



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 50 offices in 27 countries worldwide, we know that effective leadership is a vital quality regardless of national borders.

odgersberndtson.com

Join the conversation at:

- **y** @odgersberndtson
- # #obobserve

**Linked in** Odgers Berndtson



## OBSERVE

The Odgers Berndtson Global Magazine\_ Issue 01 2015



Observatory

News, information and ideas that affect global business today

COVER: Social media

Where will social media be in the year 2020? Our expert panel provides some answers

15

Vox I: All in the mind

What HR can learn from the science of neurobiology

Delphi's Rodney O'Neal An exclusive interview with the

outgoing President and CEO of Delphi Automotive

Passing the litmus test A detailed look at emerging markets' approach to governance

The Medtech challenge What next for the fast-growing medical technology industry?

Digital business transformation 29

The external digital techniques being used to drive internal change

Arise Brazil!

The challenges that lie ahead for South America's largest market

Culture clash? We talk to Richard Lewis about

working with different cultures

**Vox II: Infographics** 40 Why the picture can often be mightier than the word

The interim imperative A look at the changing world of interim management

It's lonely at the top New research from Odgers Berndtson looks at the lonely

Bookshelf 48

New books on the recession, Coca-Cola, Melissa Meyer, strategy and much more

world of the CEO

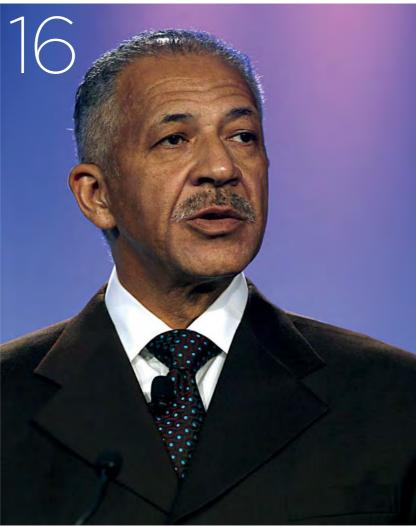
Vox III: Making connections

Julia Hobsbawm, the world's first professor of networking, talks to Observe

Vox IV: India's auto revolution 52 The opportunities for the

emerging Indian automotive sector

Under observation If you think of five things this quarter...



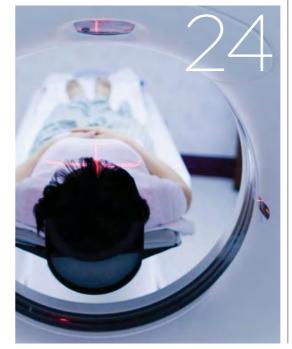






"If you are not prepared you cannot seize opportunity and you will squander it"

RODNEY O'NEAL PAGE 16





It's fair to say that over the past five years social media has dominated the business and consumer landscape. Never before have there been so many social media players offering such a wide array of opportunities to engage with friends, colleagues, customers and communities.

Our cover story for this issue of Observe tries to picture what the social media landscape will be like in the year 2020. We asked experts from a range of different disciplines to gaze into their crystal balls. Turn to page 10 to read their intriguing findings.

As ever, we cover a wide range of topics in this issue of Observe. We have an exclusive interview with Rodney O'Neal of Delphi Automotive, tackle the ever-changing world of interim management and investigate corporate governance in emerging markets. There is also an in-depth study of the Brazilian market which, despite problems both social and economic, continues to offer enormous opportunities to multinationals looking to do business in South America's largest market.

Observe celebrates its first anniversary with this issue. It's been a fascinating journey made all the more worthwhile by the incisive comments we receive from readers. Please keep them coming.

### **Julie Steiner**

**Managing Director, Odgers Berndtson, Australia** 

**y** @odgersberndtson #obobserve

Observe at your

fingertips Download the free Observe app for your device from the App Store or Google Play by searching "Odgers Berndtsor









### Observatory ....

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

### LANGUAGE

### **GOOGLE TRANSLATE**

The Google Translate app, the much-used tool that has saved us from many a tricky linguistic moment, has been updated with a new version that includes automatic language detection in conversation mode. Apparently it means having a conversation between two people who don't speak the same language is actually possible. Once you have selected the two languages being spoken Google Translate can detect which is being spoken at any moment. Hmmm. Observe is not convinced..



### **SMUGGLING**

### PHONE A FRIEND

According to Time magazine, a man from Hong Kong had 94 iPhones strapped to his body as he attempted to smuggle them into mainland China. Aah! the lure of the mighty Apple time.com

### ROBOTICS

### RISE OF THE SUPER TEENY

Microroboticist (yes, there really is such a title) Sarah Bergbreiter packs advanced technologies into tiny robots that can overcome obstacles 80 times their height. By studying the movement and bodies of insects such as ants,

Bergbreiter and her team build incredibly robust, super teeny, mechanical versions of creepy crawlies...and then they add rockets.

Find out more including a jawdropping video at ted.com

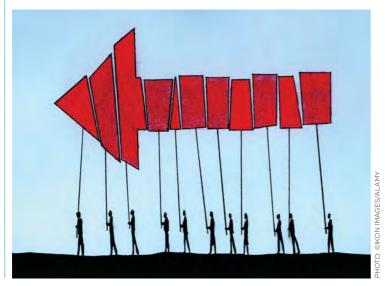


### BOARDROOM

### **CULTURALLY AWARE**

According to INSEAD, "without a deep and accurate assessment of their organisation's culture, boards and management teams will find it very challenging to initiate and implement strategic change. A company however big or small cannot successfully implement

corporate strategy without employees who believe in the mission and understand how to achieve it. As Louis V. Gerstner, former CEO of IBM once noted, 'Culture isn't just one aspect of the game, it is the game'." knowledge.insead.edu



**ECONOMY** 

### A GREEK TRAGEDY?

By the time you read this the full impact of Syriza leader Alexis Tsipras' sweeping victory in the Greek elections will have been fully felt. The immediate effect in late January was that the euro fell sharply against the dollar. Greece's current bailout programme ends in February, and economists say a short-term deal will be negotiated, but difficult talks lie ahead. Germany has indicated that it is not prepared to renegotiate

the bailout terms, raising the prospect that Greece could end up leaving the eurozone We shall see..

MONEY

### WELCOME LITHUANIA

While Greece's problems unfold, January 1 2015 saw Lithuania become the 19th member state to join the eurozone. Alongside its Baltic neighbours Estonia and Latvia, who are already in the monetary union, Lithuania will hope to continue its good economic progress. Last year, according to the European Bank for Reconstruction and Development, Lithuania's economy grew by around three per cent - one of the fastest rates within the EU driven largely by strong domestic demand.

### DATA

### DROWNING IN NUMBERS According to research from Forbes the digital universe expanded to six trillion terabytes

of data by the end of 2014. That's

created, replicated or consumed in 2013. The report claimed that "the increased reliance on digital data to run nearly every system, every marketing initiative, every

interaction with customers and every act of regulatory compliance has truly complicated the task of ensuring business continuity." forbes.com/forbesinsights

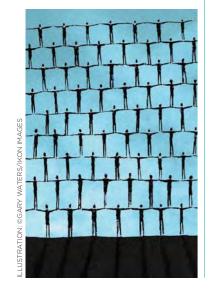


6 OBSERVE 1/15 **OBSERVE 1/15** 7 odgersberndtson.com @odgersberndtson

### SOCIAL MEDIA

### **AUSSIE RULES**

Tony Abbott, the Australian Prime Minister, has dismissed a medium that his own government and corporate Australia spend millions of dollars a year monitoring and engaging in, as "electronic graffiti". Responding to the negative comments on social media sites about his decision to award Prince Philip an Australian knighthood. Abbott said: "I'll leave social media to its own devices. Social media is kind of like electronic graffiti and I think that in the media, you make a big mistake to pay too much attention to social media. You wouldn't report what's sprayed up on the walls of buildings." theage.com.au





### MANAGEMENT

### THE GOVERNANCE AGENDA

The 75th Annual Meeting of the Academy of Management which will be held between August 7 and 11, 2015 in Vancouver, British Columbia, Canada has adopted Opening Governance as its theme. Delegates are invited to consider opportunities to improve the effectiveness and creativity of organisations by restructuring systems at the highest organisational levels, and to try to answer the many questions organisational governance faces in today's digital and informational climate. Find out more at: aom.org

### DIGITAL

### THE TRANSFORMERS

Business leaders for 2015 are focusing their transformation projects on digital presence as well as delivering a consistent customer experience across all channels, according to a Constellation Research survey of 200 CXOs. The survey was designed to highlight boardroom priorities and how they affect technology investment and leadership. Some of the takeaways from the survey are already visible. For instance, several retailers have announced that they plan to close stores. The savings will be invested in omni-channel and digital strategies.

### ncc.co.uk

### INNOVATION

### WHAT LIES AHEAD

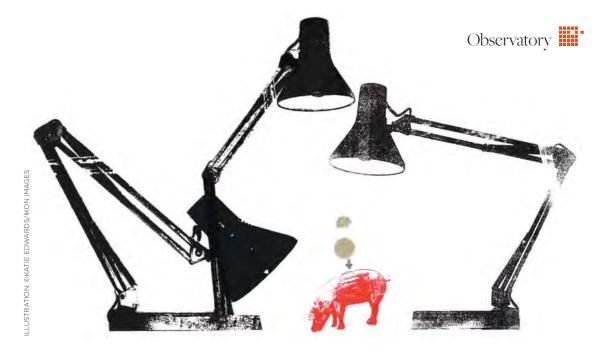
In an extraordinary video produced by Bloomberg BusinessWeek, Sam Grobart takes a look at the top ten technologies and innovations that are set to shape and disrupt our

lives in 2015. It covers areas as diverse as wearable technology

to how we grow food and from a "cell phone tower in the sky" to the new field of 'soft' robotics. A must watch.

businessweek.com/videos





### INDIA

### THE NUCLEAR OPTION

President Obama's recent trip to India led to the two countries reaching "a breakthrough understanding" in freeing up US investment in nuclear energy development in India. The White House said the understanding on India's civil nuclear programme resolves

the US concerns on both tracking and liability. "In our judgement, the Indians have moved sufficiently on these issues to give us assurances that the issues are resolved," said Ben Rhodes, Obama's deputy national security adviser. usatoday.com



### THE DIGITAL BANK

### **BRANCHING OUT?**

According to Simon London of McKinsey: "The [bank] branch of the future may be a very different model, where they have six to 10 strategically located branches in a city that supports a very strong digital presence. I believe that many of these types of models might end up being successful. But over the next seven to 10 years, we're going to find out exactly which ones will be more successful than others. mckinsey.com/insights

### **PUBLISHING**

### FINALLY...

British magazine The Economist has named Zanny Minton Beddoes as the role of editor, marking the first time in the publication's 171-year history that it is led by a woman. Beddoes has worked at the magazine since 1994, having previously been an economist for the International Monetary Fund.





Observe asked five people inextricably bound up with the world of social media to tell us what they thought the industry might look like in the year 2020.



Our privacy is being

degraded every day.

We've given a lot of

the green light to further erode **TODD BERGER** is co-founder our privacy. I don't think people of Ello, a social media platform fully understand how this is that launched in March 2014 impacting our lives today and and, though still in beta phase, how it will in the future. This degradation of rights could has become a major talking point in the conversation about lead to further separation of internet privacy. Its declared the haves and have-nots.

