NEIGHBOURS

Lonely evenings away on business may soon be a thing of the past with the new Six Degrees app. Currently in the trial stages, Six Degrees enables you to search for guests in a Marriott hotel with similar interests via an app, a digital wall projection or a wooden table that reads data from your phone and flashes when you're sitting next to someone you might get on with in that same hotel. The app uses guests' LinkedIn accounts to find out their hobbies and interests, and was developed at MIT. mobile.mit.edu

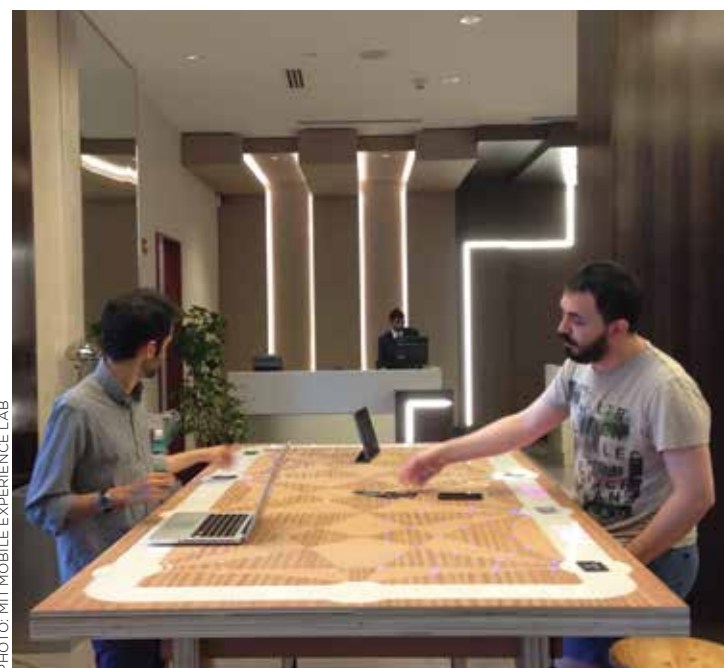


PHOTO: MIT MOBILE EXPERIENCE LAB

TECHNOLOGY

DIGITAL UPTURN

Despite the economic downturn, IT still benefits from investment due to the efficiency of technology bringing greater rewards than other areas of investment. The technology budget is usually one of the first to be cut in reaction to an economic slowdown. However, during this recession, IT has been deployed to improve processes, save costs and allow businesses to offer more to customers. The economic downturn has forced businesses to do more with less and, by extension, has actually improved processes.

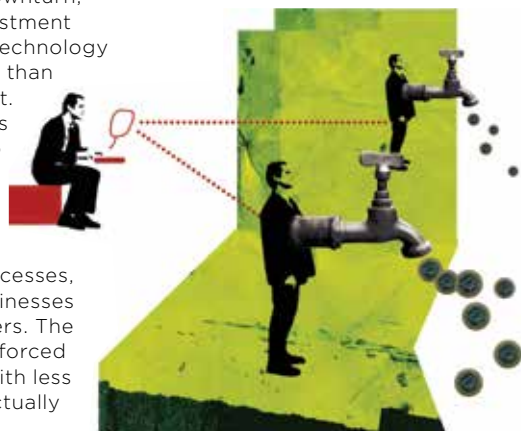


ILLUSTRATION: ALAMY

COMMUNICATION

VIDEO SAVVY

The future of marketing may be in videos, but Board Studios – specialists in the production of whiteboard and motion graphics explainer animations – has researched how to make the most effective video in a recent survey of YouTube. Of the many revelations uncovered, they found that a higher-budget

video doesn't necessarily mean greater effectiveness, whiteboards are slightly more effective than motion graphics and the longest videos (approximately 2.5 minutes long) actually had the highest view rates, engaging a higher percentage of their viewers. prweb.com/releases



PHOTO: ALAMY

COMMODITIES

COCOA FOR CAMEROON

Cameroon's National Cocoa and Coffee Board (NCCB) has reported that prices per kilogram of cocoa reached an all-time high in 2013-14. This is excellent news for Cameroon, a country currently in fourth position on the African chart of cocoa-producing countries and the fifth in the world. Increasing yet still fledgling investment and support from companies such as SIC Cacaos is improving the road network and pest control of the cocoa harvest. And with supply increasing, Cameroon can capitalise on its capacity to produce more, while other cocoa-producing nations like Côte d'Ivoire and Ghana are struggling to meet demand. allafrica.com



PHOTO: OLALEKAN OLUDE VIA FACEBOOK

LATIN AMERICA

DOWN MEXICO WAY

Latin America is attracting major powers, particularly from Asia, hoping to have an influence on the economy and secure a steady supply of energy and natural resources. In just three weeks in July this year, the leaders of Russia, China and Japan all toured the region. China's President Xi Jinping secured the location of BRICS development bank headquarters for Shanghai and ensured a permanent presence for China in the Community of Latin American and Caribbean States (CELAC). Japanese Prime Minister Shinzo Abe signed a number of economic agreements with Mexico and secured a permanent presence in the Caribbean Community and Common Market (CARICOM) and the Pacific Alliance (a trade bloc between Chile, Colombia, Mexico and Peru). online.wsj.com

Linguistic map of Latin America:
 ■ Spanish-speaking countries
 ■ Portuguese-speaking countries
 ■ French-speaking countries



WHITE GOODS

CLEANING UP

Electrolux's audacious purchase of General Electric's household appliances business for \$3.3 billion (£2 billion) makes it the world's second-largest appliance maker by sales and will see its

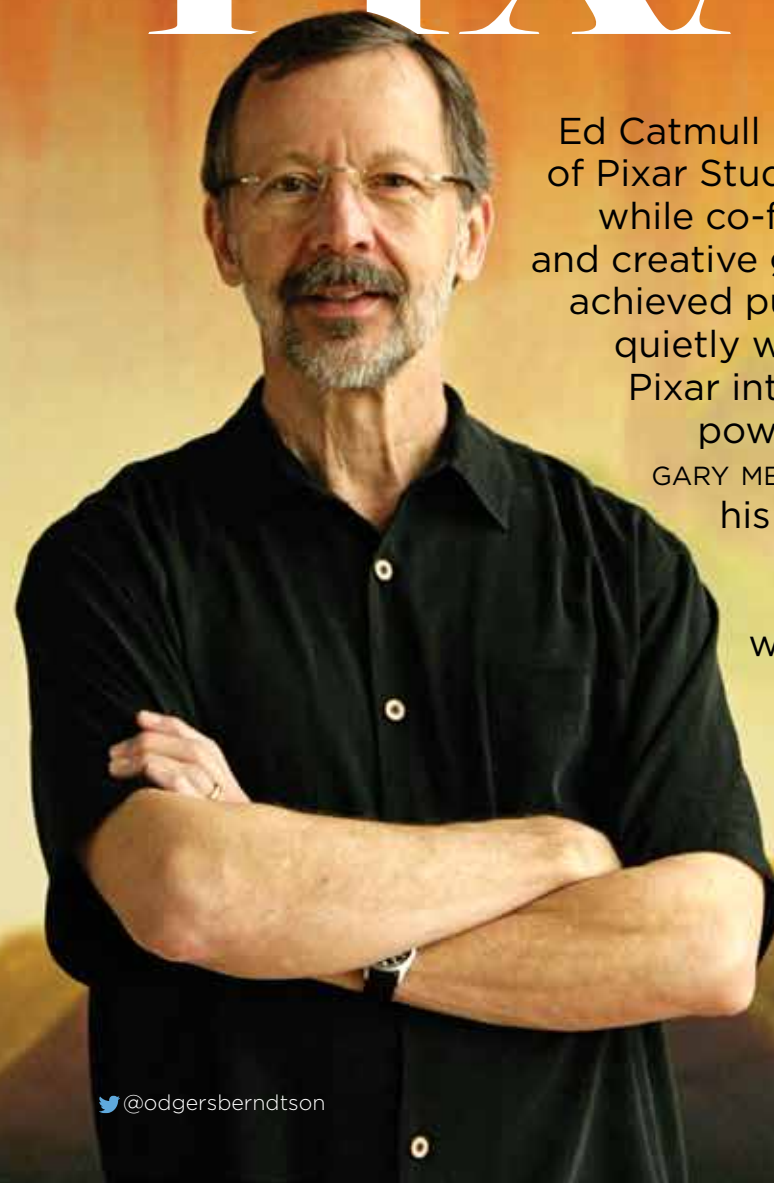
annual sales in North America more than double to over \$10 billion, similar in size to major rival Whirlpool. It also gets to keep the iconic GE Appliance's brands. reuters.com

AFRICA

NIGERIAN PIONEERS

When their lecturers went on strike in 2009, students Ayodeji Adewunmi, Olalekan Olude and Opeyemi Awoyemi decided to start an online job search company, Jobberman. Five years on, their company has a multi-million dollar valuation and employs 125 people. Despite being Africa's largest economy, Nigeria has problems with mass unemployment and Jobberman has so far helped 35,000 people find employment. jobberman.com

THE POWER BEHIND PIXAR



Ed Catmull has been president of Pixar Studios since 2001. Yet while co-founder Steve Jobs and creative guru John Lasseter achieved public fame, Catmull quietly went about building Pixar into the global movie powerhouse it is today.

GARY MEAD talked to him at his Los Angeles office about nurturing creative talent, working with Disney and a certain character called Woody... →

Ed Catmull sometimes wryly jests that he's the Pixar co-founder no one's ever heard of – the other two being the rather more well-known Steve Jobs, of Apple fame, and who acquired Pixar in 1986; and John Lasseter, the director, and Pixar's long-standing Chief Creative Officer. If true, it's more a consequence of Catmull's endearing modesty; it certainly doesn't reflect his massive contribution to Pixar's astonishing success.

The quietly spoken Catmull is Mister computer animation. He loved Disney cartoons as a child and considered becoming a feature film animator, but didn't think his drawing skills were good enough. So he studied maths and



physics as an undergraduate and in 1974 completed a doctorate in computer science at the University of Utah. After a spell at the New York Institute of Technology, in 1979 Catmull was hired by George Lucas, of *Star Wars* fame, to see what computer graphics could do for movies. At Lucasfilm, Catmull pioneered texture mapping, a technique for adding details to a wireframe computer 3D model that is still used by Pixar today. Since 2001 he has been Pixar's President.

Pixar has a stunningly successful record. To date it has grossed a cumulative £5.2 billion and snapped up 30 Academy Awards. It produces unsentimental yet heart-warming stories that appeal to children and adults alike; what parent could remain dry-eyed as Andy hands over Woody and the gang of his beloved toys to a little girl in *Toy Story 3* (2010) before heading off to adulthood? Andy's farewell to his toys is also his farewell to childhood joys. That moment – and dozens of others in films as varied as *Ratatouille* (2007) and *Up* (2009) – touched the hearts of cinema audiences worldwide. The computer genius of Catmull laid the foundation for all of them.

Catmull is also the managerial brain of the company, as becomes evident in his new book (written with Amy Wallace), *Creativity, Inc.: Overcoming*

*the Unseen Forces That Stand in the Way of True Inspiration*¹. Part-Pixar autobiography, part-manual on how to sustain a creative culture, Catmull describes the book as “an expression of the ideas that I believe make the best in us possible”. It's also full of fascinating anecdotes about Hollywood, Disney, Steve Jobs – “Steve, being Steve, had a compelling way about him” – and business life generally. Jobs was a notoriously stubborn individual in his early business life, although Catmull insists that he mellowed. Catmull was once asked how he avoided going crazy after 26 years with Jobs. Catmull replied: “I did ask him once, ‘So what happens, how does it work, if somebody doesn't agree with you?’ and he said: ‘Well, I just explain it to them until they understand.’”²

When I spoke to Catmull in Los Angeles he talked of the difficulty of keeping creativity alive in an industry where creativity and originality are everything. In a world of sensitive egos, where experimentation and failure are vital, Catmull asks: “How do we make it safe for people to raise questions – and when things fail, make it OK for them to still raise questions?” Put at its simplest, Catmull is dedicated to taking the terror out of failure. The stigma attached to failure is so powerful that it inhibits creativity. As Catmull writes: “We need to think about failure differently ... Mistakes aren't a necessary evil. They aren't evil at all. They are an inevitable consequence of doing something new (and, as such, should be seen as valuable; without them, we'd have no originality).” This passionate belief that people must be allowed to make mistakes is all well and good – but how many chances to crash and burn do the creatives at Pixar get? “That's a subtle and important question,” he responds. His answer is equally subtle, and he turns to the ‘Braintrust’, a key element in Pixar's management of failure.

The Braintrust meets sporadically every few months to assess progress on a film project. The Braintrust arose by

accident, and grew out of the close working relationship between the five who were responsible for the original *Toy Story* (1995) – John Lasseter, Andrew Stanton, Pete Docter, Lee Unkrich and Joe Ranft. As years have gone by, it's evolved and includes a fluid, expanded group, with only two requirements – those involved need to have a knack for storytelling, and they must all believe in and practice candour.

What power the Braintrust has derives from its intangible authority as a collaborative forum – it can't tell the director what to do, for example. “It's a place,” says Catmull, “where experienced storytellers can help each

“We require people to work together in harmony – there's no room for egos. If they can't work with other people, then they don't belong here”

”

other. Imagine starting a meeting by saying that we don't want anything stupid or dumb. Telling people that at the outset is a really bad idea. Zero errors is a bad place to go. Having 40 stupid ideas, which are just using up valuable time, is an equally bad place to go. Zero errors and 40 →



dumb ideas – both bad. So where should you be? Our hard place is to deal with the middle – it's ill-defined, nebulous, but we have no alternative to being in that mess in the middle. Making movies is a very structured, organised process; but you have to distinguish between that, and the disorganised generation of a large number of ideas, and that should be an open and fluid process."

For Catmull, candour is critical to the creative process, because, as he puts it, the early stages of all Pixar's movies "suck". Honesty, openness, a willingness to accept robust feedback in an iterative process – working, reworking, and reworking again until the story and

characters are right; this process is both a creative necessity and a managerial technique. The Braintrust puts the film, not the filmmaker, under the microscope. The idea is distanced from the person who comes up with it, reducing or – hopefully – eliminating the chances that the idea-generator will take offence.

In his book Catmull emphasises the importance of having trust in colleagues and staff, to empower them sufficiently to take risks and not fear mistakes: "Fear and trust are powerful forces, and while they are not opposites, exactly, trust is the best tool for driving out fear. Trusting others doesn't mean that they won't make mistakes. It means that if they do (or if you do), you trust they will act to help solve it. Fear can be created quickly; trust can't. Leaders must demonstrate their trustworthiness, over time, through their actions – and the best way to do that is by responding well to failure ... We believe that the most promising stories are not assigned to filmmakers but emerge from within. With few exceptions, our directors make movies they have conceived of and are burning to make. Then, because we know that this passion will at some point blind them to their movie's inevitable problems, we offer them the counsel of the Braintrust."

This openness guides Catmull in his choice of new talent. He told me that he only looks for "one thing. I am keen on potential over current ability – ability is not the most important thing. I'd rather have a person who is growing than one

who has peaked. I want people who are continually learning and growing. It may not pay off, but in general I've found that this way, we get a person who far exceeds the minimum. We require people to work together in harmony – there's no room for egos. If they can't work with other people, then they don't belong here."

In a 2007 presentation to the Stanford Graduate School of Business³ Catmull drew some profound conclusions that

are relevant not just to the movies but to all businesses. He posed the question 'why do successful companies fail?'. One key factor is that, as he put it, "success hides problems". The tremendous success of the original *Toy Story* blinded Pixar when it came to the production process of *Toy Story 2*, where there was, in Catmull's words, a "dysfunctional team". Pixar wanted to throw it away and start again. But Disney was adamant – there was no time for that. The film had to come out on deadline. So they changed teams and worked "brutal hours" to get the film out on time. From that experience Catmull learned a critical lesson: "If you have a good idea and you give it to a mediocre group, they'll screw it up. If you have a mediocre idea and give it to a good group, they'll fix it."

At the end of our conversation I ask Catmull if he has a favourite movie. He thinks a while, and then comes out with an answer that is both unexpected and instructive about Catmull's dominant streak, which is his rationality. "*Patton*. At the time it came out I was a conscientious objector, protesting against the war in Vietnam. And yet I just loved that movie. And then I heard that Richard Nixon also loved that movie. And I thought to myself, 'if that movie could unite people from such opposing positions, it must be a really fantastic achievement.'"

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

If you have a good idea and you give it to a mediocre group, they'll screw it up. If you have a mediocre idea and give it to a good group, they'll fix it



¹ <http://www.randomhouse.co.uk/editions/creativity-inc-overcoming-the-unseen-forces-that-stand-in-the-way-of-true-inspiration/9780593070093>

² <http://ecorner.stanford.edu/authorMaterial/info.html?mid=3321>

³ <https://www.youtube.com/watch?v=k2h2lvhzMDc>





At a major event held in New York, health practitioners from both sides of the Atlantic met to discuss the huge challenges



AMERICA'S HEALTHCARE CONUNDRUM



that Obamacare presents to the US healthcare system, as CARMEL GIBBONS and CHRIS HAMILTON explain



In May 2014 the Odgers Berndtson Global Healthcare Practice organised a roundtable event bringing together the great and the good from a US health industry experiencing fundamental change as a result of the Obamacare reforms.

The intention with this significant New York event was to give notable US healthcare leaders such as Dr Jonathan Perlin, chief medical officer at

the HCA, and Dr Jack Cochran, executive director of the Kaiser Permanente Foundation, a greater understanding of how the UK's National Health Service (NHS) – the world's largest public health system – has dealt with regular transformations and turbulence over the course of its 70-year life.

The use of the word 'significant' is deliberate. It is often the case that America leads the way so for the tables

to be turned, and for Americans to be keen to learn from, in this case, the British experience, is a rare occurrence.

The US health sector is understandably keen to learn more about the system in operation in the UK as Obama Healthcare becomes a reality and major challenges lie ahead for that huge \$150billion market.

The man chosen to be the guest speaker, and to give the British perspective, was Sir Ian

Carruthers, the former chief executive of NHS South of England strategic health authority and without doubt one of the most successful and experienced chief executives the NHS has ever produced. With a career spanning 43 years in the NHS he is no stranger to big system reforms. Indeed one of

Sir Ian's first remarks was that he has been through 15 NHS restructures in his time.

Sir Ian began by outlining the main characteristics of a high-performing national health system. He identified a focus on preventative health, good quality of care and accessibility, giving good taxpayer value

and being affordable.

There should also be, he stressed, integration between healthcare and social care systems to improve effectiveness of care, improve efficiencies and reduce costs. The 'capacity and capability' to change should also be present, as should good leadership from politicians and clinicians. Retaining public confidence in the system should also be high on the agenda because once lost it is difficult to regain.

In a rather more sobering way Sir Ian said that no global healthcare system currently had all these characteristics in place.

Specific to the UK Sir Ian identified major challenges such as an ageing and frail population, the rise in chronic diseases, mental illness and dementia, the slow adoption of innovative technology and treatments, and declining Government investment putting pressure on quality of care and staff recruitment/pay.

Sir Ian urged clinicians to do more to help find solutions to these challenges. "We won't transform many of these situations without very clear doctor leadership," he said. "We need to see clinicians as leaders and encourage them to be advocates for change of our system. Up until now that hasn't been the case; whenever we have had change, interest groups and clinicians in particular have sought to block where it has served their own particular interests."

Sir Ian added that the focus of previous NHS reforms had been dominated by politicians talking up structures and mechanisms rather than doctors 'taking charge' and outlining how to improve care. Without the two sides →



“We won't transform... these situations without clear doctor leadership”

working together and providing a single voice of change, he argued, the chances of successful reform are low – something American health practitioners should take note of.

"If you haven't got a compelling narrative to get the meaning of what you are trying to do you will never do it. I think you are struggling with this in the Obama reforms because whatever you think of the idea it is the implementation that determines success," he said. "Quite often we have not got the alignment of what the hearts and minds of the professionals and patients are. We can never separate adequately the political from what is managerial sense and what is actually a practical reality, as all three of them need to be aligned to be successful. It is in the implementation that things go wrong and for that reason you have got to be very prepared to say that we have got this wrong and it needs changing."

As part of the roundtable discussion that followed Sir Ian's thought-provoking speech, HCA's Dr Perlin highlighted his comments on the role of the narrative in facilitating transformation. Dr Perlin said that a shared narrative could help engage and align multiple constituencies from politicians to the healthcare workforce. "A shared narrative within the workforce allows management through meaning and a narrative of success is more compelling than one of failure," he commented. "An effective narrative must address not only those who stand to gain but those who fear loss."

The feeling around the discussion table, which included Steve Potter, managing director



of Odgers Berndtson USA, Keith Gaspard, partner in Healthcare & Life Sciences in the US, and Penny Mirams, partner in healthcare for Canada, was that it was agreed with Sir Ian that the tricky equation in major system reform is how to deliver higher-quality care to more people for less money. Fundamental to solving this equation is having the right leadership in place.

Outside of China, India and

one or two other emerging markets, very few countries have the luxury of being able to build a new health system from scratch. For the vast majority of those in Europe, North America and Australia, the challenge is to transform what is currently in place into more effective and commercially viable provider frameworks, and to do so in a way that keeps the voters, unions, clinicians, financiers and a myriad of other bodies happy. Healthcare is at the top of the political and public agenda and it seems to be the one area that can make or break a government.

And we are all feeling the pressure to get it right. ■

Carmel Gibbons leads and **Chris Hamilton** is a partner in the Healthcare Practice at **Odgers Berndtson UK**

Diversity not cacophony

KIT BINGHAM on why board diversity needs to reflect much more than just gender equality

The business case for enhanced boardroom diversity is well and truly won. In a global age, few continue to assert that boards should only be made up solely of a given market's business elite, typically males (in the West, usually white), nearing retirement age and with a solid business career behind them.

But board diversity continues to be viewed in restricted terms, often through the prism of gender. True diversity requires boards to consider a wide range of additional qualities.

Increasing the number of women on boards is a vital goal – because of historic under-representation, to provide different perspectives and because women account for an increasing proportion of the global workforce and customer base.

Many markets, notably in Europe, have taken steps either to mandate higher numbers of women on boards via quotas (Norway) or via encouragement, persuasion and by naming and shaming laggards.

Good progress has been made. In the UK, for example, there is no longer a single FTSE 100 company with an all-male board, while the proportion of

women on boards across the index has risen from about 12 per cent to nearer 20 per cent since 2010. Plenty of work remains but the trend is encouraging.

There is a further reason why gender tends to dominate the diversity debate – it is easy to measure. Totting up the number of women on boards offers few shades of grey, making it easy for regulators and the media to highlight progress, or lack of it. The age of board members (assuming it is disclosed) is also an empirical fact, which is why I suspect that the call for greater age diversity on boards will start to grow. Ditto, nationality.

At its heart, however, diversity is about factors that are harder to measure. Gender, age and ethnicity are useful proxies for diversity, but they don't definitively capture whether a prospective director will bring independent thought, challenge and perspectives to the boardroom table. An individual's functional expertise and experience are likely to be highly relevant considerations,

though harder to discern. For example, a board may be well balanced in terms of age, gender and ethnicity, but if all its members are all former Big Four audit partners, or Chief Executives, or have spent their careers in the same handful of markets, their attitudes and approach to problem solving will offer little diversity.

Bringing a wider range of functional expertise into boardrooms beyond the typical pools of general management, sales and marketing or finance thus becomes an important consideration. Likewise, an empathy for different business cultures, gained by living and working in varied parts of the world and not merely passing through, will become an important element of a director's bio.