> Advertising on social media is just the tip of the iceberg. Hidden behind advertising are data sales. We have been entrusting private corporations with our individual information and then letting them do what they want with it. That's scary to me, and I think people in general are becoming fearful and looking for alternatives.

That's why we're seeing new communities arising on the internet with different visions of privacy and different philosophies around user content and data. These freer spaces are where you'll see innovation happening, and I believe a lot of thought leadership is going to come from them rather than the traditional places such as Facebook.

From a business point of view, there are all sorts of sustainable business models in which advertising plays no part.

At Ello, we're trying out a 'freemium'-type model, akin to the App Store or a gaming environment, where we'll sell additional features so users can customise and improve their experience. It's a very successful model in other industries, so it's interesting that it hasn't been embraced in this one yet.

Over the next five years, I believe the social media landscape, like television, is going to become exceptionally

fragmented with lots of very niche players taking very specific viewpoints and approaches to communication and philosophy, and to community-building in general. I see a scary side to it and a bright side to it, but if we don't move the privacy conversation forward fast, it could be scary.















BLANCA JUTI is CMO of Rovio Entertainment, the Finnish mobile games studio that scored a massive hit in 2009/10 with Angry Birds. The smartphone game has been downloaded more than 2.5 billion times from the Apple App Store and has spawned a franchise that includes toys, theme parks and a forthcoming Hollywood movie

First of all, I think wearables will become very important and people will move further away from using keyboards. We're already

ANNA MARSDEN is a codirector of Social-i-Media, a boutique media communications agency based in Cambridge and London that helps brands communicate effectively across traditional and digital channels in addition to producing journalistic content.

Social media is maturing, and over the next five years we will see the existing social communicating a lot through pictures, but the possibilities will be even greater when we're all wearing glasses and smart watches. For example, we will be able to communicate through our emotional states. If I measure my heartbeat and feed it into a social network, then you could say "let's not call Blanca now, she must be busy or angry because her heart is racing". That will bring a whole new dimension to the way we interact.

We will also see the growth

media platforms change and adapt to their mobile, always-connected and niche customers' needs. If social media networks fail to evolve they will die. And some will die! While it is impossible to say what the social media landscape will actually look like in five years, we can take some hints from existing customer trends in behaviour.

My predictions about the future of social media focus on function over form. Firstly, it's

around games. I'm seeing a lot of evidence that games are becoming even more immersive and more social. They bring like-minded people together and create a sense of belonging that stretches beyond the borders of the physical world. This will continue to increase over the next five years.

people getting into social media, particularly as smartphones penetrate emerging markets and reach lower price points. In addition to the big social media sites such as Facebook and Twitter, there will be more long-tail sites dedicated to specific usages. For example, privacy is very important for many people at the moment, so they will form new groups where privacy is a priority. I think social media is already proving to be a democratising force. As the traditional media loses more of its power and new types of media arise, we will see more opportunities arising as well.

often been said that the power of social media is its one-tomillions communications capability; however, we are seeing a rise in the desire for one-to-one or 'one-to-achosen-few' communications (ie. WhatsApp and iMessage). We no longer want to share our content with the world; we want to have choice. Google+ has the right idea with Circles and Instagram have kept pace with the introduction of Instagram Direct. Successful social media sites will allow more consumer control over audience segmentation.









GLEN GILMORE is an Instructor of Digital Marketing at Rutgers
University School of Business, author of Social Media Law for Business, social media strategist and attorney.

Internet of Things, meaning nearly every object we use if our clothing, will be connected to the internet and sharing of about lifestyle preferences.

To contemplate the future of social media, we have to contemplate the future of technology, since so much of social is technology-driven.

The marriage of mobile and social has catapulted our conversations to spectacular heights, where, literally, an astronaut in outer space has tweeted to Twitter and posted to Instagram! Who could have imagined, five years ago, that instead of quotes such as "One small step for man", we'd be getting an astronaut's selfie?

Within five years, we will a be fully immersed in the

Internet of Things, meaning nearly every object we use in our home and office, and even our clothing, will be connected to the internet and sharing data about lifestyle preferences. This abundance of information should ultimately allow us to communicate to each other and to our customers in far more meaningful, personalised ways.

Augmented reality technologies will allow us to enter not only new conversations but also new worlds and experiences, in ways we really can't fathom today. 'Social' will become far more physical and immersive.

'Wearables' will become
'invisibles' that will tap into
biometrics and make our social
conversations even more
seamless, rich and personal
than they are today. The
'superpowers' we'll have from
newer technologies should



allow us to bridge language barriers more easily, creating new collaborative opportunities.

Artificial intelligence will also make a social conversation that weaves in our 'things' as well as communities. The challenge in the future, as it is today, will be to keep the social conversation 'human'



Secondly, we will see it develop as a communications platform rather than a marketing one. Social media really is about people. The successful social media networks will provide their community with a place to communicate with others rather than a place for commercial endorsements. We have already seen this start to happen with the clampdown on vloggers (video bloggers) publishing videos without any kind of disclaimer. The platforms that limit marketing messages will thrive.

Thirdly, we will see more

interconnectivity with the mobile consumer. In the fast-paced mobile world we want to have more options to weave social into our constantly connected lives. If a social media network can successfully add other related services to their existing range of apps then their profits could go through the roof. We have seen WeChat (China's version of WhatsApp) doing this with mobile micro payments and enjoying relative success by aligning itself with other services such as TenPay.

12 OBSERVE 1/15 • odgersberndtson.com • @odgersberndtson OBSERVE 1/15 13













JAMAL EDWARD is founder and CEO of SBTV, a youthoriented multimedia company based in London. Since 2006 it has built up a huge following on YouTube, where its hand-held videos of impromptu music performances frequently go viral - one video of singer Ed Sheeran in 2010 garnered more than eight million views. Edwards' personal Twitter account has 156,500 followers.

Social media works best when no one People say they know where it's heading - particularly the older generations who are trying to manage it in traditional

all the time, quicker than we have the power to understand.

If anything, I think it will get powerful - we're only seeing a fraction of what social media taking it for granted at the vears it will determine to a much greater extent how people live their lives. You can only imagine what will happen more with wearable tech. For tweet someone's T-shirt and put a message on it. That would social networks coming

Young people are the guinea pigs for social media. The attitude is: give it to the kids to try out, see whether they like it or not. But it can be dangerous. I see people talking about sees it and they get fired. People need to have lessons in early age - what to say, what not to say. People believe they know the rules, but I don't think

We should be careful, too, about giving all the power to the few big corporations. I think there will be lots of smaller through. We need to make sure that the next hotshot 13-yearold with an amazing idea for a new kind of social network has their idea happen.

What can HR learn from neurobiology?

DR. JÖRG KNAACK and PATRICK SCHILD plead for a neurobiological foundation of HR decisions

n a world of increasingly complex systems, it is difficult to predict a manager's future success; however, new findings in psychology and neurobiology may be of use in improving the accuracy of such predictions. Research by Nobel Laureates Simon, Handel and Kahneman about limited rationality, decision-making processes, the prospect theory and the storage of experience in our brain, point to new possibilities.

Brain research shows that it is neuronal activities that produce psychological experiences, and not the other way around. A manager's behaviour and decisions are therefore a consequence of the neuronal mechanisms of the brain that immediately precede these actions. The better we understand these mechanisms, the better we can evaluate management qualities and predict a manager's success.

This thesis is based on the following statements: "Neuronal processes follow the laws of nature"; "All mental processes are based on neuronal mechanisms"; and "The functional structure of the brain is the basis of the above".

This functional architecture of the brain is determined by genetically caused traditional knowledge (evolution), epigenetically conditioned 

knowledge) and explicit knowledge (life-long learning). Indeed, differently socialised people perceive the same situation in different ways. Perceptions being influenced by implicit knowledge.

When assessing and evaluating a manager, perception is a crucial problem because on a neuronal level there are only minor differences between perception and imagination, as both have very similar activation patterns in the brain. Since spirit/mood and external circumstances can distort our perception, HR managers have to act very carefully when assessing the personality of other people.

There is also agreement that managers are not purely rational benefit-maximisers: there is no superior instance in our brain because conscious and unconscious processes occur in parallel. The neuronal networks enable our brain to evaluate complex situations and to take decisions. Contrary to received wisdom, rational and emotional responses form a single unit.

The effect of unconscious consideration processes is called intuition and is the aggregate of all our practical experience, be it as expert know-how or knowledge gained from experience. Intuition lies dormant in our subconscious mind and emerges suddenly

into our conscious, frequently without us knowing why. It is hardly surprising that very experienced managers often rely on intuition and heuristics.

In our view existing tests should be optimised according to neurobiological findings. Many purely rational tests aim to prove a link between personality characteristics and/ or intelligence and future occupational success. However, when evaluating a candidate it is not only important which personality traits she/he has, but to determine competencies. What does this mean for decision-making in personnel recruitment? HR management and in particular the decisionmaking process in recruiting should be reinforced by neurobiology. A sustainable path could be an evidencebased selection process that combines valid diagnostic instruments and expertise in the form of heuristics and intuition.

Dr. Jörg Knaack is Senior Advisor and Patrick Schild is Partner at Odgers Berndtson, Germany

## The art of being prepared

As Rodney O'Neal, President and CEO of Delphi Automotive, prepares for retirement he talks to NICK KOCHAN about his illustrious career heading up one of the world's largest automotive supplier companies

stress the importance of education and of opportunity. A career and lifetime later, this American executive has proven the value of both. As he prepares to retire at age 61 from the helm of one of the world's largest high-tech automotive companies, Delphi Automotive plc, he reiterates the power of opportunity.

"I was taught that opportunity will come along but the only way to seize it is by being prepared. Preparation is key no matter what you are going to do. You need to find what it is that you love, and then work hard at being good at it. Being prepared is important, because if you are not prepared you cannot seize opportunity and you will squander it. You pick a path in terms of what you are going to do in life. The best managers in the world, no matter what they do, they work hard at it." The same emphasis on

informs his view of executive development and recruitment. "Professional executives should do what they love to do. If you are in a high-tech company, otherwise you won't be very good at delivering on it. The very best executives and the ones I have hired over the years have a real love and fascination for their work."

The other qualities he values in colleagues are sheer intellectual rigour and down-toearth realism. He has no time for over-hasty conclusions based on ill-prepared data. "All decisions have consequences. You must think through the

absolute focus and commitment fourth, fifth, sixth, seventh order of consequences. The good managers - that I value and want to recruit - are the ones that keep reality in front of him/ her. They must be dealing with reality and not what they would like reality to be. I value managers who care about ideas that work. You have got to be able to execute your plans as well as create them. Anybody can write down a bunch of things on a PowerPoint presentation that we ought to do, or make things better.

an object lesson in seizing →

odgersberndtson.com

I was taught that opportunity will come along but the only way to seize it is by being prepared











opportunities. Born in 1953, his family comes from the south in the United States and moved to Ohio in search of work. He received his degree from a highly-regarded technical and business college, General Motors Institute. It was a co-operative programme and paid his fees. He then joined the company on the shop floor. His energy and commitment impressed his managers and he climbed the corporate ladder quickly, first at General Motors and then at Delphi.