The final piece of the puzzle is a great Chair. If a board of independent-minded individuals with a range of perspectives and experiences is the key to good decision-making, then a strong and wise Chair is required to join the threads together. Board diversity is a positive attribute; board cacophony is not. ■

Kit Bingham is Head of the Chair & Non-Executive Director Practice at **Odgers Berndtson UK**



Fast companies

DOUG MORRISON talks to Shane Snow about his new book, *Smartcuts*, which looks at accelerated paths to business success

It took the oil tycoon John D Rockefeller 46 years to make a billion dollars after starting out with a single refinery in 1863. Fast forward to the modern business era and the 1980s computer baron Michael Dell achieved billionaire status in 14 years; Bill Gates in 12. It took Pierre Omidyar, the founder of eBay, just three years to do it.

They are all standout examples of business success but, according to Shane Snow, pick any era and you'll find people – across industries and continents – who defy convention and do incredible things in implausibly short amounts of time.

In his first book, *Smartcuts*, this New York-based entrepreneur and journalist examines what makes these over-achievers tick, or as the subtitle puts it, *How Hackers, Innovators, and Icons Accelerate Success*.

The book is an extended exercise in 'myth busting', not least the convention that businesspeople must pay their dues. Snow's over-achievers all adopt "smartcuts", not merely shortcuts, as they succeed in life or business.

"If I am passionate about one issue," he says on the line from America, "it is that we as a society, and certainly in business, need to get away from this idea that just because you've been there for a while, it doesn't mean you deserve that upgrade or you are more qualified for a task. Within big companies, patience is rewarded but patience doesn't necessarily correlate

with breakthrough innovation or staying on top."

Smartcuts is the culmination of countless articles on the rapidly changing tech sector for the likes *Wired* and *Fast Company* magazines. The journalism led in 2010 to Snow co-founding a company of his own, Contently, which in turn saw himself inducted to influential groups such as *Forbes* and Inc.'s 30 Under 30 lists of up-and-coming entrepreneurs. As he relates in the book, "this star-struck kid from Idaho" was soon mixing with incredible people, from business leaders to inventors whose life work was to solve unemployment in India or topple dictatorships.

From his close vantage point, Snow was able to observe people who were doing crazy things in surprisingly fast time, and discern what lay at the root of their success. More often than not they were premium practitioners of lateral thinking. As Snow argues, lateral thinking doesn't replace hard work; it eliminates unnecessary cycles. Another point he is quick to make, lest prospective readers misconstrue the book's subtitle, is that 'hacking' is something done not just by criminals and computer scientists, but by anyone who has the capability to approach a problem laterally.

Of course, lateral thinking in business is hardly new – just ask Edward de Bono – although it is good to be reminded of the potential benefits. Nor is lateral →



thinking necessarily synonymous with all entrepreneurs, but it probably is with the more successful ones and it certainly was with the tech startups, such as Foursquare, that Snow encountered as a budding reporter in New York.

"I wanted to write about how these tech entrepreneurs in particular were very good at rethinking the rules," he says, "and ask why doesn't this happen in so many other industries, like say government, healthcare or the law? There are entrepreneurs who can make a buck and they can build a business. And then there's the class of entrepreneurs who change everything on its head and that's where lateral thinking is absolutely required."

Smartcuts is a page-turner compared with the airport departure lounge business books that usually succumb to management speak by bullet point. This one is instead enlivened by first-hand anecdotes but mostly well researched journalism. No doubt some in business – probably those aged over 30 – will balk at Snow's central thesis that you don't have to pay your dues to get on, but his arguments are supported by fact. He regards *Smartcuts* as "a simultaneous hat tip and counterpoint" to some of the better innovation literature out there, but he nonetheless claims that his book is "the first codification" of the ways rapid success has happened throughout history.

He also argues that once up and running, the best tech companies have all managed to maintain momentum, and not just the recent wave of startups. "You see some businesses that are huge but keep going at a pretty good clip," he says, citing Apple and Salesforce. Both manage to keep growing their share prices and regularly release new products that redefine the sector.

"I think Apple is particularly interesting just because everyone knows them and they had the slump and they pulled out of it. And now it is an interesting time to see if they're going to plateau again," he says.

One chapter deals with creating the conditions for simplicity in business,

which is a particular challenge for any mature company. "How can you do what you're doing for a hundred times cheaper? That kind of question forces you to do more innovative things, which can help growth," he observes. "What Apple did really well in the last 15 years is that they reduced the complexity [of their business]. They have an enormous business but for the end user they reduced the choices and in doing so they were able to reduce the size and the friction for growth. You saw that with the iPhone – essentially cannibalising the iPod."

Smartcuts concludes with what Snow calls "10x Thinking" and how it is often easier and more productive to make something 10 times better than 10 per cent better. In other words, we are less likely to perform at our peak potential when we're reaching for low-hanging fruit. Be bold, says Snow, highlighting one study that shows how brands with lofty ambitions beyond making profits wildly outperformed the S&P 500 between 2001 and 2011.

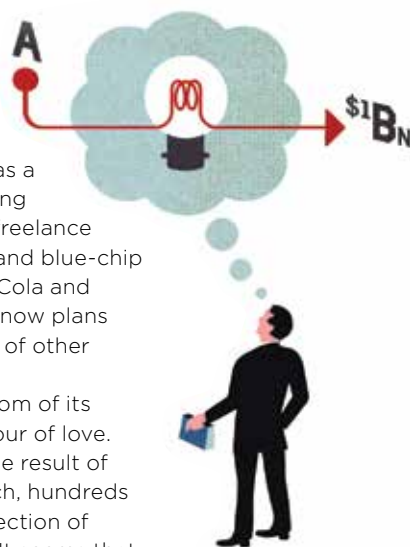
If nothing else, working on *Smartcuts* has stoked Snow's ambitions for Contently, which is pioneering the growth of so-called content marketing and operating as a sophisticated match-making service between 40,000 freelance journalists and designers and blue-chip companies such as Coca-Cola and AmEx. Now pushing 30, Snow plans to "steal from the masters of other industries".

And yet, for all the wisdom of its content, the book is a labour of love. As Snow concedes, it is the result of countless hours of research, hundreds of interviews and the dissection of myriad academic papers. It seems that with some endeavours, there are no short cuts, let alone 'smart cuts'. ■

Douglas Morrison was formerly city editor of *Scotland on Sunday* and a city reporter for the *Sunday Telegraph*



Smartcuts:
How Hackers, Innovators, and Icons Accelerate Success is published by HarperCollins, price \$26.99/€21.60/£16.99. Also available as an e-book





Time to perform

DANIELA BEYROUTI talks to Susanne Mueller Zantop, founder of CEO Positions, about getting the best performance from CEOs

Daniela: CEO Positions is a firm specialising in Reputation Management projects, which includes CEO Positioning, Stakeholder Management and Video Messaging. You are the founder, the Chairwoman and major shareholder of the firm. Tell us about your background and what led you to create CEO Positions.

Susanne: It all started when someone asked me if I knew someone at a particular company. I apologised and said: "I only know the CEO." I realised that my network was mostly CEOs. Then I thought: "Wow,

that's probably not so bad. Why don't I do something with it?" It all came together: my previous work as a journalist and as an analyst, always asking questions and then, when I switched sides, my role in a large corporation where I helped the CEOs prepare to talk to analysts and journalists. All this led to deep insights: how different CEOs performed on stage and in different environments. One may perform well in the boardroom but fail on a stage – or vice versa – and it was quite unpredictable. I watched CEOs in different environments and

tried to understand what the reasons were – which then led to the creation of CEO Positions in 2006.

Daniela: It's a familiar story: candidates often behave very differently when they meet with us to how they are in an interview setting with a client. You offer a combination of highly analytical technology tools and an advisory service, either on a one-to-one basis, in a group or in workshops. How do these two approaches fit?

Susanne: The analytical technology plays an important role in finding out how we →

can make a CEO shine. How can we understand what kind of individual communicative identity this person has? What are the best communication tools? We don't want to mould someone, just understand what communication style fits their personality best.

The questionnaire covers everything: from childhood – whether you liked to play theatrical plays in your childhood, if you hated your parents fighting at home – until your very last performance as a CEO and how you felt about it: did you have a sore throat afterwards or were your eyes dry?

Daniela: And what do you do with these analytical results?

Susanne: We come up with an individual profile of this particular person on where he or she performs best, and then we suggest how he/she can create this environment more often. This reduces training and preparation time and minimises nervousness and anxiety. It also helps to focus on the message and the content.

Daniela: So, is it really about identifying and recreating the stage on which the person performs best, and using that to train the person?

Susanne: Yes. For example, we have one CEO who really doesn't like to talk. He is a person who has so much on his mind; he is such a brilliant thinker that when he writes a book it has ten pages; he is so condensed and precise. If he is asked to give a 30-minute presentation, he gives a brilliant ten-minute talk and then he doesn't know what to do. So, you have to find the best possible solution for him and you create a choreography: this might include presenting a video or doing a Q&A. But it would be awful to make him speak for the entire 30 minutes.

Daniela: Are you looking at communication from both sides:

Daniela: In your mind, what is Best Practice CEO Communication?

Susanne:



1 Combine your strategic marketing, your communications and your digital communications departments into one



2 Equip them with the latest technology



3 Have a mix of young and old people – two to three generations in one department



4 Make sure that they work with text, image and video and that this becomes totally normal

the external communication – which is extremely important – but also the internal communication?

Susanne: We don't differentiate.

Everything internal is external these days. Everything should be said and presented as if it is public.

Daniela: In this digitalised and global media world, things move so fast, so CEOs have to move fast too. Something happens in Asia overnight and you are in the US; you find out as you get up and you have to react quickly. What does that mean for the individual CEO?

Susanne: It's not as stressful as you might imagine, because they are prepared for that kind of thing. It is more stressful for the organisation because organisations used to have three days to react. Now you only have a couple of hours and that requires a different kind of setup. It is really about how many people are working on it, who is allowed to make decisions and who is not allowed to make decisions. It's all about fast decisions.

Daniela: Are CEOs aware of that?

Susanne: That I'm not sure about. I find that many CEOs aren't informed about slow reaction times of organisations when it comes to external events. The assumption is that your organisation should react within three hours, but, in reality, it may be one day and three hours.

Reorganisation of communication departments is well under way.

Daniela: What is the best advice that you could give any executive?

Susanne: Listen to yourself. Listen to your body. This means changing circumstances to what you need, whether that means sending people out of a room or changing the lighting.

Sleep more. We have found that most CEOs are jetlagged and suffer from lack of sleep. That's a real, real problem. When your mind isn't recovered, you fall

back into standard types of communication: you talk in clichés and you don't have access to your reservoir of examples; you forget numbers, you forget people's names – and that's really bad. With this tunnel view you can't find those solutions that you need to deliver a clever answer. How often does it happen that you leave a conversation and think: 'I should have said this, I should have said that'?

Daniela: Do you observe your clients when they are on stage?

Susanne: All the time. We also take pictures and video them. I can show them everything: when they're tired, where they are losing their line of thought. It's all there.

Daniela: Why do you like video?

Susanne: Video is probably the most important data type. There is a huge demand for video – a lot of communication is already going on with this data type. I think 60-80% of journalists use it as a research tool. They don't look you up on Google just for textual information, they watch videos of you to get an understanding of who this person is.

Daniela: Any other advice?

Susanne: Invest in training. You can even train with your kids. Kids are absolutely fantastic as sounding boards.

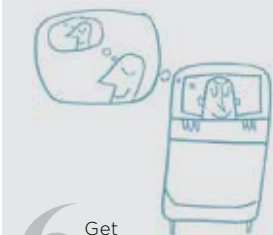
Daniela: Typically, how does training with you work?

Susanne: I have one CEO who comes to us before he goes on world tour. He does that once a year, visiting all his offices and presenting an update to their strategy. He starts his tour here in this office and we work through his slides. The slides have been compiled by all the departments so it's a huge mess and takes him three hours to present. When he leaves he has ten slides left and a power speech with a cool start and a wonderful ending.

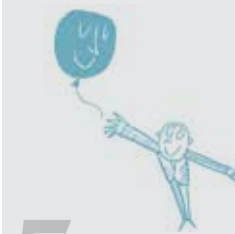
There is another CEO whom I visit



5 Get training for yourself. Look at how good people such as Apple's Tim Cook and Microsoft's Satya Nadella are at speaking. Take those as examples – this can only be done with training.