### Life after Chapter 11

Another opportunity came in 2005, when he took Delphi into Chapter 11 (the American form of bankruptcy) with a trio of 'megatrends' which Delphi continues to operate under today. As the company was struggling, O'Neal, who by then was president and chief operating officer, asked himself, "what did the world care about, what were we good at, what was relevant. Three megatrends caught my attention: safety, green and connectivity. We thought they were relevant anywhere you went in the world. Governments and consumers cared about safety, they cared about the

environment and they would care about being connected." O'Neal became CEO in 2007.

The company restructured with a more globally diversified footprint, focused its product offering (from 119 products to 33), and significantly reduced its operations and employment. "Through the Chapter 11 process we were trying to fix certain problems in the company. We didn't have any problems with unions, or with our customers. It was just that the rules of engagement didn't work, so they had to be altered." The company came out of bankruptcy in 2009 as a leaner, high tech business.

The company made its initial public offering in November 2011, when O'Neal rang the bell to open that day's trading of DLPH at the New York Stock Exchange. "That was an incredible moment of excitement and satisfaction, of a journey worth taking to make this company into what it is today. That was confirmation that we had done a great job and got it right." The company's stock performance in the subsequent three years has validated that claim.

The megatrends he espoused back in 2005 remain part of

today's landscape, he says.
"They are going to become
more relevant and hotter
tomorrow. That doesn't
guarantee victory, but it means
you have a chance, you have
an opportunity. The challenge
is to seize that opportunity and
make something of it. The
world has changed radically
in 20 years."

O'Neal's professional origins lie in the world of manufacturing operations. "I fell in love with operations. Working in operations, every day is a different day; every hour is a different hour. It is action. I just love the pulse, the intensity of it, and the direct feedback: either you made your numbers or you didn't make your numbers. Whether you had a good day or a bad day - depending on your feedback, you got it back almost instantaneously!" The latest just-in-time approach to operations was being adopted and O'Neal was on the front line, first turning around a plant in Portugal where he was a production manager and then one in Canada where he was a general superintendent of manufacturing. He went on to acquire an MBA at Stanford. This paved his way to a move





into corporate strategy.

Technology presents the automotive industry with its greatest challenge, says O'Neal. He witnessed with awe an on-the-road drive in Las Vegas of a driver-less car made by Delphi, but believes there will be challenges on whether it can be made to pay its way. "Technically it is not an issue. The question is, does it create value for investors, does the world really want it, is it relevant and can you pay for it? It is not a technical question any longer. It has become a social question, a legal question, and that becomes a financial question." The need for connecting infrastructure between driverless cars to ensure safety adds costs and technical challenges. He also believes electric cars face the same financial viability challenge.

Developments in automotive manufacturing continue to inspire him. "The car is now so sophisticated. It used to be viewed just as a transportation vehicle, a mode. Now it is an integral part of the global society. It is so sophisticated. There is not a piece of technology anywhere that is more sophisticated than a car."

The car has retained its role

as the primary travel mode by its capacity to "reinvent itself, to become modern and safer. Today's cars recognise that people want connectivity. It is absolutely incredible what is happening in the industry technically." Managers have to be equally flexible if they are to triumph. "Companies have to work and stay relevant and contemporary. You have to always make sure you are reinventing yourself from your business model from your operational perspective and vour products and services."

### What lies ahead

A keen observer of how companies use their people, he sees a lack of diversity in many of the companies he visits round the world. "I have lived and worked around the globe. All industries in all regions need to be more diverse. It is not just minorities, it is also females and it is different nationalities. Companies are too monolithic. There needs to be more diversity everywhere. The corporate global landscape needs to be more inclusive. The world has become a lot smaller, the borders are almost seamless and you need perspective from everywhere."

If what lies ahead is as remarkable and as unpredictable as his past, O'Neal has indeed nothing to fear. Indeed his charisma, energy and vision will be sought by many in the automotive industry, if not much wider afield. What's next is something he is not saying. "My life is a bucket list. You make a list of things that you want to go do in your life and you check them off, one at a time, as you get one done."

One task for his retirement at the end of February is to tend his hybrid tea roses, a long-time passion. "You have to bury them in the winter because they don't like the cold. I told you they are a lot of work," he says with a loud laugh.

The future holds only opportunity for O'Neal. "Opportunity will be there for me should I choose to do something. I haven't made my mind up what I am going to do. I can't be spending time worrying about something else when I still have this very important job to do at Delphi."

**Nick Kochan** is a financial journalist based in London. He writes regularly for the *Banker*, the *Economist* and the *Financial Times* 



## **ACROSS THE**

BOARD

GARY MEAD looks at the differences between corporate governance codes in the East and West

hen Alibaba, the giant Chinese e-commerce company, decided in 2013 to float on the New York Stock Exchange rather than in Hong Kong, it was widely trumpeted as a victory for American savvy banking. Wow! New York steals the biggest-ever IPO from under the noses of the leading Asian stock market! Hong Kong's bankers wept into their Tsingtaos as they counted the losses in advisory fees - around \$300 million. The total cost to Hong Kong was incalculable: unquantifiable losses in trading volumes and embarrassing humiliation for the trading community.

But for those interested in long-term corporate stability and transparency, this was actually a clear victory for Hong Kong's market regulators. Far from loss of face, it could be argued that they deserved a massive pat on the back. According to Philip Armstrong, Senior Advisor on Corporate Governance at the International Finance Corporation, in Washington D.C.: "Hong Kong remains highly regarded for good corporate governance because it declined to list Alibaba."

The Asian regulators took a long hard look at Alibaba's pre-IPO structure and decided they didn't much like what they saw. Hong Kong was desperate to host Alibaba – but the local regulators nobly refused to bend their rules. For the structure proposed by Alibaba's founders, Jack Ma and Joseph Tsai, ensured that they would retain control of the company, despite holding a relatively insignificant percentage of shares. Big shareholders of the floated Alibaba will find themselves unable to influence the company's direction. They may be happy about that – for now. →

This kind of corporate control - a cosy arrangement that suits a company's founders rather than necessarily benefitting the shareholders - is not permitted in Hong Kong. More cautious finance minds might consider that the looser rules in New York are indicative of greed getting the better of corporate probity. The Alibaba event was a triumph of power without responsibility, a watershed moment for those who want to see improved standards of corporate governance. It demonstrated that, when it comes to finger-wagging, the 'developed' West cannot necessarily feel superior to the supposedly undeveloped East. Hong Kong was right to say no to Alibaba, even though it paid dearly for it.

choice of markets in almost 30 years - the leading emerging markets' index, MSCI, today identifies 23 emerging markets, against just 10 countries almost three decades ago - the trading volumes on those markets have exploded. Back in 1988, those original 10 countries represented just one per cent of the total value of shares available to private investors; today, the 23 represent 11 per cent. Since 2003 emerging markets have moved from 24 per cent to 43 per cent of global GDP. It's also two-way traffic. Just as investors can make a mint from emerging markets, those markets also benefit from being classified as such. In 2013, HSBC estimated that the inclusion in MSCI's Emerging Market Index of



### There's no clear definition of what an emerging market is. Is Italy an emerging market, for instance?



Why should we worry about the standards of corporate life? Armstrong, who was closely involved with developing the King Reports on Corporate Governance in South Africa, held to be some of the most advanced principles on corporate governance in emerging markets, is clear: "Because poor management leads to corruption and the inappropriate use of assets. You need to have governments to ensure that boards fulfil their duties, that they are good stewards of the company on behalf of investors and shareholders. So the government needs to create credibility for company reports, and to recognise good practice to encourage boards behave responsibly."

As is so often the case, globalisation has heightened awareness of and the need for corporate standards. Just as investors have seen a doubling in their Qatar and the UAE – nudging up from the higher-risk category 'frontier market' status – could attract \$800 million of new inflows into the two countries.

George Dallas, now Policy Director at the International Corporate Governance Network and former Director of Corporate Governance at F&C Investments, points out that there is a definitional problem about what constitutes an emerging market:

emerging market is. Is Italy an emerging market, for instance?" There is also a certain fluidity about the relevant list of indicators concerning good or bad corporate governance. As Dallas puts it: "You really are trying to quantitatively capture issues that are essentially qualitative in nature. But we have to be aspirational as well as pragmatic, and endeavour to systematically factor governance into investment analytics. The World Bank has developed a toolkit that lets you juxtapose different markets, but drilling down into specific companies and being confident about their disclosures is even more challenging." The danger of cronyism creeping in is ever-present, even in markets and companies that are supposedly well-developed.

"There's no clear definition of what an

Are there specific emerging markets that are doing better than others when it comes to good corporate governance? Both Armstrong and Dallas point to South Africa as a good reference point, as well as Brazil's Novo Mercado (New Market), a listing segment of BM&F Bovespa. If a company wants to be listed on Novo Mercado, it must comply with a tough set of regulations that far exceed those required by law - for example that the capital of the company is composed only of common shares. All shareholders are to be treated equally, and a company's Board of Directors is to have a minimum of five members with

LEVELS

stand for re-election after two years. At least 20 per cent of board members should be independent directors. Strict quarterly reporting standards of financial information are needed.

For Armstrong, a concern is that a jurisdiction might develop good corporate governance codes in theory – such as India's highly ambitious new company law – but may fail to implement them in practice. He says: "The issue, as emerging markets

the requirement that they

look to grow - and the benefit of that is the development of the economy overall, and, at a corporate level, private enterprise often needs external financing - is that inevitably you can only rely on reports received and the integrity of disclosure and transparency, furnishing or providing additional information. If you have a board that is behaving badly, then no amount of rules can alter that."

Dallas says: "Good corporate governance at a systemic level can make all boats float higher. But, if you don't have good governance standards, then even the good boats are in danger of sinking. The whole point about improving corporate governance in emerging markets is that it should hopefully result in a virtuous circle. If you have good standards - strong regulatory quality ensuring equal shareholder rights, the rule of law holding sway, corruption being controlled and dealt with, vested interests not allowed to determine company policy - then this can be tremendously beneficial to the overall economy, even if is very difficult to achieve. It can lower the cost of capital and help to attract capital."

It was always likely that Alibaba would end up with a New York listing. The US permits multiple-tier stock structures that allow a small number of people to control a company's fate. In Hong Kong, it's 'one share, one vote' and the Hong Kong Securities and Futures Commission stuck strictly by the rules. Who's to say which is right? Which system will bring the greater benefit to shareholders? New York believes that the combined forces of public disclosure and tendency towards fierce litigation will keep its listed companies honest. It's just rather odd that, when it comes to corporate governance, Hong Kong insists on a much more democratic style than the US. As the world shrinks, corporate governance issues are going to become increasingly topical.

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

anishted fail to im says: "The odgersberndtson.com

22 OBSERVE 1/15

## WHATNEXT FOR MEDIECH?

As the healthcare sector shifts in response to new economic and social trends, recruitment needs are shifting with it. The result is that the medtech industry needs to adapt its business model and its human capital requirements in order to survive and thrive within a radically reshaped market. SVEN MAENHOUT investigates

nange is inevitable in any organisation whether you will it or don't. The question is whether the change can be harnessed quickly enough to help strengthen and build. The medical technology sector, or medtech - broadly defined as any technology used in treating medical conditions which ranges from latex gloves and syringes to total body scanners and implantable pacemakers is facing huge challenges from shrinking budgets and ageing populations to new technologies and demands from customers. As medtech companies move to address these factors, different responses are emerging.

Medtech is certainly affected by the transformations in the global healthcare landscape, with new approaches for managing, financing and competing. This is pushing all stakeholders in the sector to question their models, and one questioning the large investments effect has been to pile pressure on suppliers of healthcare products.

Medtech innovation today is fast and brilliant, with new products and treatments emerging better than ever. √ New technology is being used to help

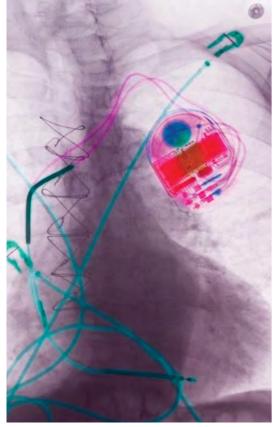
people born deaf hear their own voice for the first time, or allowing a 29-yearold paraplegic man make the opening kick to the 2014 World Cup in Brazil! But the main driver in the sector in recent vears has been the public cost containment enforced by the financial crisis. With an ageing general population causing healthcare expenditures to continue to rise, the pressure to limit costs and thereby new technologies will only increase over time.

As cost containment of healthcare rises, the pressure on gross margins will only increase, making it harder for medtech companies to continue to finance their existing business models. "Bringing new products to market in the European Union is becoming increasingly difficult," says Omer Saka, a Director at Deloitte Consulting. "There are many companies that are needed for increasingly smaller returns. This carries a very real risk that patients in the future will no longer have access to these new life-saving technologies."

The shift in overall healthcare aims is having a deep effect on medtech. →













Product innovation and quality was once the key to growth, but this is being replaced by a goal of balancing costs and bringing value-add services to hospitals. As hospitals strive to become more efficient, improve patient outcomes, and be more cost-conscious, medtech needs to adapt too. Indeed. there is now an increasing willingness to pay premiums on products that are labour-saving or save larger, downstream costs. "Price pressure within the health system is incredibly high. At the same time demand for value-add services from hospitals to suppliers continues to increase," says Heidi Jauch. Vice President and Compliance Officer at Zimmer, a specialised joint replacement technology manufacturer based in Warsaw, Indiana.

Medtech companies are also facing

new customer relationships with a dramatic increase in the number of stakeholders playing a role in decisions. Until recently, physicians were the sole decision-makers for the products they used to treat patients. But with pressure to improve patient outcomes while simultaneously controlling costs, an increased number of stakeholders purchasing committees, hospital administrators, etc. - are now involved in the purchasing decisions. And with buying decisions being increasingly driven by tender processes, the purchasing process has become much more complex, raising the administrative burden on both companies as well as hospitals.

So how are medtech companies responding to the challenge? Two broad approaches have emerged: specialisation in particular areas, and

broader supply of products and services across different domains. But in both instances, the industry has been moving from a co-operative business model to a true collaboration with all stakeholders. working closer with hospitals and healthcare authorities to anticipate needs and build relationships. "Hospitals look for long-term partnerships which offer win-win solutions for both parties. This demand will increase over time." says Paul Timmermans, the COO of University Hospital Leuven, in Belgium.

Renaat Vermeulen, who runs the European operations of orthopaedic device firm Biomet with global headquarters in Warsaw, Indiana, says specialisation will drive efficiency. "Specialisation of hospitals is a clear trend throughout Europe, something which we definitely support," Vermeulen says. "The literature has clearly demonstrated that specialist hospitals have higher quality results for patient outcomes."

The logic is that performing higher volumes of specific procedures gives teams more experience with treatments and possible complications ensuring a deeper understanding of specific ailments. Having more specific experience allows for better patient treatments. "The future for companies is 
life science industry - higher than where they offer integrated solutions to hospitals along the entire disease management chain from diagnosis, treatment, manage the symptoms post-treatment, and providing feedback to hospitals and government." says Deloitte's Omer Saka.

One example of this is Minneapolisbased Medtronic, a world leader in medical devices, which created the Hospital Solutions group helping hospitals outsource their catheterisation laboratory or cath lab. Maastricht University Medical Center in the Netherlands estimated that they had saved €4.5 million in one year working with Medtronic. "A hospital clearly benefits through bringing in our expertise in change management," says Yvan Deurbroeck, Medtronic's Vice

President Communications for Europe, Middle East and Africa, "We have readily available in-house knowledge and talent which hospitals can benefit from."

Of course, as companies adapt their business models to start providing value-added collaboration and not just products, it means adapting skill sets and structures in medtech firms. Renaat Vermeulen says that is already happening, with more segmentation and specialisation of sales representatives to deal with a broader group of highly differentiated stakeholders. "The times of a generalist sales rep doing everything within a hospital is fading. Through having a more specialised people we are better able to get the key messages across to the different groups," he says.

Frédéric Hoffmann, Business Unit Director at Baxter, a US healthcare leader with headquarters in Deerfield, Illinois, adds, "We are definitely driving our sales organisation to develop consultative sales skills with hospitals - through this we add value to our customers and strengthen our longterm business relationships." Indeed, one consequence now is that medtech sales reps now have second highest industry average salary level within the pharmaceutical and biotech reps.

The risk of this specialisation, though, is that the focus on individual sales could mean losing sight of the broader relationship. "Sales reps are driven through their bonus: they fight for each and every device, and hence are not willing to give up accounts, no matter how small. But does this really make the most sense from an organisational perspective?" asks Zimmer's Heidi Jauch. To take an example from Pharma industry - which is struggling with some of the same issues - GlaxoSmithKline (GSK) is addressing this issue by remodelling its sales teams, no longer incentivising them for individual sales targets but focusing on building the relationship with the prescribing physician and adding clinical value. →





When it comes to finding the talent to meet these challenges, many medtech companies still recruit only within their sector. That is likely to change. "As the market needs continue to evolve, I could definitely envisage going outside of medtech to hire new skills," Renaat Vermeulen says.

The changing landscape means new recruitment demands. The focus in sales is likely to be on a Key Account Management (KAM) supported by a team of specialists. Negotiation and contracting competencies will be needed to manage the growing tender environment. As relationships become more complete, medtech firms are expected to go beyond the product to providing services and solutions to help improve patient outcomes and reduce total costs of care for hospitals and healthcare authorities.

A key skill for driving partnerships will be talking with many different stakeholders and find value add between each one of these. "The ability to communicate effectively with a broad range of stakeholders is something which will continue to increase in importance," says Roy Bridges, Vice

President Regulatory Affairs and Public Policy with BD, a medical technology company based in New Jersey.

Indeed, marketing needs should take on a more important role in the selling process: selling arguments need to be made around value and clinical outcomes and health economic data analysis. "Economic value needs to be built into new products already at the product development stage," says Yvan Deurbroeck. This emphasises the massive ongoing change within the sector starting from how products are developed all the way through to tailoring different messages to a more diverse audience.

For Neil Chalker, Vice President
Human Resources, Europe, Middle East
and Africa at Medtronic, the difference
will continue to be made by the people
within the company. "Our people will
continue to play the key role in
everything we do," he says. "The amount
of training, skills and knowledge we have
available in our company is tremendous.
Our hospital partners will continue to
benefit from these as we move forward,"

How will these changes play out for medtech firms in the future? It remains to be seen in the long-term whether the market will move towards broad-range suppliers across many medical fields, or large specialty providers in specific fields such as orthopaedics.

But it is likely to mean an ever closer relationship with customers and finding collaborative value added relationships. "We will continue to move beyond products to finding services and solutions to health problems together with hospitals and governments," Medtonic's Yvan Deurbroeck says. He is echoed by Roy Bridges, who says the key will be building multi-disciplinary teams. "Sharing best practices and developing true partnerships between industry and all other stakeholders is the way forward in healthcare," he says.

**Sven Maenhout** is a Partner in the Healthcare and Life Sciences Practice at **Odgers Berndtson** Belgium



espite possessing slick websites, obtuse social media accounts and black turtle neck wearing digital advisers, many large companies have only so far tinkered around the fringes of digital. The current trend by many of running digital transformation programmes demonstrates that it has finally clicked in the boardroom that the impact and opportunities presented by digital touches all parts of the enterprise.

However, effective digital transformation differs markedly from other large scale business change projects, with which most senior executives will be familiar. Digital transformation is about taking the key digital drivers that have changed radically how companies acquire, engage and support customers externally and deploy them internally, across the organisation. Digital drivers comprise:

- having a relentless focus on the customer
- a business vision that embraces digital
- and a flexible mindset, approach and organisational structure to execute it. Underpinning these drivers are a number of methods that have evolved out of the sharp, experimental end of rapid digital evolution in the last two decades. The

good news for companies is that these methods are now mature and ready to deploy internally. The driving mantra of digitally led business change is the need to focus ever more on the

**30** OBSERVE 1/15

customer. However, a similar focus should be aimed at staff to support digital transformation. Angela Ahrendts, credited with turning Burberry into the first high end, online fashion retailer and now Apple's VP Retail and Online Stores says, "Everyone talks about building a relationship with your customer. I think you build one with your employees first."

The digitisation of organisations has to date typically been about task automation and overhead reduction. However, if back office processes and supporting systems aren't created with internal users in mind, staff won't use them to full effect, resulting in lower productivity. By using internally, some of the digital methods that have evolved to better understand and support customers externally, digital transformation will not only drive the system and organisational change required but will also create a more satisfied and engaged workforce. This is good for staff and good for the company's bottom line.

The now established digital techniques, matured in delivering external facing services, but to be used internally as part of digital transformation, are:

Focus on analytics - make user behaviour of internal systems and processes, part of your management information and use this to improve staff experience and performance. We now know more about user behaviour online, but also have the capability to understand more about how staff operate internally. Many business systems vendors have learned from digital about the importance of collecting data on user behaviour, making this available and easy to digest.

User testing - upgrading or changing internal systems is often far more expensive than building even the most transactional website. Deploying some of the techniques that optimise user experience with customers online with your staff internally enables you to focus on what works and what doesn't prior to



Agile delivery should be at the heart of digital transformation



you making significant investment in new systems or processes.

Be agile - if successful digital businesses have recognised that digital is far too important to leave solely to 'techies' then the mechanism for doing this is using agile delivery methods. Whilst it may seem guite far from the boardroom, agile delivery should be at the heart of digital transformation. It focuses on end user needs and business outcomes, rather than very detailed technical requirements. Testing starts on day one, with iterative development reducing risk and improving quality because feedback from business owners is received early, making it easier, quicker and cheaper to adapt to new or changing requirements.

Agile is gaining increasing traction across company culture, with Forbes recently quoting a survey of chief marketing officers titled 'The Agile Advantage' that found 87 per cent of respondents said that 'Adopting agile made their teams more productive.'

Configuration versus customisation in supporting systems - this might sound very technical; it isn't. Many services are now built on a core platform so that business users, rather than technical staff. can configure their system to work in a way that best suits the business. The growth of highly configurable systems is derived directly from the success of web content management systems that support web sites, but give the business owner/user the ability to easily change, add and update new features without relying on costly technical development. High profile users of such services include ∃ The White House and the Bauer Group.

As well as giving businesses and staff a lot more control and ownership, this 'configuration' approach also reduces supplier lock in, making it easier and more cost effective to switch suppliers.

Of course as successfully as you may utilise some of these methods honed on the external digital coalface, you need to recognise that adapting to digital isn't a one-off activity. Embracing digital transformation marks a new maturity in many organisations' understanding of the fundamental, far-reaching and continually evolving impacts and opportunities presented by digital.