6 Get enough sleep, and take time to think



7 Very important: say goodbye to the idea of control. In a global and digitalised world there is no more control



8 Go online, get social, find your medium. It is important that you understand what is going on there, and be a part of it



9 Make sure you get fans. You will need them

the night before the AGM so we can run through in the same room he'll be presenting in. We do a blind walk on the stage because I want them to be completely familiar with the stage: where are chairs? Where is the Head of the Supervisory Board sitting? The height of the chairs, the light in his eyes. We check everything.

Daniela: Who are your most admired CEOs for communication and stage presence?

Susanne: Ren Zhengfei, CEO of Huawei. He is a humble poet who works with stories, symbols and allegories to inspire his thousands of employees and customers. He talks about both mistakes and aspirations in the same open way.

Reed Hastings, CEO of Netflix, because he has fought more than one battle for the benefit of business at large – not just Netflix. He went to court to have Twitter accepted by the SEC as a channel for stock-relevant ad-hoc news.

Harriet Green, CEO of Thomas Cook Group. Harriet is the role model for perfect preparation. She demonstrates how preparation relaxes you and creates brilliant improvisation in your performance. She is outspoken and good-humoured at the same time.

In a media-saturated world, it is clear that CEOs need to be more than strategic visionaries, they need to be able orators: clear and engaging communicators of complex and big ideas. It's not about vanity, it's simply based on the needs of the audience: shareholders, staff, the public and, of course, potential employers.

CEO Positions doesn't create rock stars or raconteurs, it simply helps leaders externalise what is internal, in the best and most effective way. ■

Daniela Beyrouti is a partner at **Odgers Berndtson** Switzerland

RISING TO THE CHALLENGE Why multinational corporations must better prepare for doing business in Asia

MARK BRAITHWAITE recently conducted a series of one-to-one interviews with more than 60 large European- and US-owned multinationals and found that their understanding of this complex region was far from impressive

Economic indicators point to a great future for multinational corporations [MNCs] in Asia, yet for most global companies, the promise of Asia and what is being delivered are not the same.

To try and understand what's going on – and what the barriers are to rapid success for MNCs in the region – I recently met executives from 63 large European- and US-owned multinationals, spanning the Life Sciences, Consumer, Technology and Industrial sectors for a series of off-the-record interviews. I asked questions about how their business is performing in Asia against expectations and what they see as the major challenges.

Four significant and common themes emerged. Cutting across all sectors, these four themes form the main roadblocks to success in Asia for MNCs.

When we consider that today, as a

region, Asia accounts for a third of the global economy and is home to half of the world's population it's evident how vital this market is going to become. For MNCs, Asia represents an average of 23 per cent of global revenue and in four years from now, most MNCs expect this to reach 33 per cent.

Whichever way you look at it, Asia is a big and fast-growing market, but execution – successfully operating in an area that has a myriad of different cultures, languages and business practices – is a constant challenge.

What follows below presents a snapshot of the kind of thinking going on amongst senior MNC leaders as they grapple with developing their businesses in Asia.

OVERCOMING THE ROADBLOCKS TO BUSINESS SUCCESS IN ASIA →

ROAD BLOCK 1 COMMUNICATION, CULTURE AND UNDERSTANDING

If you don't think this is a big issue, then you don't understand the problem. The interviewed executives had a great deal to say on this topic and it seems that a lack of two-way understanding between Asian regional leaders and HQ is an issue for most MNCs:

"Our executive leadership team does not understand the region, they use the US domestic market as their frame of reference."

APAC PRESIDENT, INDUSTRIAL

"I really struggle with this. There cannot be one policy or strategy that works across Asia. There is not even a single common language. We make progress, then there is a new exec at HQ and we start again."

APAC SVP, TECHNOLOGY

"Our HQ culture is 'disagree first and then discuss'. Try that in Japan!"

APAC HR DIRECTOR, LIFE SCIENCES

Most believe that global executives need to spend more time in Asia as these two examples confirm:

"You can read as many books as you like about Japanese or Chinese culture, but this cannot replace time on the ground."

APAC HRD, CONSUMER

"With the rise of quality local executives, there is less education about Asia going back to HQ. There needs to be a 'walk-in-the-shoes' strategy."

APAC SVP TECHNOLOGY

Doing business in Asia is about relationships, not transactions:

"The emotional attachment to the transaction is greater here. People want to deal with

people who understand their way. If you are accepted, then you can do business easily."

APAC PRESIDENT, TECHNOLOGY

"Asian people often find it easier to deal with other Asian people."

APAC VP, INDUSTRIAL

The way managers and staff interact in some Asian countries may not fit your culture. This is not just about individual style, but about the way people in other cultures perceive hierarchy:

"In emerging markets, managers are usually very hierarchical. There is a directive leadership culture as opposed to the nurturing and empowerment culture we have in the developed world."

APAC HRD, LIFE SCIENCES

Of course, not all companies misunderstand these issues, but interestingly, those without problems were closer to their market through *structure*. B2C companies seem to be further ahead than B2B companies on this front.

"For us, our senior leadership team knows Asia Pacific pretty well. The CEO used to be head of Asia Pacific and the whole executive team has international experience."

APAC PRESIDENT, INDUSTRIAL

"We don't have this problem. Our execs travel a lot."

APAC SVP, CONSUMER

"It takes a lot to appreciate and understand another culture. You need humility to win in Asia."

APAC SVP, TECHNOLOGY

ROAD BLOCK 2

TALENT

Of the four common themes, every executive interviewed sees talent as the biggest issue standing in the way of progress. There is no magic bullet, unfortunately:

"In mature markets, finding staff that know our business is easy. In many Asian countries, it is not."

APAC HRD, CONSUMER

"The difference of Asia is all about people. It's about finding people so we can deliver business."

APAC SVP, INDUSTRIAL

The brand pull of MNCs in developed markets does not always translate:

"We did a survey in China and found that up to three years ago, MNCs were more attractive as an employer. Three years ago local companies were equal. Now, local is preferred at all levels. Graduate to executive."

APAC VP, TECHNOLOGY

So while most MNCs understand the benefits of local leadership, making this happen is a difficult process:

"We have 80 per cent expats as our country heads. We know we need to localise, but are struggling to get this done."

APAC HRD, LIFE SCIENCES

Rising salary costs are an issue in China and Singapore, where they are now higher than the US for equivalent roles. Attrition is also high for MNCs in Asia. At management level, there are so many opportunities that employees keep moving for a bigger role and a bigger pay packet.

Culturally, people in some countries are reluctant to relocate and this in turn drives attrition as it limits career opportunity for them in MNCs.

"Indians will move because they are better off if they move out of India. The Chinese earn more in China than the US. Generally, they are less mobile."

APAC PRESIDENT, INDUSTRIAL

Despite all of this, MNCs can still do well in Asia with the right talent attitude. Executives with years of on-the-ground experience in Asia are taking a pragmatic view on how to operate effectively for the long term in this talent tight environment:

"In emerging markets, you cannot always hire the management talent you want. We now hire on potential. Hire someone who is 60 per cent now with the potential to be 200 per cent."

APAC SVP, LIFE SCIENCES

"When you can't hire the experience, you need to be good at hiring the raw talent. IQ, EQ, DNA."

APAC PRESIDENT, TECHNOLOGY

ROAD BLOCK 3

CORRUPTION AND COMPLIANCE

The GlaxoSmithKline (GSK) corruption investigation in China, citing a "massive and systemic" bribery network, and the subsequent jailing of two consultants operating on behalf of GSK, has shaken executives as more MNCs are coming under scrutiny in China.

According to the Asia President of one of the world's largest technology companies, this activity is indirectly impacting their business:

"There is a more nationalistic approach from our customers. There is some anti-American sentiment and we have been removed from the supplier lists of some State Owned Enterprises."

In principle though, the anti-corruption drive is good news for MNCs as this

moves markets towards a more level playing field:

"Compliance is a big issue. It is not a level playing field for MNCs. We cannot compromise on standards of governance and, in one case, this meant that our licence to trade in one country was not renewed and we were locked out for a year."

APAC PRESIDENT, CONSUMER

China is the focus of the media in regard to anti-corruption reform, but reform is taking place across the region and this is a good thing. Of the four themes, this is the one that most executives running a clean business from HQ think least about. The exposure comes through independent actions on the ground. Who will be the next GSK?

ROAD BLOCK 4

STRATEGY AND STRUCTURE

Many global companies look at the world through the lens of their home country, which means that a successful strategy in Europe or the US may not translate well in Asia. This comment from a regional leader was echoed by all:

"There is no such thing as Asia. The go-to market models in China, India, and Indonesia are all completely different. There is no uniformity of market rules."

APAC SVP, LIFE SCIENCES

The Asia region has unique complexities that are difficult to grasp without on-the-ground experience. Consider these comments from regional executives:

"South East Asia alone is six languages, cultures, histories and labour laws. The

difference between Thailand and Indonesia is as great as the difference between the US and Japan."

APAC VP INDUSTRIAL

"Whatever you say about Asia does not apply to all of Asia. I did not understand this until I moved here."

APAC HRD, INDUSTRIAL

"HQ has high expectations, but they underestimate the volatility of emerging markets. Political uncertainty and policy change arise overnight and we cannot predict this like we can in the West. The landscape and environment we operate in changes quickly. Every year, I have a \$100m problem in one of my markets that I can't see at the beginning of the year."

APAC PRESIDENT, CONSUMER

Two years ago Bain & Company published a report called 'Global Growth' in which it listed these same issues as key challenges for MNCs. It added a sobering note on the rise of local competitors: "Most multinationals in developing countries find themselves operating on the far edge of their supply chain and talent pools. Many find it hard to adapt to unfamiliar business practices and customer expectations. They also find themselves up against a new kind of competitor – nimble, focused, entrepreneurial enterprises, deeply embedded in their home markets, with significant cost advantages, ready to access local talent and often a hard driving founder."

Similarly, a recent survey of 500 MNCs by *The Economist*, found that more than 75 per cent of companies include India, China, Japan and Australia as part of a *single* Asia Pacific region. The structure used by most MNCs is based on geography and time zones and is organised into three global theatres – Americas, EMEA and APAC.

Interestingly, the leaders of companies that have moved away from this 'three global theatre' model claim better results:

"I report to a President of Growth Markets. He is a growth market specialist and fully understands my issues in APAC. It works."

APAC PRESIDENT, TECHNOLOGY

There also seems to be a tipping point related to the ratio of revenue that Asia produces in relation to global revenue, where MNCs move away from a one-size-fits-all strategy.

The local-versus-expat manager's debate still runs hot:

"Hiring local managers ingrains the business into the local economy."

APAC PRESIDENT, LIFE SCIENCES

"Expats often make decisions for the short-term, because that is the timeframe they are here for and are rewarded for. There are long-term consequences."

APAC HRD, INDUSTRIAL

And for some companies, successful products in the home market simply don't translate:

"Our European designs and specs are too expensive for this region. We are killed on price by local product."

APAC VP, INDUSTRIAL

The Asian leader of an iconic global brand portfolio summed up his view of their market commitment: *"We are running a 30-year strategy in Asia."*

Most MNCs speak only about a five-year strategy, then align KPIs to drive quarterly performance!

Ultimately global companies need to get better at being global if they want to succeed in Asia. There is no simple formula, but the clear message from our 63 experienced Asia executives is that success in the Asia region for your company may need a serious rethink. You might also need to grow an extra pair of ears and spend more time on an aeroplane.

"We are a true MNC," says a senior executive of a global brand. "We are global in our team and outlook. Our culture is non-negotiable. We are good at strategy. What will stop us from succeeding is execution and this simply comes down to talent."

You have been warned. ■

To read the full report, which has substantially more detail, please go to odgersberndtson.com

Mark Braithwaite is an **Odgers Berndtson** Managing Partner. He is based in Singapore and has focussed on hiring executives for MNCs with a growth or change agenda across Asia since 2000



The greatest music service on the planet...

That's Spotify's ambition, and who's to say it won't be achieved? *Elisabeth Berglund* talks to KATARINA BERG, Spotify's Vice President Global Human Resources, about its search for top talent as it builds a modern, global company - fast. →

Can you describe Spotify's corporate culture philosophy and your work with it?

We consider corporate culture to be at least as important as corporate strategy. The right culture brings effective collaboration and lets us move forward faster. The culture comes through even in our brand and the way we serve our customers. In other words, our culture defines how successful we are. So it's about having the right culture and not just a strong corporate culture.

We formulate and shape our culture through employee involvement. This autumn we are embarking on a Passion Tour, where we will visit all our offices and conduct a dialogue about our vision, mission and values.

Our culture and values build the cornerstones upon which we take care of our talent pool in order to attract, acquire, develop, grow and retain the right people, as well as to develop relevant compensation and benefit structures.

What measures do you take to ensure that your corporate culture is kept alive during such rapid global expansion?

It takes constant, on-going work: hit, re-hit, reminders both internally and externally, it is something we will never be finished with. We do not differentiate between our brand and employer brand. It is very important that our communication, both our customer promise and employee promise, is authentic and genuine.

Our 'Intro Days' are filled with cultural induction. Flying all new band members to Stockholm is a huge investment. But it is worth every cent because it gives everyone a good start and



an understanding of who we are, why we're here and for whom. Among others, we have two full-time culture ambassadors who work variously in reinforcing the social part of our culture and they have created a network of ambassadors in all our markets.



ABOUT SPOTIFY

Spotify is an award-winning digital music service providing on-demand access to more than 20 million tracks. Spotify was launched in Sweden in 2008 by Daniel Ek and Martin Lorentzon, out of a desire to develop a better, more convenient and legal alternative to music piracy. Since then, Spotify has become the world's largest and fastest growing music service of its kind with more than 40 million active users and more than 10 million paying subscribers in 57 countries around the world. Spotify enables customers to discover, manage and share music with friends, while making sure that artists get a fair deal. Today Spotify has 1,400 employees in more than 27 locations around the world. It is headquartered in Stockholm, with commercial hubs in New York and London.

How do you work to promote diversity?

When it comes to nationalities and ethnic backgrounds, we look like a real-life Benetton advert. In other words, it is a non-issue since it occurs naturally with us being in so many markets and we are on a quest for talent in a digital world.

Concerning some of the other parameters regarding diversity, we have started looking a little closer at these. We have a group of representatives from various countries and teams who choose a couple of focus areas, based on employee input and strategic challenges. From that we select concrete activities that can help make Spotify an even more welcoming environment to work in. For example, we have a number of collaborations with organisations aiming to raise the number of women in technology and IT development. These include PyLadies and Code Center. We also co-sponsor 'Female Economist of the Year' at the Stockholm School of Economics and co-run WIT (Women in Tech).

How do you work with the Spotify brand to attract talent, i.e. employer branding?

We have the advantage of working with a very attractive brand, but that makes it even more crucial that we live up to employees' expectations. Our employees are our most important and most credible ambassadors as well as assets. Therefore, we encourage them to tell people what it is really like to work at Spotify through social media and at various conferences.

We maintain a humble attitude to the fact that we have terrific momentum. Very many people send us applications, both in response to advertised vacancies and without solicitation. This can change, so employer branding is a highly strategic issue because talent scarcity in the global IT field is a reality.

What sort of leader has proven successful in your company?

At Spotify, a leader must be open to ideas from the team and create the conditions for them to solve their own problems. Instead of telling everyone the answers, leaders ought to describe why/purpose, in other words outline the direction and thereafter give the team some space to solve the problem themselves. The challenge and also the balance our managers have to attain is to communicate clear expectations, but resist presenting solutions, while still providing frequent feedback



and being open to feedback themselves. In our organisation, it is usual to check frequently with each other and conduct retrospectives, something everyone appreciates.

How do you work with top performers, develop and retain them?

The manager has a huge responsibility here. It's about continually creating new challenges and opening new doors. It's always a pity as a manager when you lose a top performer from your team, but it's better if that individual stays at Spotify rather than moves to another company. That's why we need to view internal movement as something positive. To enable a learning organisation and challenge and develop talent is super important to us, so both



Katarina Berg,
Spotify's Vice
President
Global Human
Resources

people and the company are constantly growing.

Describe the concept behind the office design and its influence on business development and creativity?

We invest greatly in our offices because we know it influences the working environment and results in general. Several things we actively did were to create effective group areas for our development teams, what we call 'squad rooms'. For example, they can sit and easily see each other's screens. They can have morning meetings, personal meetings, and access to café space and Trello boards for their stand-ups/check-ins. We also have a large, common 'kitchen' instead of several small ones, giving all employees the opportunity to have spontaneous meetings. Also there are many possibilities to divert one's mind and reload, for example table tennis, a games room, music studio and a terrace where people can mix. Our larger offices even have a stage for large or small music acts to perform and make office sessions for us.

As things grow quickly, it is important to encourage spontaneous meetings so people feel connected to the whole and not like an island in a vast sea. It benefits both business and creativity. ■

Elisabeth Berglund is a
Consultant at Odgers Berndtson
Sweden

“It's about continually creating new challenges and opening new doors.”

THE CHANGING WORLD OF PSYCHOMETRIC TESTING

The psychometric testing industry has been through a period of rapid change in the past 20 years as more suppliers enter the market and the digital world begins to impact upon it.

JONATHAN ARNOLD reports

In the introduction to his new and eloquent publication examining the current state of psychometrics, Professor Peter Saville of Saville Consultants, one of the leading exponents of the science, declares: "While this book provides a broadly positive account of psychometric assessments, an appropriate amount of scepticism can be healthy and, we would argue, is important for educating people to recognise the good, the bad and the ugly within the world of psychometrics. It is a simple fact that not all psychometrics are born equal and it is regrettable that there are a number of charlatans peddling low-quality (and potentially unethical) products to credulous users."

Saville's word of warning is, perhaps, symptomatic of the fact that in recent years psychometrics has undergone something of a sea change, as Delia Pegg, a chartered psychologist and head of assessment at Odgers Berndtson's London office, explains: "I think compared with 10 years ago there are just so many instruments available and there is a real variety in terms of the level of quality; some of them claim to do absolutely everything. Some of the psychometric profiles will be tailored to specific roles or industries. What you get with some suppliers is that they will have one questionnaire or one main profile and from that you can generate lots of different narrower elements that are suited to, say, sales roles or to the entrepreneurial role or to leadership skills."

Pegg agrees that this expansion of the industry does have its potential downside: "If you lobbed everything now available at a candidate because you thought it might be interesting, they'd be sitting there doing psychometric questionnaires and tests all day." The art, says Pegg, lies in

carefully selecting and adapting from the plethora of instruments out there. "We try to be more consultative by selecting the things that we think are best for our clients."

For Peter Saville the situation is equally clear: "Well-constructed psychometric assessments are shown to be among the most accurate and fair ways of assessing people in the workplace. My job is to reduce risk. I cannot give you 100 per cent certainty, but with relevant measures you can probably improve your selection by about 30 per cent – assuming you have good applicants to work from."

That is the nub of the matter. Good tests, carried out by good practitioners, will always play an important role in the selection process. Poor or ill-conceived tests (created by "charlatans") will only serve to confuse matters, tarnishing the reputation of a long-established, scientifically based industry and potentially leading to the wrong hire.

So what are these more established, robust tests? The origin (and basis) of almost *all* personality profiles can still be traced back to what is known as 'the big five' theory of personality attributes: Openness, Conscientiousness, Extraversion, Agreeableness and Neuroticism.

Although psychometric testing has been in use for more than a century, in the past 20 or 30 years the term 'psychometrics' has broadened to include an array of aptitude tests, personality profiles, motivation and interest inventories, often through the deployment of instruments by such groundbreakers as Isabel Myers and Katharine Briggs who launched MBTI in 1962, Dr Robert Hogan who introduced the Hogan Personality Inventory in the 1970s, the aforementioned Peter Saville and Roger Holdsworth who launched OPQ in 1984, and the rise of the emotional intelligence questionnaires first introduced in the 1990s.

Even though such formative psychometric tools as SHL'S OPQ32, the Hogan suite of instruments and the MBTI remain integral to much of the psychometric testing that goes on today – some of which are deployed by Odgers Berndtson offices around the world – other areas such as underlying theory, the effectiveness of different question formats, algorithms and scoring mechanisms as well as good practice applications in the business world remain topics of discussion. →

In addition, the next phase of psychometric testing may well revolve around the digital world we all now inhabit. Consider this extract from an article recently carried in *Psyche*, the newsletter of The Psychometrics Forum, written by Gemma Smith also of Saville Consulting: "Algorithms are already being developed which link 'big five' factors with social media: for example TweetPsych provides a report of your personality based on qualitative text mining of your Twitter feeds." Smith goes on to state that "in 10 years' time, 46 per cent of workers in the US will be Millennials, defined in part through an obsession with both themselves and technology, the psychometrics industry will clearly need to consider researching and developing more innovative ways of assessment and recruiting."

Andrew Munro from AM Azure, a business psychology consultancy, who is less than convinced of the efficacy of many popular non cognitive-based psychometrics (see below), says of the potential alliance of testing with the digital space: "I talked to a colleague about this the other day and he believes there will be innovation – but it will not come from the current big players in the test publishing market but from software houses who are keen on big data and begin to do clever things in terms of how they analyse patterns as part of assessment processes. They know how the maths works and they can put in place very complex algorithms."

While the correlation between the digital space and testing evolves, practitioners continue to ensure that they use – or adapt – the *best* of the tests available. One take on the traditional Hogan approach has been adapted for use within a number of Odgers Berndtson's offices worldwide and forms the core of Leaderfit™ – a proprietary product developed by Eric Beaudan at Odgers Berndtson's Toronto office. Says Beaudan: "Leaderfit™ is a senior executive assessment method that provides a comparative view of leadership potential mapped to five dimensions of executive high performance (Strategic Clarity, Execution Savvy, Resilience & Adaptability, Stakeholder Management and People & Team Development). This method is ideal for individual selection or assessment, execution succession or senior team development. Our LeaderFit™ 360 is also a useful tool that can be embedded in any assessment."

Beaudan, like Delia Pegg and Peter Saville, is

also of the opinion that testing has evolved. "In the past 10-15 years," he says, "it has become a little more commonplace to use testing all the way up to C-Suite-level selection, succession planning and development, and I think one of the reasons it's becoming more commonplace is that the tools have evolved significantly. Hogan now has many dimensions and is very effective and predictive of executive success. The field has evolved towards being globally accepted in terms of selecting and developing leaders."

Beaudan adds that the Leaderfit™ suite, which derives in great part from Hogan-based tools such as its grouping of 11 possible 'derailers' to executive success, has been key in the decision-making process for CEOs and senior-level roles.

Beaudan has been doing some fascinating work on, for example, measuring integrity: "There are particular scales in our Hogan-based instruments that will measure an individual's likelihood to commit fraud or to engage in behaviour that is, to use Hogan terminology, mischievous or questionable. So we can see character combinations that when put together act as a bit of a tripwire or warning that alerts us that there are likely to be behavioural issues that you might not see on the surface. It can tell us where an individual might 'misbehave'. I can tell you from experience that those traits do come out and I have had several clients that have either been let go or demoted for those very reasons." Beaudan believes that these much more sophisticated tools that emphasise derailer potential are a clear example of how the industry has evolved.

But Beaudan and his colleagues have their detractors. Andrew Munro is one of the sceptics: "We know from research that 30 per cent of any population will fake a personality test. The chances, therefore, of picking up a successful psychopathic faker are pretty remote. I'm just not convinced that these tests pick up the 'dark side', the toxic type of leader. Last year I wrote a paper called 'Predictive Stall' in which I said that while psychometric testing historically has delivered, unfortunately these potential gains are in danger of being washed out through falling standards and poor practitioner practice that are failing to optimise test data in selection decision-making."