"Today, companies have to radically revolutionise themselves every few years just to stay relevant. That's because technology and the internet have transformed the business landscape forever. The fast-paced digital age has accelerated the need for companies to become agile," says Nolan Bushnell, serial entrepreneur and founder of Atari Inc.

Oh and as for your digital advisers... black turtle necks are out, beards (now that digital gurus are old enough to grow them) are in, but only use them if they can tell you how to harness what digital techniques have been used to drive success externally - to transform your organisation internally.

Henry Cook is a Digital Strategist with 20 years' experience in leading the ransformation of large, complex organisations

# rising to the challenge

Despite its economic and social problems, Brazil is a vast market with much to offer multinational corporations looking to do business there. Observe spoke to a number of leading Brazilian industrialists about the prospects for the largest nation in South America

hese are difficult times for Brazil. For years it has been the 'almost' country, never quite living up to expectations. There always seem to be stumbling blocks that arrest Brazil's development, preventing it from becoming one of the economic success stories in an otherwise lacklustre global economy. The question is: why?

In a recent report in *The* Economist headlined 'After the election, the reckoning', Brazil was cited as one of a number of so-called emerging markets "facing headwinds"

Last October the country's President. Dilma Rousseff. whose Workers Party (or PT) had won a second term in office. had her victory celebrations quickly tempered by troubling news on a number of fronts.

Yet following the financial crisis of 2008, Brazil appeared at first to be coping well, in contrast to many developed nations. At the time the front cover of The Economist took a rather more optimistic stance. showing 'Christ the Redeemer taking off like a rocket from the hills above Rio de Janeiro -



graphically indicating that Brazil would soon be demonstrating a coherent, structured growth plan

outpacing other, more mature markets still stuck in the doldrums. But the predicted good times haven't yet arrived...

ERTECT 28 165

Instead growth has remained stubbornly low. What's more, some of these chilly economic conditions were entirely of the country's own making. As part of a pre-election giveaway, spending grew twice as fast as revenues in 2014 leading to a budgetary hole equal to 4.9 per cent of GDP in the 12 months to September 2014, a 12-year high.

Ms Rousseff's government has missed its self-imposed target of 1.9 per cent primary



surplus for 2014. According to André Freire (left), partner and president

of Odgers Berndtson's Brazil office in São Paulo: "Brazil suffers from poor infrastructure. corruption at several levels and a lack of long-term planning." He adds: "It also lacks talented manpower. Regrettably, the country has one of the worst productivity rates in the world, further aggravated by this rate having deteriorated even more during the past decades. This fact, combined with the low quality of education and the high cost of labour derived from an ancient and protectionist legislation is making companies less competitive as each year goes by."

The crash in oil prices (hovering around just \$55 at the time of writing) hasn't helped one of Brazil's largest companies, either. According to

brazilbubble.com. a business and financial website specialising in Latin America: "Petrobrás holds the title of one of the most indebted companies in the world, it also faces the issue of a depreciating currency (the Brazilian Real). 80 per cent of Petrobrás' debt of BR\$240 billion [US\$90 billion, €73 billion] is denominated in US dollars or Euros. In 2014 the company spent over BR\$35 billion [US\$11 billion, €13 billion] just to service its debt. With the depreciating currency, this bill will go up.

Adriano Pires, an energy consultant, added: "The company is so leveraged and with such a high need for investment, that an abrupt change in exchange rates can be fatal to its ability to service its debt in 2015." To make matters worse, a huge corruption scandal was uncovered in December 2014. involving Petrobrás and the largest Brazilian contractors, putting the company in an even more negative spotlight.

So why

does Brazil

have such

problems?

Jaime Szulc

(left). President



of Goodyear Latin America, is unequivocal: "Brazil did not make good use of the economic strength that was evident over the past 10 years. It did not capitalise on the resources available - and there were many - in infrastructure, technologic innovation, or in

the industrial sector. It failed to deal with important matters, like the complexity of the Brazilian tax regime. There are also snags in the labour area, where direct charges are more than 100 per cent over the payroll, versus 30 per cent on average in other countries, like Mexico for instance. All these factors created the so-called 'Custo Brasil' [a combination of factors that make Brazil a relatively expensive place to do business], which prevents us from growing and from achieving better



Marcelo Barboza (left). President of the Brazilian wing of the giant US→

São Paulo skyline



pharmaceutical group Valeant, agrees: "Dealing with commodity prices and instigating essential fiscal and tax reforms have not happened. It's a complex scenario that has weighed heavily and caused the country's growth to slow down."



Marcelo Bertini (*left*), President of Cinemark, which owns the largest

chain of movie theatres in Brazil, lays a great deal of the blame for the country's economic woes at the government's door: "Political management and other things were lacking, like no planning for boosting economic development. We have had 12 years of a government that centralised decisions with a high degree of interference in the day-to-day running of business. This government has not been capable of adequately using the resources that the country accrued over the past few years. For example, there were several factors that hampered the necessary evolution of infrastructure; Brazil attracted many investments, but they were badly redistributed."

Coupled with these regulatory, infrastructure and tax problems Brazil also suffers from a severe lack of talented human capital. Says Goodyear's Szulc: "Education is the point. As a rule, Brazilians are highly creative individuals and good problem solvers, mainly as a result of navigating through years of high inflation rates and other adversities. But there has been one point that has not been

well developed, which is an analytic capability. Therefore, everything has to be worked on from scratch. The country needs to improve its performance on the educational side."

Valeant's Barboza is more explicit: "I believe that local companies will now have to put



Osmar Stefanini (*left*), Vice-President for Human Resources at Laureate

University in Brazil, gives an educationalist's perspective on the country's plight: "Brazil is at a defining moment. The



their efforts into leadership development tools like coaching and mentoring and develop a strong feedback process: in effect, do what the multinationals have been doing and doing well. Local companies will just have to adopt this route."

For Cinemark's Bertini, there is no point discussing leadership when the problems are much more serious. "It is right down at the basis of education. The country needs to evolve with regard to public education; in other words, review the learning system that is poor. Investments in education are meagre. The people are not to blame; it's the system that doesn't work. It just doesn't perform its role of actually educating."

government needs to create a favourable environment for investment. An investor does not require the country to be 'totally ready' in order to invest, but it is very important that they can visualise a scenario with clear rules and no concerns about abrupt or radical change. The last thing investors want is a series of disruptions and instability that might bring the market to a frenzy."

Nevertheless, there is a consensus between economists and business people that Brazil simply has to shape up. It has to declare clearly what the routes to growth are for its economy and for the country's society as a whole, or it will continue to promise great things but never quite deliver them.

Says Freire: "The market needs to visualise the horizon. For some time, the corporate world has been looking for efficiencies at all levels of an enterprise. Brazilian companies have already shown greater concern towards corporate governance, particularly if they are going to succeed in

CEO of Coca-Cola Andina [which includes Brazil, Argentina, Chile and Paraguay], is clear: "The government will have to adopt strict measures to make the country grow again. Many measures that could have been made gradually were not accomplished and now they



attracting investments from outside Private Equity Funds or Venture Capital. This has made them look to diverse talent and human capital management tools such as coaching or assessments, among others.

"In addition there has been a clear trend for setting up Advisory Boards with the intention of professionalising Brazilian companies, thereby achieving better access to the capital markets and to less expensive financing. I see this trend accelerating over the next few years."

Meanwhile all the indications



are that 2015 will not be an easy year for anybody in Brazil. Renato Barbosa (*left*), must put them into place all at once. In this new mandate, the government faces an adverse scenario, with a monetary and financial model that has been weakened by the fiscal deficit.

There are several difficulties to be overcome, such as the increase in public tariffs, the risk of shortages in water and energy resources impacting the country's productivity, as well as the productivity of organisations themselves."

Barbosa, "many things are already being activated. S packaging, the deploymer of a team of professionals experienced in large event by great talents." With the assistance of Odgers Bern the company has been but setting up a robust management 'corps' over the past few months, with competencies well aligned the project and to the goal of a team of professionals experienced in large event by great talents." With the assistance of Odgers Bern the company has been but setting up a robust management 'corps' over the past few months, with

Barbosa is clearly concerned about the effect high inflation has on the life of the population and to their capacity for consuming. "With a tighter budget," he says, "people need to cut expenses and establish priorities at the time they are actually in front of the supermarket shelves." He

knows that Coca-Cola is a product that needs to reach out to all consumers at a price that is compatible with their current purchasing power. This presents a clear challenge to a company that has to carefully monitor its costs and yet be highly productive. In addition, Coca-Cola, like other big multinationals operating in Brazil, must obey the country's tax and labour rules, keep margins aligned and somehow provide the consumer with a quality product at a fair price.

With all of this uncertainty surrounding Brazil's longer term economic prospects, the upcoming 2016 Olympic Games might be seen as a potential Holy Grail.

Coca-Cola is the first global sponsor of the Rio 2016 Olympics and will deploy a large contingent of personnel at the event, involving professionals from the entire Coca-Cola Andina system in South America. "In this regard," says Barbosa, "many things are already being activated. Special packaging, the deployment of a team of professionals experienced in large events, plus an operation formed by great talents." With the assistance of Odgers Berndtson, the company has been busy setting up a robust the past few months, with competencies well aligned to the project and to the goals the company has established for the years leading up to the Games.

But what will the Brazil Olympics really contribute to the nation?

Opinions vary wildly.

Cinemark's Bertini has positively vitriolic views: "I'm sorry, but something that costs BR\$37 billion [US\$14 billion, →

34 OBSERVE 1/15 • odgersberndtson.com • @odgersberndtson OBSERVE 1/15 35





Very few global players could take the risk of not investing in [Brazil]





Brazil FIFA World Cup 2014 football world championship, Rio de Janeiro

€11 billion] in a country that is unable to balance its accounts just cannot be seen as positive. Furthermore, this is an event that will be headquartered in one single city. I really cannot see how all this will generate a positive platform, not even for the State of Rio de Janeiro. To hold an Olympiad is an extremely complex matter; it involves technology and great management capability, which I believe we are not well prepared for. No. I'm not optimistic about this."

Valeant's Barboza has a more positive perspective: "In reality, this is an event that has a much broader scenario, because it involves a diverse range of sports, and this is very good. This will be a positive moment. Brazil is still mostly focused on

Soccer and it will be good to have the focus broadened to other areas. We here at Valeant have a product line of supplements dedicated to the sports' areas and for us this will indeed be a good moment."

Either way, the Olympics are hardly likely to provide a panacea for all of Brazil's ills.

Almir Herdy de Orem,
President of Merolar, a Spanish
real estate multinational,
established its Brazilian
operation a few years ago and
has a much more positive view
of Brazil's future: "Merolar has
been growing in Brazil year on
year since our startup in 2010.
Brazil is a large market, with an
important urban concentration.
It has a growing middle class
allowing our company to grow
sales substantially. The large

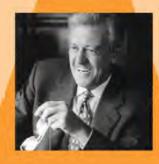
population is another enabler of growth for our maket. Even taking into account the short term economic and political issues, we have no doubt that Brazil is a great country and our company has solid plans to maintain our investments there for the years ahead. Our target is to become one of the most important companies in our sector in Brazil, creating value for our shareholders, customers and employees".

"Although the short term outlook is challenging," adds Odgers Berndtson's André Freire, "very few global players could take the risk of not investing in a country of nearly 200 million people, which is democratic by nature and has an emerging middle class avid to consume."

Brazil is one of the four largest developing economies in the world and it is easier to do business there compared with the other three. Foreign investment is encouraged and the legal system is similar to those in developed nations, the country is peaceful and not under threat from terrorism, the market is open and there are plenty of natural resources available. Social growth is advancing and that should enhance education standards, enabling better productivity and bringing new people to the consumer middle class status. All that together encouraged 435 out of the Fortune 500 listed companies to establish local subsidiaries in Brazil, most of them in and around the São Paulo metropolitan area, making that city a safe haven for both investors and executives.

Can you really risk not optimising this extraordinary opportunity? ■

# When in Rome...



DAVID CRAIK talks to
Richard Lewis, author
of the bestselling book
When Cultures Collide,
about the importance
of mastering local
business culture --



hen a British manufacturer wanted to tap into new global markets it gathered its top performing managers together to discuss the best way forward.

The manufacturer told the 10 executives that they would be sent to different parts of the world to make contacts and begin developing new lucrative markets.

The biggest prize was China and it was no surprise when the company's leading manager, based in the US, said he wanted to build its business there.

It seemed to be the best solution but to double-check, the firm asked the US-based manager to take a cultural profile test organised by UK-based cross-cultural trainer Richard Lewis Communications.

"This manager was young and energetic and had got great results in the States," says chairman Richard Lewis.
"We did a cultural profile of about 150 questions and for every one he answered it in the opposite way to a Chinese person. He said you had to think and act quickly when making decisions and that individual rather than collective decisionmaking was best. We concluded it would be suicidal to send him to China."

Making mistakes over cultural differences can severely damage a company's growth ambitions argues Lewis, author of the best-selling book *When Cultures Collide*, first published in 2005 and now available in its third edition.

"Look at Walmart. A huge company but they were hopeless in South Korea. They took no heed of the cultural differences. It was: 'we are going in and we will impose the American way with all the backslapping and have a nice day'. Koreans hate that," says Lewis. "In contrast the Finnish lift business Kone has gone from obscurity to one of the biggest in its sector because when they buy bigger firms abroad they use the cultural strengths of the new country and integrate them with Finnish characteristics."

Lewis defines three global cultures. Linear Actives are those who plan, schedule and organise such as Germans and Swiss. Multi-Actives, such as Italians, Latin Americans and Arabs, are lively and loquacious, who do many things at once and plan their priorities not according to a time schedule but "according to the relative thrill or importance that each appointment brings". Finally there are Reactives, encompassing Chinese, Japanese and - interestingly - Finns. They are from cultures that prioritise courtesy, listening quietly and reacting carefully to proposals.

Lewis goes further in assessing the characteristics of individual nations such as values, listening habits, manners, taboos and how other nationalities can best empathise with them. For example Brits like to use humour in business sessions. Hungarians "avoid saying 'no' but often fail to answer questions directly". Iranians like to respect seriousness in speech and appreciate visitors to "praise their hospitality before getting down to business".

In Iran never shake a woman's hand and in the Philippines never tuck the barong tagalog - the nation's ubiquitous loose, frilly white shirt, into your trousers!

Lewis, whose organisation holds around 150 cross-cultural seminars a year with businesses, universities and governments, says learning these cultural differences is vital as business globalises and emerging markets such as Asia and Latin America grow in strength. It will help ensure that a company's policies and activities can best exploit cultural synergies and make the right appeal to their chosen market. Businesses will gain a competitive advantage and ultimately boost profits.

"The successful managers will be the culturally sensitive ones. Do this or you will get left behind," he says.
"Globalisation means everyone is

"Globalisation means everyone is opening up. It's not just West to East, we are also doing seminars for Chinese companies wanting to work with and understand Europeans."

We've already seen that understanding other cultures can help in ensuring that the most suitable employees are relocated to new global markets. It can also help ensure that deal negotiations are successful.

Lewis gives the example of a Chinese firm visiting the UK. "A meeting is called for 9am but the Chinese firm's Chief Executive has not turned up. Do you start anyway with the rest of their management team, wait for 10 minutes or don't start until the CEO arrives? The answer is to wait because a Chinese Chief Executive has to be present at all times and be aware of every detail. If not then he won't do business with you," he states.

He also recalls the tale of a Swedish businessman, Sven, in Portugal who has organised a tennis match/business meeting with a Portuguese acquaintance named Antonio.

At 10am, the allotted time for the match, Sven is ready in his tennis outfit. Antonio arrives half an hour late talking to a friend who he was meeting at 9am to discuss buying land.

"Antonio was still in discussion with his friend whilst hitting practice balls with Sven," says Lewis. "Sven was unhappy - he had written tennis at 10am in his diary and then lunch with Antonio at 12.15. He has a linear mind. Antonio, multi-active, thought it made sense to bring his extended first meeting to his second rather than reorganising. Also the lunch date was only 12.15 because it was written down in Sven's diary, it could easily be re-booked!"

There are also conflicting attitudes to basic business contracts.

"To a Brit a contract is a formal document that has been signed and should be adhered to. A Japanese businessperson regards it as a starting document to be rewritten and modified as circumstances require," Lewis explains. "A South American sees it as an ideal that is unlikely to be achieved but is signed to avoid argument."

Lewis stresses that by learning the cultural differences understanding will replace irritation.

"There has to be cultural adaptation on both sides. If in Brazil add some of their cheerfulness to meetings but don't start coming to meetings one hour late!" Lewis states. "Hang on to your good qualities and add their good qualities."

Understanding cultures can also help when making presentations, selling products to new customers and learning how to motivate new staff.

It can also help with recruitment both for new global markets and domestically. "Linear-active people tend to end up as accountants. Teachers and sales staff are more multi-active, whilst doctors need to be reactive in order to listen to their clients' plights," argues Lewis. "Cultural profiles reveal many poor fits in people's chosen careers. Accountants testing strongly as multi-active are often unhappy. All headhunters should work with cultural advisors. It's about putting the right people in the right place."

International teams can also be built to work on specific business projects utilising cultural differences and strengths.

"Don't put the Swiss on vision – use the French and Latins for that. In order to complete the project on time get a German and not a Mexican to organise it!" Lewis says. "Speed, efficiency, time. What are the different nationalities good at?"

Is there a danger here of generalising?

Are we not taught to 'take people as we find them' and not pre-judge character or values?

"Yes, take people as you find them. There are noisy and quiet Germans but punctuality is inside their national character," Lewis argues. "Stereotyping is dangerous but generalising is a fair guide at the national level. A particular Dane may resemble a certain Portuguese but a Danish football team is easily distinguishable from its Portuguese equivalent. Generalising stands firm with large numbers. Indeed if you can't generalise about culture then there are no cultures!"



When Cultures Collide by Richard D. Lewis is published by Nicholas Brealey International, price \$30, £19.99, €26.73

OBSERVE 1/15 39



## Data provides insight, doesn't it?

Information graphics and data visualisation are powerful tools that can draw value from business data – at the hands of those who know how to use them, says SANDRA RENDGEN

ata visualisation has become vastly popular in the last decade. Indeed today the majority of presentations display patterns or trends visually not via the written word. Visualising information, however, is not a recent development; people have used graphics to display data and facts since the 19th century, in business and in other fields. However, the advent of electronic data processing has brought about one fundamental change: today we are faced with a plethora of structured data on all aspects of business. With this data comes the notion that the information hidden within is a valuable asset.

Information graphics are efficient in making complex data intelligible; in doing so, they seem to have the potential to bring hidden messages into plain view. They have an air of promise about them. One of my favourite cartoons by Gahan Wilson shows a man presenting a chaotic chart, saying: "I'll pause for a moment so you can let this information sink in." And there it is: the information sinks in. The reader need do nothing but allow a few seconds for the message to make its way into

**40** OBSERVE 1/15

the brain, as if by magic.

This 'magical reception' is often paired with similar perceptions about how a statistical visual is created. The assumption is that once a data set is cast into the right type of diagram, it will involuntarily reveal the trends hidden in the numbers. Is this how information visualisation works? Certainly not. Information graphics are highly abstract communication pieces, which - just like books or films - are created through many steps of editing and tailored for specific audiences.

Within businesses, there are several different goals for creating information visuals.

Step one is the actual data mining, with the visuals working as tools for analysis. A data scientist will analyse the numbers to discover what patterns they reveal.

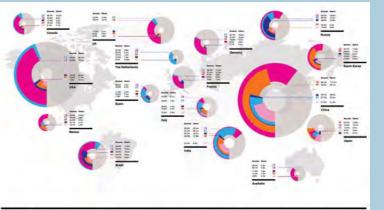
Once this analysis has yielded a deeper understanding of a given data set, decision-makers within the company will use these findings to draw conclusions. This is an interpretation process, which can have differing results depending on the underlying objectives. Following this interpretation, information visuals are created to

communicate particular goals to clients and stakeholders, and to support decision-making both inside and outside the company.

Creating information graphics for communication requires a variety of skills. Beside the obvious statistical skills, knowledge of human perception and cognition are required, as well as a flair for design.

The majority of us, who are neither statisticians, computer scientists nor graphic designers, must begin to understand that information visualisation is a powerful tool that must be carried out by experts, often in interdisciplinary teams.

Finally, consider what we do as readers when we are presented with a beautiful infographic. We all appreciate its potential to communicate an idea almost instantaneously; however, the full complexity of the graphic can never be fully understood in mere seconds. We must ensure we dig deeper into the information and question how the creators have reached their conclusions - and whether other outcomes would also have been possible. If we make this a habit we can consider ourselves 'data-savvy'. ■



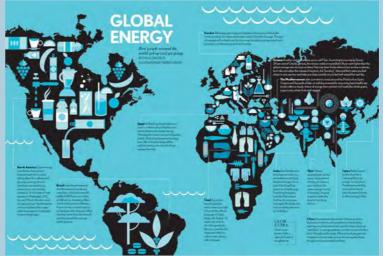
Left A highly graphic chart looking at different levels of social web involvement in major countries across the world



Left A flow chart from 2010 depicting the biggest channels at the time and their extraordinary diversity



Left This 2012 infographic takes a lighthearted look at how people across the globe get up and get going at the start of the day







OBSERVE 1/15 41

Sandra Rendgen Understanding the World is published by Taschen, \$69.99, £44.99, €49.99

Social Media



42 OBSERVE 1/15

the growing trend
of appointing interim
managers to drive
transformational projects
forward in the short term

## QUICK FIXERS?

nterim management is in the ascendancy. Organisations responding to the accelerating pace of change and vying for competitive advantage are turning to executive guns-for-hire to access vital expertise and ensure the successful delivery of key transformational projects. As a catchy headline in *Harvard Business Review* noted, we are witnessing 'The Rise of the Supertemp'.

Economic recovery has fuelled strong growth in interim assignments. An increasing number of businesses have come to realise that exploiting high-level talent on a short-term basis brings access to valuable skills and knowledge in a way that enhances corporate agility.

While growth is strong internationally, it's important to note that the interim management market in Europe is more established than, for example, in North America. According to the Institute of Interim Management Survey 2013, there are around 20,000 interim managers working in the UK who collectively invoice close to £2 billion in annual fees. At the very top of the tree, approximately 2,500 C-suitelevel interims are able to charge £1,000 or more a day for their services. Recent Ipsos MORI research for the Interim Management Association pointed to sustained growth in demand for interims during 2014. "One of the main reasons for

growth is that clients are much more sophisticated at using interims for projects and transformational change, whereas historically the narrative was much more about gap management," says Grant Speed, managing director, Odgers Interim. "The cycles of innovation were much longer years ago. Things change rapidly in organisations now, and that plays into the interim market."