"The stall is also explained," continues Munro,



Leaderfit™ has been key in the decision-making process for CEOs and senior level roles



"because applicants have shifted from compliant candidates to shrewd game players. This argument suggests that test publishers are being out-manoeuvred by a generation of applicants adept in social media to exchange experiences about interview methodology, assessment centre protocols or the 'Goldilocks' tactics of personality test completion. It also points to an escalating 'arms race' in which any innovation by the test publishers is countered quickly by applicants who find stratagems to mitigate their effect."

Munro sums up his analysis thus: "It seems that psychometric testing is stuck and needs to revisit either its predictive claims or the research programmes it is using to build evidence of its predictive power in response to the selection challenges of the 21st century."

Though Saville disagrees, he says that: "In practice there are modern methods for detecting cheating and that people usually feel that what they endorse in a questionnaire is what they should be. Also a lot can be achieved with the use of carefully selected questions."

And Eric Beaudan is even more direct. "It's very hard at the end of the day when you've got psychometric data, 360 data, structured interview data, for somebody to argue with me they're not a jerk!"

The psychometric testing industry is, then, going through a period of change and realignment. More sophisticated tests, new players, digital development and countering detractors all mean that over the next five to 10 years psychometric testing may well see more change and innovation than it has done over the past 100 years. Ultimately it is the quality of the candidate that matters; psychometric testing has never been anything other than one valuable part of the process that ensures the next generation of leaders are the right ones. ■



ILLUSTRATION: ALAMY

RAGE

All over the world computer scientists are designing intelligent machines to do things humans do but better. Should we be worried? asks STEVEN McCORD

AGAINST THE MACHINE?

“The machine refused to move to a position that had a decisive short-term advantage — showing a very human sense of danger,” said chess grandmaster Garry Kasparov after losing game two of his famous 1997 rematch with IBM’s supercomputer Deep Blue.

Kasparov would go on to lose the series with Deep Blue by a half point, and would later question IBM’s use of human experts in between games, but it was his choice of words in the aftermath of game two that has raised the most enduring questions.

If a computer could mimic human emotions and intuitions, defeating one of the greatest chess minds of all time in the process, what else could machines achieve?

At the heart of Deep Blue’s victory was its evaluation function — a complex algorithm that measured the ‘goodness’ of a given chess position and was capable of evaluating 200 million moves per second.

While in 1997 algorithms were the sole domain of computer science whizzes, today they are helping to solve problems in business and science that were seemingly intractable just a few years ago.

Take medical diagnostics. Hospitals around the world are increasingly using algorithms to help diagnose conditions

and identify patients who might be at risk for certain diseases.

By combining patients’ historic health data with the wealth of information in electronic medical databases and online textbooks, doctors are able to identify more effective treatment plans.

AI is also helping to restore mobility for quadriplegics, with wheelchairs capable of being controlled by thoughts, and AI may yet bring sight back to the blind. In America, the FDA recently approved a first-generation retinal implant, which transmits images wirelessly to a microelectrode implanted on a patient’s damaged eye.

The march of AI doesn’t stop at medical diagnostics and solutions. In manufacturing, intelligent machines are regularly deployed to help optimise what resources get allocated on the production line, while in Iraq and Afghanistan the PackBot by iRobot has performed thousands of bomb disposals, making the job of a soldier safer in the process.

AI is also helping to make human lives easier. Apps such as RedLaser and BuyVia are helping consumers compare prices by simply scanning the barcode of the product they are interested in on their mobile device, while Apple and Android’s smartphone assistants are capable of responding to thousands of voice-activated user requests. →

For those who don't like driving, a future in which cars drive themselves may not be a thing of fantasy. Google recently unveiled a prototype of a driverless car with no steering wheel or pedals and a top speed of 25mph.

Although many of these advances are proving to be life-changing for individuals and have improved business productivity as a whole, technological change is rarely pain free.

While it is difficult to extricate the effects of AI from other macroeconomic effects, there is increasing evidence that AI is destroying jobs faster than it is creating them.

Erik Brynjolfsson and Andrew McAfee, academics at MIT, argue that advances in AI are behind the sluggish employment growth American has experienced in the last 10 to 15 years, noting that since 2000 productivity has continued to rise robustly, but employment growth has stagnated.

"People are falling behind because technology is advancing so fast and our skills and organisations aren't keeping up," they say.

Oxford University academics take a more pessimistic view of the effects of AI on the labour market, arguing that nearly half of all American jobs could be automated in a decade or two.

"While computerisation has been historically confined to routine tasks, algorithms for big data are now readily substituting labour in a wide range of non-routine cognitive tasks," say Carl Frey and Michael Osborne.

One such non-routine job potentially under threat is that of the board director. In the first appointment of its kind, a Japanese venture capital firm Deep Knowledge recently named an algorithm to its board of directors.

Dmitry Kaminskiy, a senior partner at the firm, says that the machine can "automate due diligence and use historical data-sets to uncover trends that are not immediately obvious to humans".

Journalists aren't off limits either. In June of this year, The Associated Press announced that the majority of US corporate earnings stories for its business news report will eventually be produced through a computer program that is able to create a 300-word article.

If algorithms moonlighting as journalists and board directors sounds ambitious, consider the aims of RoboCup, an annual robotics competition founded in 1997:

"By the middle of the 21st century, a team of fully autonomous humanoid robot soccer players shall win a soccer game, complying with the official rules of FIFA, against the winner of the most recent World Cup."



Could intelligent machines really take the place of the world's best soccer players? It may seem preposterous now, but then so did the thought of Garry Kasparov being defeated by an intelligent machine in 1997.

Given its disruptive effects, it's somewhat unsurprising that AI has experienced a backlash from certain sections of society.

Various survivalist and anarchist groups have stated their intention to halt the development of AI, with one New Mexico group going so far as to detonate a letter bomb at the Monterrey Institute of Technology in 2011.

In the academic community there is also fear. In a recent opinion piece, Stephen Hawking and several scientist co-authors warned:

"One can imagine such technology outsmarting financial markets, out-inventing human researchers, out-manipulating human leaders, and developing weapons we cannot even understand. Whereas the short-term impact of AI depends on who controls it, the long-term impact depends on whether it can be controlled at all."

While these concerns have led to calls for swift and effective regulation to limit the effects of AI on the workforce, and also calls for protective rights for robots, the consensus in the scientific community is that AI is a long way from making the kind of intuitive leaps that come naturally to humans.

As Douglas Hofstadter, Professor of Cognitive Science at Indiana University makes clear: "Deep Blue plays very good chess - so what? Does that tell you something about how we play chess?"

For now at least, the answer is no. ■

Steven MCord is a researcher and analyst at **Odgers Berndtson**

Is your company 'ambient aware'?

CLIVE THOMPSON on the power of social media as a vital business tool

Can technology help you think in new ways? Here's one way it helps me, every day: I think in public.

Whenever I'm working on a problem – some information I can't find, some advice I'm hunting, a bit of research – and I hit a dead end, I know what to do. I talk about it out loud, online. I go onto Twitter, Facebook, or Instagram (or whatever tool you enjoy) and tell people what I'm working on, what I'm wondering about, what I'm looking for.

And you know what? Nearly always I get rapid help. I get ideas offered by friends, or sometimes just interested strangers. The other day I was researching whether or not software firms still engage in 'dogfooding'. That's a colourful phrase for forcing themselves to use their own tool – even in the early stages, when it's half-baked and barely working. In theory, dogfooding forces programmers to confront the terrible bugs in their work. But does it work?

So I asked out loud, on Twitter: "Hey, any companies out there engaging in dogfooding? What's it like?"

Within minutes, several followers told me about

colleagues around the world who were dogfooding. Within an hour a global conversation erupted – with complete strangers comparing notes on their dogfooding experiences. I learned more in one hour of talking out loud than I did in a week of pondering the issue at my desk and doing research in documents.

We live in a world where it is now possible to broadcast our thoughts – and listen in to the thoughts of others, through the

of other people around the world are also. You just have to connect up with them.

And if you're worried that you'll hurt your competitive edge by talking out loud, just create networks for public thinking *inside* your firm. Many top-performing companies have created their own internal, private social networks where employees are encouraged to post their thoughts and problems. It has a powerful effect – it makes knowledge visible.

This means that knowledge, experience and wisdom of staff isn't locked in their heads any more. It's public, externalised and searchable.

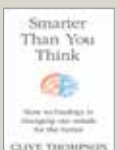
In a badly connected company, employees are constantly reinventing the wheel. They don't learn from each other, because they can't. Everyone's knowledge is invisible. In a company filled with public thinkers, it's the opposite. Employees quickly learn from each other – making the firm into a whole bigger than the sum of its parts. ■



ESP-like 'ambient awareness' of social media. If employees learn how to use it correctly, it is a massively powerful way to find answers and big ideas faster than ever.

Public thinking works so well because of what scientists call the phenomenon of 'multiples': If you're wondering about a question, the odds are hundreds

Clive Thompson's book *Smarter Than You Think: How Technology Is Changing Our Minds for the Better* has just been published by William Collins



TO COPE OR NOT TO COPE?

So what is the truth about executive stress? ALINA DIZIK explores the differing views on this 21st-century problem

TO GET THROUGH challenging times at work, Paul Hartzell, a sales executive in Singapore, leans back on his years as a professional baseball pitcher. In his twenties and early thirties playing in each of the season's 162 games meant the odds of losing were high. Now, 60, knowing how to deal with athletic setbacks has helped Hartzell deal with the stress of managing a sales team in a quickly changing environment in a more constructive way. "Every time you show

up, you show up with a positive attitude – that's what 80 per cent of successful sales require," says Hartzell about what helps maintain his peak performance.

But for many executives it's not always as easy to put on a smile. While setbacks in the workplace are inevitable, dealing with stressful situations incorrectly can mean significant setbacks for the company. For executives, knowing how to deal with corporate stress is a complicated mix of understanding how to delegate, →

ILLUSTRATIONS: IKON IMAGES

analysing the causes, seeking help to address any psychological issues and thinking more strategically, say workplace consultants and therapists. “Even anticipated change triggers stress,” says Thomas Diamante, an industrial organisational psychologist and executive vice president at CCA Inc., a human capital management firm in New York. “The capacity to adapt to change is crucial to executive performance.”

In the last decade, executive stress has become a buzzword and serious business for multinational corporations, who routinely set aside budgets for additional offerings that help leaders stay at the top of their game. In larger cities, private workplace consultants and therapists are charging upwards of \$200 per hour to help executives tackle challenges they are facing at work. Part of the reason is that a leader who is feeling sluggish or burned out can harm the entire organisation by making hasty decisions and functioning with decreased cognitive capacity, says Howard Eisenberg, a psychiatrist and president of Syntrek Inc., a performance enhancement and change management firm in Ontario, Canada. And of course, life at home also suffers as a consequence of setbacks at work.

Stress actually makes executives less sensitive to the needs of their employees, which can impact the entire team because it decreases “emotional self-regulation”, says Eisenberg. Executives dealing with their own challenges can have trouble understanding their employees’ needs. There’s a “deterioration



“Stress drives change, innovation, improvement — or it derails you.”

THOMAS DIAMANTE, INDUSTRIAL ORGANISATIONAL PSYCHOLOGIST



in work relationships due to impatience, irritability and reduced capacity for rapport,” says Eisenberg whose clients include Motorola, IBM and General Electric.

Leaders who feel pinched because of too many tasks also have a tendency to turn into micromanagers in order to rein back control, says Shawnice Meador, director of career management and leadership development at the University of North Carolina business school in Chapel Hill. When in crisis mode, some executives

feel they can handle projects better than their underlings, but piling on more work can actually increase stress, she said. It’s important to resist the urge for further control, because focusing on smaller tasks means “they run the risk of losing their strategic edge”, says Meador.

Is executive stress a myth?

Not everyone believes that stressed-out executives are a problem. In fact, some critics say that it’s the subordinates that experience higher levels of stress in the professional world. Most often stress is caused by a lack of authority and control, which most executives have, wrote Keith Payne, associate professor of Psychology at the University of North Carolina, in a 2013 article in *Scientific American* magazine. “They have much more control over how their lives are arranged than does the secretary who schedules their appointments or the janitor who cleans their office,” Payne wrote. “In most cases they can say no to requests and they can decide when and how to deal with challenges.”