These drivers for growth are fairly consistent internationally. According to the 2014 Fourth Annual Australian Interim Management Survey, there is an ongoing increase in hiring interims to tap into a 'specialist skill set' rather than just to plug management gaps. Specialist skills range from local market knowledge or technical and compliance expertise, to business transformation and programme management, through to post-M&A integration.

As the Deloitte report Global Human Capital Trends 2014 makes clear, "critical new skills are scarce and their uneven distribution around the world is forcing companies to develop innovative new ways to find people [and] develop

**y** @odgersberndtson

capabilities". The same holds true in the public sector, where following headcount reductions and budget cuts, many organisations are crying out for short-term management know-how to meet their obligations to implement key projects and deliver public services.

With technology facilitating change at lightning speed, organisations cannot afford to be caught flat-footed. "More and more, companies see the need to bring in someone with the right profile for a specific transformation," says Thomas Gageik, currently interim CIO at Mundipharma IT Services in Switzerland. "Once this business scenario is accomplished, then

for another change they will benefit from the skills of another individual. In markets like Germany, Switzerland and France, the appetite for interims is definitely increasing."

Jeff Fenwick, an interim running a big technology change programme at Experian that entails upgrading a digital marketing platform for around 250 of the company's clients across Europe, believes that lean organisations competing in increasingly globalised markets will turn to interims in greater numbers. Having worked for large consultancy firms earlier in his career, he asserts that using interims offers value for money.

"I grew up in a large

consultancy and what I saw there, back in the day, was that you could charge very high fee rates to put quite junior people into projects and get away with it," says Fenwick. "I'm not sure you can do that any more. Clients are much more savvy about how they buy external support, particularly in the area of business transformation. These days it's not easy for the big firms to justify long-term projects where they charge the sort of fee rates we used to charge, quite frankly. The need for change is ever increasing, and the pace of change is ever increasing. Businesses are having to respond to pressures from both a cost and revenue perspective in every market they operate in." The flexibility of accessing a heavy-hitter with the right kind of experience on a short-term basis has obvious appeal for →



odgersberndtson.com



organisations wrestling with such challenges. Moreover, as the Baby Boomer generation begins to retire, there is a pressing need at the top of many organisations to address talent shortages.

The typical interim manager profile is a 50-something male. But there is evidence of a subtle shift in demographics – with younger talent choosing to take on interim assignments and a growth in the proportion of women. For candidates who relish change, the appeal of an interim career is apparent.

"I like the constant challenge of something new - going into a new company, very quickly having to assess it and make a difference," says John Buckle, an interim with specialist expertise in M&A and business development. "Very rapidly you have to adapt to new environments, new cultures. People know you're not going to be there long-term so sometimes they might resent your decisions because you're there as the fixer. You can't take it personally."

So, what other attributes make for a great interim? John Hussa, an American who worked



### I like the constant challenge of something new



as a diplomat and then forged a career for himself in Europe at metals giant Alcoa before becoming an interim in 2007, says: "I'm not saying this just because I was a diplomat, but you have to be diplomatic. You have to be able to work with different cultures. Also, because on an interim assignment you have a very short timeframe, you have to act quickly."

Currently an interim on the management boards of two chemical companies in Germany acquired by Huntsman, Hussa says language skills will become more important for interims who often act as a bridge between cultures. Interestingly, Hussa's first interim assignment saw him posted back to America for a

British company that acquired a US plant. His interim role was seen as a novelty by US executives, but Hussa expects the market there to take off.

"It's still a new concept in North America," says Canada, Odgers Interim, managing director, Jason Peetsma. "We're probably a decade behind where the main European markets are."

Odgers Interim's Canadian business has enjoyed strong annual growth in recent years, but Peetsma says there is still market education to be done. For example, the board of a Canadian oil business, though very happy with its CEO, had considered replacing him because he had no experience in handling a cross-border acquisition - a shortcoming easily addressed by keeping the CEO but bringing in a high-level interim with M&A expertise.

Peetsma says many businesses are simply unaware of the impressive credentials of many interims, for example former Pepsi Beverages Canada President, Linda Kuga Pikulin.

"If you're a start-up with under 500 people and you've got a product you're looking to sell in to retailers but you're not getting traction, how much of a better chance would you have if you had the former Pepsi boss telling you 'here's how we did it, this is where you're going wrong'?" says Peetsma. "We're giving you an all-star cast."

To find out more about Odgers Interim email grant.speed@odgers.com or go to odgersinterim.com

**Rob Gray** is a journalist and author who writes regularly on interim management for, among others, *HR Magazine* 

odgersberndtson.com



t is a well-worn cliché of leadership that it's lonely at the top.

Prime ministers, presidents, generals and the stars of sport, stage and screen - not to mention chief executives - have all observed that the higher they climb, the more isolated they become.

But need it be so? Today's chief executive should be well buttressed by executive and non-executive colleagues from whom advice and counsel can be sought. Externally, there is no shortage of professional mentors or coaches who can ease the loneliness of command. But each of these relationships may be compromised in ways that impede true candour, making it hard for a chief executive to develop truly open and honest channels of communication.

### The chairman and non-executive directors

Few relationships at the top of a company are as important as that between the chief executive and the chairman. Inherent in the chairman's role is a requirement to be the chief executive's coach, confidant and counsellor, and to provide a channel of support and guidance as appropriate.

But the relationship is inevitably constrained. One chairman said: "My role is sounding-board. As one chair told us: to support the chief executive absolutely to the hilt ... until the day comes when I have to take him outside and shoot him!"

The chief executives we spoke to enjoyed a close working relationship with their chairman but conceded they would not open up in a way that could make them seem indecisive or out of touch. "If I bring a particular problem or concern to my chair. I have to be confident he is invested in helping me to solve the problem, rather than apportion blame," says one chief executive. Another adds: "It's essential that chairs do not seek to say to be able to tap the thoughts of 'I told you so' or use candid discussion as an excuse to score points or be critical."

Aside from the chairman, chief executives may be drawn to a nonexecutive on their board who happens to be a chief executive elsewhere - another good reason to ensure that there is always a serving executive among the cadre of non-executive directors. "A fellow serving

unique and understands some of the complexities and the balancing act that we are constantly treading that nonexecutives who have never done the role cannot," says one chief executive.

### **Executive directors**

A self-confident chief executive who is open to debate and challenge will seek the input of his senior team, most notably the finance director. One chief executive pointed to a strong relationship with his finance director, adding: "I can reconcile that with sacking him if I have to."

But as with the chair/CEO relationship, the dynamic between the chief executive and the finance director is necessarily circumscribed by the simple fact that one is the subordinate of the other. "It's highly unlikely someone who you can and may have to fire will provide you with open, candid criticism of your actions," says one chief executive. "They are certainly not in a position to hold you accountable, or most times, even question the wisdom of your strategy.

The HR director can be a useful "They are probably the only person on the executive committee who doesn't want the CEO's job - they can sit there, be observant and give the chief executive the lie of the land and tell them when they're being obnoxious."

### **Mentors and coaches**

Mentoring has emerged as a successful ndustry in its own right, with the best mentors providing a fantastic resource for chief executives and other senior managers. "It's incredibly reassuring someone you hugely admire and who has been through many of the same challenges you have faced and come out the other side," says one chief executive.

Others emphasised how candid the conversations can be, with mentors not only able to provide advice from experience on what they have done



right, but also on what they have got wrong and how the mentee can avoid making the same mistakes that they did.

There is a fine line between the roles of a mentor and executive coach. Typically, a mentor will be a proven leader in the role that the mentee currently holds - in other words, a successful former chief executive.

A coach may not have direct commercial/management experience to bring to bear, but will focus on a few specific performance or development issues, often from the perspective of a business psychologist or organisational specialist.

Eric Schmidt, executive chairman of of advice he could give to newly-minted chief executives was to employ an executive coach. He said: "Every famous" athlete or performer has a coach who can watch what they're doing and give them a different perspective.'

Using a mentor or coach seems like a personal choice. We spoke to chief executives who swore by the value that this kind of relationship can add; others who saw it as an unnecessary addition to an already crowded schedule.

Mentoring can never be a substitute for the chief executive's own business judgement and the need to develop their own authentic leadership style. As one chairman said: "Mentoring can be valuable, but it's not a life support system."

### Get used to it

Ultimately, the central message from most chief executives was: grin and bear it.

One says: "Leadership is lonely. It's impossible to be responsible for so many important decisions and not feel a sense of isolation. The buck stops with you and to a certain extent you just have to deal with it."

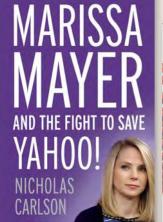
For most, the remoteness that comes Google, told Fortune that the best piece with the top job was simply a fact of life. As one chief executive says: "Is the CEO role a lonely one? Yes. Do I care? Not in the slightest. If you do, you're in the wrong job." ■

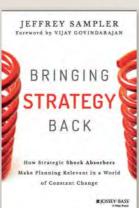
> To read the full report go to: odgersberndtson.com/lessionely

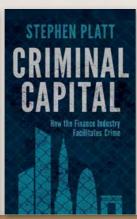
Kit Bingham and Julian Fox are Partners d Steven McCord is Senior Analyst in the Odgers Berndtson Board and CEO team

46 OBSERVE 1/15 odgersberndtson.com • @odgersberndtson **OBSERVE 1/15 47** 



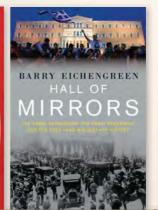


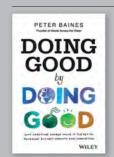








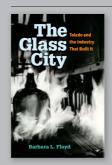




Doing Good by **Doing Good** Peter Baines Wiley-Blackwell, Paperback \$30, £19.95, €24 Baines's book is essential reading for those looking to ensure they create value by having a more positive social impact.

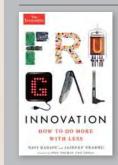


### Not Impossible Mick Ebeling Atria Books, Hardback \$25, £16, €22.28 What if you discovered by accident that you could change the world? Ebeling set out to perform a simple act of kindness that quickly turned into a lifelong mission. In the process he discovered that he could, indeed, change the world... and he claims you can too.



The Glass City: Toledo and the Industry That Built It Barbara L. Floyd University of Michigan Press, Hardcover \$50, £39.50, €43.31

Floyd explores the foremost people, companies, and innovations behind the rise of Toledo glass within the context of the economic, social, political and cultura development of Toledo, Ohio.



Frugal Innovation Navi Radjou and Jaideep Prabhu Profile Books & The Economist, Paperback \$18.99, £12.99, €16.06 How Western companies are seeking new routes to long term business success while appealing to cost-conscious and environmentally-aware consumers, employees

and governments.

## BOOKSHELF

Fight to Save Yahoo! Nicholas Carlson John Murray, Hardcover \$30, £20, €26,73 Carlson's no-holdsbarred tale is a fly-onthe-wall investigation of Yahoo's history and the woman who has since become synonymous with dotcom boom and bust. For the first time we have the story behind Mayer's controversial rise and fall from power at Google to her dramatic reshaping of Yahoo's

work culture.

Fascinating stuff.