Diamante says that executive stress shouldn’t be treated

differently from other types of stress. “Stress is everywhere,” he says, and executives who feel stressed need to focus on how they deal with change internally rather than criticising the company. “Blaming external factors for being over-stressed and therefore ineffective is inexcusable,” he said. “Remember that stress resides in one’s head.”

Simma Lieberman, an executive coach based in Berkeley, California, disagrees. Despite having autonomy over their own roles, many executives make the mistakes of internalising the stress from dealing with unhappy subordinates, she says. “While executives and senior leaders have more control of their work, they manage people who feel like they have less control,” she said. Overseeing employees to help better the organisation can be just as stressful, so it’s important to invest time into helping employees grow into their roles while delegating more responsibility. “There will be less of a need to micromanage, and less anxiety about people doing their job and producing results,” she adds.

Others point out that times of high stress can actually be a step in the right direction for the company. “Stress drives change, innovation, improvement – or it derails you,” says Diamante, who adds that understanding how to deal with a high-pressure environment is key. Rather than turning fearless leaders into incapable employees, stress should be used as a way to harness ideas or come up with out-of-the-box solutions to meet new demands, he says.

“Stress converted into productive energy enables rather than disables performance,” he said.

Blaming the always ‘on’ culture

But others say it can be difficult to fight against the non-stop culture that’s come with increased use of technology and an emphasis on short-term results. It’s not just after-hours calls that have meant an increase in stress. Anything from too many meetings to unanswered emails can cause unnecessary anxiety. Workers spent about 28 per cent of their time each day on simply answering emails, according to a 2012 analysis by the McKinsey & Co. Global Institute. In many workplaces this kind of thinking also means cut-throat competition between those climbing the corporate ladder rather than a focus on teamwork. With so many interruptions, many executives can no longer carve out the necessary downtime to tackle long-term initiatives, says Meador.

Rather than remove sources of stress, it’s important to learn how to navigate between them to find what needs to get done in order to improve a company, says Brent Bolling, Managing Director of Development Dimensions International in Toronto, Canada. “Today’s executive is operating as both a working leader and strategic visionary,” he says.

Changing the rhythm

While there’s no one-step answer to executive stress, executive coaches suggest practising simple stress management techniques even during calmer times. “Exercise,

meditation, even a movie needs to be in your schedule,” says Lieberman, who works with companies on diversity and inclusion initiatives.

Eisenberg urges executives to work on more genuine communication such as in-person conversations when dealing with stressful situations. “Texting and emailing only provides 10 per cent of the information and rapport achievable with the modulation of body language in direct presence with others,” he said.

In the workplace, some advocate delegation as a way to get more done while doing less, and a new emphasis on work-life balance has resulted in a slew of business books on the topic in the last two years. *The Power of Doing Less* by Ireland-based author Fergus O’Connell, *Do Nothing* by Northwestern University professor J. Keith Murnighan and *Brief*, a book on lean communicating by marketing executive Joseph McCormack, are bringing a less-is-more approach on what it takes to run a company.

For many of these, the key word to managing workplace stress is delegating and challenging subordinates to take on more responsibility, says Murnighan. “For leaders to back off is actually good for everybody,” he says. As these smaller tasks fall away, it leaves more room for strategic thinking, which is the key role for most executives. ■

Alina Dizik is a freelance journalist and writes for, among others, the *Wall Street Journal*, *Business Week*, the *Financial Times* and *Forbes* magazine



BOOKSHELF

Stress Test

Timothy F. Geithner

Published by Random House, Hardcover \$35/€28.57/£25 e-book available

In this riveting account of the financial crash, seen through the eyes of the then US Treasury Secretary, Geithner gives his personal perspective on those extraordinary times. As the *New York Times* put it, Geithner "conveys in visceral terms just how precarious things were during the crisis ... and demonstrates that he can discuss economics in an accessible fashion".

All Thumbs

Michael Dru Kelley

Published by Palgrave Macmillan, Hardcover \$26/€22.67/£16.99 e-book available

With mobile devices in our hands virtually 24/7, businesses of all sizes must be prepared for the world of mobile marketing. *All Thumbs* is a simple yet practical guide to help companies understand and build effective mobile brand experiences.

Billionaire: Reflections on the Upper Crust

Darrell M. West

Brookings Institution Press \$30/€23.95/£18.95 e-book available

The top one per cent own about one-third of the assets in America and 40 per cent of assets around the world. This concentration of financial resources in many countries gives the ultra-rich extraordinary influence over elections, public policy and governance. Darrell M. West delves into this rarefied world.

Managing Online Reputation

Charlie Pownall

Published by Palgrave Macmillan, Paperback \$24/€19.84/£14.99 No e-book available

Pownall sets out a structured and comprehensive approach for middle to large companies and governments to plan, develop, control and manage their online reputation in today's fast-paced communications environment. It's of pressing concern to businesses everywhere and should be required reading.

Scrum

Dr Jeff Sutherland

Published by Random House, Hardcover \$27/€22.38/£20 e-book available

Scrum claims to be a "revolutionary new approach to transforming an organisation", which has already transformed the fortunes of many of the world's biggest organisations. Its originator, Jeff Sutherland, shows how it can be applied universally.

The Leadership Shadow

Erik De Haan and Anthony Kassozi

Published by Kogan Page, Paperback \$29.95/€23.82/£24.99 e-book available

Under stress and pressure, the skills senior executives use can go into overdrive, leading to catastrophe. De Haan and Kassozi's book explains how to find stability in the face of uncertainty, resilience in the face of gruelling demand and psychological equilibrium as a leader.

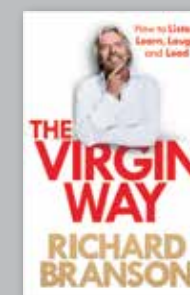
Observe's book list includes Timothy Geithner's riveting account of the financial crisis



The Social License

John Morrison

Published by Palgrave Macmillan, Hardcover \$35/€27.83/£22.99 e-book available
Based on 30 years of experience, Morrison's guide focuses on the new benchmark of a 'Social License to Operate'.



The Virgin Way

Richard Branson

Published by Virgin Books, Hardcover \$22.14/€22.38/£20 e-book available
Written in Branson's personal, insightful style, *The Virgin Way* turns the business status quo and ideas of conventional leadership on its head and suggests how to become a true leader – not just a boss.



Understanding Digital Marketing

Damian Ryan

Published by Kogan Page, Paperback \$29.95/€18.95/£19.99 e-book
\$29.95/€18.95/£19.99
The third edition of this bestseller – a practical, hands-on guide to digital marketing that demonstrates how to harness the power of digital media.



Extreme

Emma Barrett and Paul Martin

Published by Oxford University Press, Hardcover \$27.95/€21/£16.99 e-book available
Whether for sport or employment, why do people put themselves in risky environments? And are there lessons to learn from them? Barrett and Martin seeks some answers.

The power of profit *and* impact

Soushiant Zanganehpour explains the critical role business can play in shaping a better future for all of us

Natura Corporation CEO Alessandro Carlucci is a leader among CEOs. He and his Brazilian cosmetics company believe that alleviating poverty and inequality and protecting the environment are intimately tied to their business agendas.

In Carlucci's case, he has confronted the key social/environmental issue in his industry – deforestation and poverty – and redirected his company's strategy to tackle it.

While skeptics still deny ethical investment's ROI competitiveness, more and more companies are adopting ethical approaches. And the results are egg on the face of the naysayers.

In 2007, Goldman Sachs released a landmark report showing that companies that were considered leaders in environmental, social and governance policies tended to outperform the general stock market and their peers. This and many other similar reports

are helping align the interest of business with those of broader society.

Traditionally, economic growth models of the last two centuries have relied on the undervaluation of natural assets by economists, accountants, engineers and politicians. This current paradigm of capitalism is founded on the idea that a strong global economy is the rising tide that lifts all boats.

After the September 2008 financial crisis, however, this confidence was shattered. Looking back, it seems as though the benefits of growth were hugely exaggerated by the ready availability of debt. For the majority, a feeling of

deep economic insecurity and limited upward progression (in wealth and quality of life) are the fruits of this economic model and ideology. On both natural resource management and improving upward social mobility, some corporations see these issues as public goods that fall in the realm of government regulation, however the magnitude of business risks (and opportunities) is inspiring new opportunities for leadership.

In Natura's case, it sought to establish processes and systems in its strategic planning and daily business routines that marry the need for driving financial results in lockstep with

making positive social and environmental impacts. These include: promoting an ethical and transparent relationship with its stakeholders, defining targets that are compatible with sustainable development, and ensuring sustainable sourcing of products throughout all layers and tiers of its supply chain. So far it has transformed the business to provide an option for the sustainable use of raw materials from Brazilian biodiversity into product manufacturing, the adoption of a strong social and environmental supplier evaluation process (to train and upskill suppliers within its value chain), and the development of packages that have less of an environmental impact, reducing costs for all stakeholders.

A more enlightened approach

Given the scale of challenges ahead of us, collective global prosperity depends very much on corporations and business adopting a more direct, proactive and enlightened approach to eliminating the negative externalities they contribute to.

More enlightened corporations will opt to do this through the creation of business opportunities that realign their organisational strategies, instead of engaging in tangential corporate social responsibility (CSR) activities – however well meaning – that, at best, merely offset negative liabilities. CSR, including setting up and supporting payroll giving schemes, encouraging volunteering and modelling philanthropic behaviour, is well-intentioned but produces limited benefits for the corporation and for wider stakeholders in society alike.

The examples provided overleaf show that corporations that go the extra mile and push past a limited vision of their purpose and obsolete appreciation of their responsibilities to wider society can create new market-based opportunities that offer a combination of profit and positive social impact. We need corporations to realise not only their responsibility to contribute to creating a better world, but also their ability to do so. This is 21st-century thinking for 21st-century business. →

CASE STUDIES

NATURA CORPORATION

The Natura Corporation [Brazilian Cosmetics company] and its CEO Alessandro Carlucci, a leader among CEOs, believe that alleviating poverty and inequality and protecting the environment are intimately tied to their business agendas. In Carlucci's case, he has confronted the key social or environmental issue in his industry (being deforestation and poverty) and redirected his company's strategy to tackle it. In particular, Natura has sought to establish processes and systems in its strategic planning and daily business routines that marry the need for driving financial results in lockstep with making positive social and environmental impacts. These include: 1) promoting an ethical and transparent relationship with its stakeholders, 2) defining targets that are compatible with sustainable development, and 3) ensuring sustainable sourcing of products throughout all layers and tiers of their supply chain. So far they have transformed the business to provide an option for the sustainable use of raw materials from Brazilian biodiversity into product manufacturing, the adoption of a strong social and environmental supplier evaluation process (to train and upskill suppliers within their value chain), and the development of packages that have less of an environmental impact, reducing costs for all stakeholders.

PEARSON

Pearson is a leading learning company worldwide that operates in more than 70 countries. In 2012, they launched the USD 15 million Pearson Affordable Learning Fund, which focuses on providing K-12 education at the Base of the Pyramid (BOP). The Fund's goal is contributing to 'Education For All' via for-profit investments that drive both impact and profits. As a company, Pearson achieved USD 1 billion of revenue from developing markets for the first time in 2011; the Fund sees great prospects helping Pearson access the next key innovations in education at the BOP. Engaging this market with business solutions is essential for a company with global aspirations.

ADIDAS

This well-known clothing and footwear company with USD



20 billion in annual turnover is another example. In 2011 it created a corporate venturing arm, Hydra Ventures, in order to access new business opportunities. This new division makes seed investments in apparel brands and sports-related areas such as sports technology. Its investment criteria are mainly financial, but also give significant consideration to the environmental sustainability and social performance record of investees. Last year, Hydra Ventures invested nearly USD 1.8 million in CRAILAR Technologies Inc., a company that provides sustainable, environmentally friendly fibres and fabrics for use in textiles, cellulose pulp, paper and composites such as sustainable hemp, bamboo, organic cotton and soy for use in fabrics.

IKEA

The global furniture retailer IKEA has also made similar strategic investments to marry its financial targets with aspirations to have a meaningful and positive social and environmental impact. By 2020, IKEA is planning to almost double revenues from €29 billion (USD 38 billion) in fiscal year 2012-2013 to €45-50 billion (USD 63-\$70 billion) in turnover. To support its strategy, IKEA also invested more than USD 2.8 million in sustainable fibre and fabrics producer CRAILAR Technologies Inc. for the installation of equipment to support and expand CRAILAR's European production facility and to provide working capital for IKEA orders. Insiders believe the IKEA did this believing in CRAILAR's potential to contribute to achieving the stretch goals that IKEA has set for itself and communicated broadly as part of its 2020 strategy, which includes all home furnishing materials, including

packaging, will be made from renewable, recyclable or recycled material, and all cotton will be compliant with the Better Cotton Standard.

PATAGONIA

Patagonia is a certified B-Corporation and outdoor apparel company based in Ventura, California, whose mission is to build the best product, cause no unnecessary harm and use business to inspire and implement solutions to the environmental crisis. Most recently it announced a strategic investment in CO2Nexus, Inc., a company that has developed a sustainable method of processing (cleaning, disinfecting and coating) textiles and garments using liquid carbon dioxide – using zero water, consuming less energy and generating very little waste. Traditional textile processing methods are extremely water- and energy-intensive, consuming up to 100 gallons of water for every pound of textile processed, according to industry analysis. That translates to hundreds of billions of gallons of water in the US alone, and trillions worldwide. Most textile processing today is concentrated today in regions globally where water quality is low, which puts even greater strain on already scarce drinking water supplies. Finally, consider GE and its work around disrupting the affordability of healthcare globally. Its' approach to disruption also entails investing in startups with innovative solutions capable of greatly reducing financial waste from the healthcare system.

ACATUS MEDICAL

Acutus Medical, a medical devices startup, is one of Patagonia's investees and is currently developing electrophysiology solutions for diagnosing and treating atrial fibrillation (AF) that drastically upend the economics of the status quo. At present, procedures in AF are often lengthy, lasting six to eight hours, and can cost \$27,000 or more. Acutus' solution pinpoints the cause of AF in a 60-to-90-minute procedure costing about \$5,000. ■

Soushiant Zanganehpour is a consultant at the Skoll Centre for Social Entrepreneurship

Do you really value your customers?

It's time to add customers to a company's balance sheet, say STEVE POTTER and BARRY LIBERT

Amazon.com and its customers are in a symbiotic relationship. On a weekly basis, customers give Amazon not just their money, but also their interests (through browsing and clicking) and opinions (by rating products). In return, Amazon delivers myriad purchases conveniently and quickly to doorsteps around the world, and makes useful suggestions about what its customers ought to read, listen to and buy next. For many families, this arrangement works well enough that Amazon earns its own line item in the household budget. Indeed, Amazon should probably add its customers, and the steady stream of data they generate, as an asset on its balance sheet. Imagine if it did what that would mean to how much more attention and care we would all receive?

Perhaps that's not such a ridiculous idea given the hyper-connected world in which companies now operate. Customers are normally not accounted for in financial reports, but the shopping habits and opinions of the millions of Amazon shoppers form quite a robust piece of intellectual property. The time may have come for companies



to recognise their customers as assets and contributors, not just passive consumers. Further, if organisations want to prosper in the digital age, it is time for them to build and recruit management teams that understand these facts and have real digital acumen to deliver on this opportunity.

New digital technologies, those known as CASIM (Cloud, Analytics, Social, Internet of Things, and Mobile), are enabling a new and higher-order type of relationship between companies and their customers. Companies can use CASIM technologies to increase their presence in customers' lives – hanging out on their mobile phones, participating in their social networks, letting them rate and review – and gathering data all the while.

Big data analytical capabilities allow companies to crunch and process all this free data, turning it into useful

insights that can help nurture strong and lasting relationships. Where and when do customers shop? What types of products and services get purchased together? These are just the tip of the iceberg. Intimately knowing customers allows firms to improve internal operations and better serve them.

This is a win-win situation, but it requires a change of mindset and skillset for many executives and corporate directors. Customers are already there, eagerly sharing opinions on Yelp and TripAdvisor, helping design advertising for Danone yogurt, sharing their Nike+ enabled runs on Facebook, even developing Apps for Apple. But most established firms are hesitating when it comes to this type of customer intimacy as it means releasing some control.

Some companies are taking radical steps today to build the technological capabilities needed to capitalise on their customer assets. But it will require a savvy leadership team and board to genuinely profit from this massive opportunity. ■

Steve Potter is Managing Partner at **Oders Berndtson – USA**, **Barry Libert** is Digital Board Advisor and **Megan Beck Fenley** is Digital Researcher at **Open Matter – USA**

Heads in the cloud

IBM's Dr Jim Comfort talks to TIM ANDERSON about why businesses should look to the cloud or risk being left behind

BM's Dr James H Comfort, General Manager in charge of Cloud Services, came to the company 26 years ago after doing his doctoral work at MIT. "Every job I've had at IBM had two characteristics," he says. "One has been that most people said that what I was doing was not possible; and the other has been that to achieve the goal communication was required between two different parts of the organisation. Building the communication and understanding both sides to get the collaboration is what I've done on an organisational basis most of my career."

As the man shouldering the responsibility for IBM's cloud computing services – using internet-based computing resources rather than managing in-house hardware and software – his current role has been no different.

"In 2008 and 2009, [then CEO] Sam Palmisano recognised that there was a massive opportunity for IBM, but not one that would present itself to us in a

way that fits our mould," says Comfort. "We had to change hardware, change software and change services. We created a group of eight or 10 of us, each with 20 years'-plus experience in different parts of IBM, plus some external influence, to think through what cloud was, what it wasn't, what the value for our clients was, what the value for IBM was, and what we should do about it."

"[Cloud computing] is real. It is not a fad. It is acutely important for businesses and IBM to see this as a tremendous opportunity – users only needs to focus on what they want to accomplish; they don't have to worry about ordering a server, and they don't have to worry about procurement."

Despite the advantages of cloud computing, Comfort warns that the transition must be thought through intelligently. "Many clients are confused, they think of moving their business to the cloud as a singular statement. It is frankly irrational to say you will move

everything you do today instantly. You need to help clients separate out which things make sense to do in an incremental way and which things make sense to do in a more aggressive way, and to understand which of those is most important to that business. Some think that through very well, while others are getting into cloud because their CEO and the press says it is important, though I hate to say that."

Is the cloud safe? "There are security and compliance concerns," Comfort concedes, "but there is a lot of myth in this space. I always encourage clients to talk about their security policy. Don't explain to me how you have been doing that for the last 20 years – let us look at what it is that needs to be protected. Then we can figure out how to handle that."

"Three or four years ago security was a reason not to move. Today it is an engineering problem to be solved."

The flip side is the risk in ignoring the cloud. "By far the most massive risk to a business is not adapting, because their business model will be attacked by somebody who can figure out how to use it," says Comfort. "Look at WhatsApp [a cloud-based messaging service]. WhatsApp has disintermediated the text messaging business of telecommunication companies worldwide. They are wiping it out as a moneymaking activity for that entire industry. If companies don't think that a smart competitor is going to come up with alternatives and disrupt their business, then they are going to get run over. That is by far the biggest risk."

How will the computing landscape change in say five years' time? "I think cloud will be the de facto function. I think there will be significant consolidation. It is a game of scale so there will not be hundreds of providers, there will be a relatively small number of very effective providers." ■

Tim Anderson writes on technology for, among others, the *Guardian* On Line

“

[Cloud computing] is real. It is not a fad. It is acutely important for businesses and IBM to see this as a tremendous opportunity



DR. JIM COMFORT IS GENERAL MANAGER, CLOUD COMPUTING, AT IBM

”

CLOUD COMPUTING: IN BRIEF

What is cloud computing?

The term cloud computing is multifaceted, but key concepts are computing as a service rather than as a fixed resource, and using data and applications on the internet so they can be accessed from anywhere.

What is a private cloud?

Large companies can provide computing to their employees using cloud-like services, but operated in their own datacentres. This is sometimes called a private cloud.

What is a hybrid cloud?

Some companies use a public cloud, such as those operated by Amazon, Microsoft or IBM, to supplement their own private cloud resources, adding capacity or performing backup and resilience. This kind of setup is called a hybrid cloud.

What size of business can benefit from cloud?

The very smallest businesses, right down to one-person operations, can use the cloud

for all or most of their computing, avoiding the need to own computer servers for things like email and document storage and sharing. Large businesses can benefit by using cloud to add scale and flexibility to existing systems, or to outsource some of their IT requirements. In summary, businesses of any size can take advantage of cloud computing.

Any reasons not to use cloud computing?

The cloud has downsides. One problem, as with any form of outsourcing, is loss of direct control. If something goes wrong, you have to trust your cloud provider to fix it. Other issues are compliance with regulations stipulating, for example, where personal data can be stored; and the security concerns that go along with data stored by a third party. That said, the security offered by giant cloud providers may be better than what most organisations can provide on their own.

Jeff Levick on taking on a challenging role at Spotify

WHY I TOOK THE JOB

Observe: So why *did* you take the job?

Jeff Levick: I had a real desire to get back to business building. Spotify is a very 'disruptive' business and requires a lot of energy, travelling the world, setting up new offices. It's an invigorating proposition and has a highly intellectual business culture. I had lived and worked in Europe and learned a lot about the Swedish culture [Spotify is a Swedish company with its HQ in Stockholm]. The most important thing for me is that it's a founder-led company with an extreme focus on the product.

What was the first thing you encountered?

Well, I had a lot of work to do. Spotify scales nicely across Europe but it had just launched in the US and was rapidly expanding into other markets so there was a lot of organisation to be done quickly. We have gone from nine markets to 57 markets in just a few years and have 1,000 employees.



PHOTO: BRAD TRENT

What were the most critical moments?

The first 12 months were the most challenging. We needed to grow a new hub in New York and I was probably oversensitive to getting it right. But we have now created common cultures between London, New York, Stockholm and so on. However, Asia is a big challenge for us because it is not close, it's a big commitment, and it requires a steeper learning curve. Conversely, we have been overwhelmed by the success of the brand in Latin America – just by showing up! People there tell others about Spotify through social media – there's a kind of openness about it that has really taken off in that part of the world.

What type of people were you looking for?

My role when I came in was not only about the business process but also what 'types' of people we should recruit. I needed people who understood what it means to build a global business at scale – billions of streams, billions of euros. What types of culture would work at Spotify? That means low ego, very collaborative. Because of this some of the key roles stayed open for 12 months. It was finding people who had the right cultural fit that took the time. We wanted great doers *and* great listeners.

One enduring memory?

We are still at the beginning of this journey and we're still learning from the way people interact with the music using faster networks, mobile devices and so on. Watching my kids use Spotify is a testament to its potential. They understand it and say to me: "You're going to work for Spotify forever aren't you?"

Jeff Levick is chief marketing and revenue officer at Spotify, responsible for leading the company's worldwide expansion



Observe is edited, designed and produced by Archant Dialogue on behalf of OB International Search Limited (OBIS) trading as Odgers Berndtson

Opinions expressed in *Observe* are not necessarily those of OBIS/Odgers Berndtson or Archant Dialogue. Material contained in this publication may not be reproduced, in whole or in part, without prior permission of the publishers. ©Archant Dialogue 2014

Archant Dialogue, Prospect House, Rouen Road, Norwich NR1 1RE, UK
www.archantdialogue.co.uk

Editor Jonathan Arnold
jonathan.arnold@archantdialogue.co.uk
Creative Director Nick Paul
Designer Deb Murray
Digital Design Manager Richard Berry
Digital Editor Tom Smith
Senior Developer Phil Sumner
Publishing Director Zoë Francis-Cox
Managing Director Gavin Miller



ODGERS BERNDTSON
Search Intelligence

Global search

With over 50 offices in 29 countries,
our focus is always on finding outstanding
leaders anywhere in the world

Your appointment, our reputation

odgersberndtson.com