48 OBSERVE 1/15

Marissa Mayer and the

**Bringing Strategy Back: How Strategic Shock Absorbers Make Planning Relevant** in a World of Constant Change

Jeffrey Sampler Jossey-Bass, Hardcover \$30, £20, €26.73 From the outset, strategy expert Jeffrey Sampler cuts through the clutter to reveal exactly why the usual tools of strategy are so sorely out of sync with our contemporary business needs. Managers need to "reorient their approach to absorb shocks and surprises that strike at a moment's notice. Only then can strategic planning reliably play

its part."

**Criminal Capital:** How the Finance **Industry Facilitates** 

Stephen Platt Palgrave Macmillan Hardcover \$30, £19.99. €26.73

Platt, who is described as one of the world's leading anti-financial crime specialists, has examined thousands of files exposing the involvement of financial institutions in different parts of the world that have either facilitated crimes or laundered the proceeds of crimes on behalf of customers. Criminal Capital makes for sobering reading

The Eureka Myth: Creators, Innovators and Everyday **Intellectual Property** Jessica Silbev

Stanford University

Press, Hardcover, Paperback, \$25.95, £17.99, €24 In her review of the hardback edition, Pamela Samuelson of Berkelev Law School said: "This provocative book explains why creators sometimes under-enforce their rights, and, contrary to the common assumptions of IP specialists, it shows that individual creators rarely think of intellectual property rights as inducements to be creative

Observe chooses some of the latest business books covering topics as diverse as Yahoo!, Coca-Cola, corporate crime and the recession

Hall of Mirrors:

The Great Depression,

Citizen Coke - The Making of Coca-Cola Capitalism

Bartow J. Elmore W. W. Norton & Company, Hardcover \$25.95. £17.99. €24 How did Coca-Cola build a global empire based on a sugary drink sold at a low price? For Elmore, who teaches at the University of Alabama, the real story of Coke's success was its strategy, from the start, to offload costs and risk onto franchisees, suppliers and the government. As such, Coke benefitted from cheap municipal water and kerbside recycling programmes. The result? Coca-Cola capitalism

The Great Recession and the Uses - and Misuses - of History Barry Eichengreen Oxford University Press, Hardcover \$29.95, £20, €26.79 Eminent economic historian Barry Eichengreen is the latest in a long line of authors and academics to draw parallels between the 1930s Depression and what is described here as the Great Recession of 2008. A wiser collective response after 2008, says Eichengreen, would have staved off the painfully slow growth seen in both the US and Europe. We have been warned.

odgersberndtson.com

@odgersberndtson **OBSERVE 1/15 49** 

### VOX III: Networking

# The power of connection

DOUG MORRISON speaks with networking expert Julia Hobsbawm, who explains that this often-maligned business practice is not just the province of the C-suite

ne good test of whether a business activity has become worthy of study - and worth doing well - is when it is subject to a newly created professorship at the esteemed Cass School of Business in London.

A further sign of acceptance is when BBC Radio 4 broadcasts a four-part series on said activity - networking.

It is no coincidence that the presenter of the series, broadcast in October 2014, was Julia Hobsbawm, who became Visiting Professor in Networking at Cass barely three years earlier. That appointment was a world first and, as Hobsbawm says now, it sent "a strong signal" to the business world that networking needs to be taken more seriously

If anything, networking has been taken for granted in big business and, as she acknowledged in her *Networking Nation* series on the BBC, it is still widely regarded as "something of a perk for those at the top". But for Hobsbawm, it extends well beyond the rushed exchange of business cards during the morning coffee break at an industry conference. She advocates "knowledge networking", which is more to do with the exchange of ideas within companies and across sectors. In other words, this 'soft' skill should be fundamental to business success and, as she puts it, to the wellbeing of any organisation, especially large companies, and their employees.

She put it another way in a white paper called Fully Connected: A Look Ahead to Working and Networking, published recently by the consultancy Ernst & Young, when she concluded: "Without networks and without networking, we are all isolated and our ability to deliver and

communicate, to connect at all, is restricted."

Settling in to this interview, she adds: "Knowledge networking is about who you know and what you know. It isn't about transaction. It's about longevity of learning about other people. Yes of course business is done through good networks, but it's important to understand it is more like fitness and health than it is about sales."

As the BBC introduced her to its audience, Hobsbawm is "a businesswoman who has made networking her personal passion and her professional living". After an early career in communications, she founded Editorial Intelligence (EI) 10 years ago. EI is part corporate consultancy and part ideas forum, both online and through organising conferences. Hobsbawm herself is a regular conference speaker while finding time to sit on the World Economic Forum's Global Agenda Council on Informed Societies and the UK's Foreign & Commonwealth Office Diplomatic Excellence Panel. She followed the honorary professorship at Cass with a similar position at University College Suffolk, England.

All of this has helped push networking up the agenda, at least among the more progressive boardrooms and policymakers.

In her eyes, the work at Cass is crucial to "the need for literacy" in this area of business. As for the school itself, Professor Cliff Oswick, Deputy Dean & Head of the Faculty of Management, says that Hobsbawm's role reflects the growing importance of networking within organisations and between organisations. As Oswick suggests they are starting to rely more on networks, partly because of technological advances and the influence of the millennial generation in the workplace. "There is a kind of mood and demand requirement to think about organisations in a more networked and less hierarchical way," he says. "Networking requires something more enduring and not based entirely on reciprocity."

To that end, Hobsbawm prompts the MBA executives at Cass - as she does her corporate clients - to think of networking in terms of "fitness to manage this tsunami of information that drowns all of us" and to be more inclusive in their approach. "Networking has to incorporate the people below senior management - the new talent. It's not in the corporate interest for these people to be stuck at their desks in a silo," she says. "People want to learn how to make their teams resilient and agile, and it hinges on how they organise who they know, both internally and externally. In global businesses, that's a very serious challenge."

Among the Hobsbawm principles espoused at Cass and in the Fully Connected white paper is the need to have diverse networks but manage them actively: create a group of 150 people who you must see or wish to reconnect with or should get to know. It's better to meet five people face to face in the week than 50 on email.

She continues: "We've spent the last 15 years of the internet revolution thinking that bigger is better, faster is better, and that the crowd is the thing. What we're now learning is that what makes change happen and what makes people feel involved and connected and productive often operates at a much smaller level but can nevertheless have a huge impact."

Hobsbawm is convinced that we will be talking about human capital in a decade's time in much the same way as we refer to financial capital now: "Networking is beginning to be measured and understood in the panoply of indices by which one judges the health of a system or business."

She adds: "I think we are going to use the best of technology - from the Cloud and the internet - but we are going to allow the human smarts that you cannot replicate to come to the fore. And if that happens I think you are going to see a

> transforming landscape, and the ones who don't conform to this new way, I think will fall by the wayside."

Doug Morrison is a freelance business journalist whose career spans 30 years, including three years as City Editor of Scotland on Sunday and five years as City Reporter on The Sunday Telegraph



Indian Prime Minister Narendra Modi is determined to revitalise the country's manufacturing sector. How will the automotive sector fare in this new-look India? MANISH VARGHESE seeks some answers

Ithough the Indian automotive industry has shown significant potential for growth in the past 25 years, it has not lived up to expectations.

Like India, China had the advantages of labour arbitrage

and demographic dividend.
While China has capitalised on these conditions to capture a quarter of global production, India still accounts for a mere four per cent.

The lack of a manufacturingfriendly economic environment and the dearth of investment in infrastructure, technology and talent have resulted in higher costs, lower efficiencies and stunted growth for the Indian automotive sector.

So the mantra for India now must be: 'If China can do it, so

can India'. With a new probusiness government in power, coupled with the rise of a new Indian consumer class, the opportunity for real growth in India is evident.

The Indian Prime Minister, Narendra Modi, has staked the success of his first term on the revival of the manufacturing sector with the 'Make In India' campaign. Accounting for nearly 30 per cent of the production sector in India, automotive will play a central role in achieving Modi's goal. But a word of caution. In the past, Indian governments have both over-promised and under-delivered. The key question is: what strategies will the sector itself pursue, regardless of government effectiveness?

Although the priorities for individual automotive companies will be different, there are some common themes which are viewed as crucial for the industry as a whole.

R&D is the most critical. In recent years nearly all foreign

vehicle manufacturers such as BMW, Mercedes and JCB have set up R&D centres in India. In order to both compete and export, Indian companies are also starting to invest heavily in enhancing their R&D capabilities.

Providing impetus to quality and operational excellence will be the other major priority. Labour needs to be significantly upskilled and given permanent status. Only then can companies deal with the glaring issues of labour unrest and shop floor inefficiencies.

As the sector embarks on a new journey, it will become imperative to address some key industry challenges. Lack of advanced engineering capabilities and innovation, highly fragmented component industry, lack of strategic leadership capability and the dearth of specialist, technical skills are some of the major issues plaguing the industry.

Bringing in expatriates with technical expertise, hiring returning Indians with global experience and providing international exposure to groom Indian leaders are some of the solutions being adopted.

But there is a need to be more proactive and innovative. If the sector can take control of its own destiny, then there is no reason why it cannot transform itself into a global force to be reckoned with.

This piece derives from a longer White Paper looking at the state of the Indian automotive industry. To download it, go to: odgersberndtson.com/IndiaAutomotive

Manish Varghese leads the Automotive Practice at Odgers Berndtson, India

## Five topics for this quarter that you really ought to think about

### THE DIGITAL BOARD, PART I

The boards of international companies are on the horns of a dilemma. On the one hand, they want to be in touch with developments in Dubai, Mumbai, Singapore and Shanghai. On the other, physical attendance by directors is rightly regarded as critical (who really believes

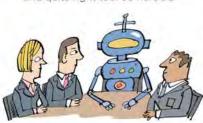
joining a board meeting by phone works?). Taking the board on the road is time-consuming and expensive, while appointing internationally-based directors can impose impossible demands on their schedule. It is time boards placed greater emphasis on high-quality telepresence facilities. Large screens.



Real-time sound. Pin-sharp definition. 2015 is the year that companies invest to make the boardroom a truly digital, and hence global, meeting space.

### THE DIGITAL BOARD, PART II

Diversity is all the rage in boardrooms round the world. and quite right too. So here's a



thought. Add some non-humans to the mix. Excuse me! Last year a venture capital firm appointed a computer algorithm to its board of directors. The company, Deep Knowledge Ventures, said the programme called Vital would vote on investment decisions after analysing heaps of data. What's next, the chairman's dog to lead the remuneration committee? Expect to see incentive pay levels go through the woof!

### GET DIVERSE

Thanks to pressure from shareholders and other stakeholders many global nomination committee chairmen will be doing their utmost to ensure they place diverse international candidates. Nothing new in that. We've been hearing it for far too long. Who will be most in demand? Technology savvy diverse directors with international expertise from Asia, Europe and the Middle East & Africa. So there you have it.

CYBER SECURITY -

THE NEXT CRISIS?

Corporate governance

improvements have historically

been driven by crisis. Think back

governance reform that was felt

complacent in the face of threats

to cyber security? The issue has

is been on the risk register for years,

to Enron and WorldCom - their

failures triggered a wave of

worldwide. So, are boards



and governments have repeatedly highlighted the threats. But while venture capital money is reportedly flowing into cybersecurity start-ups, are institutional investors sufficiently vigorous in asking boards of directors, as stewards of the company's assets, what they are doing to protect the business? It will only take one or two catastrophic

### STUDY THE DISMAL SCIENCE ...

A barrel of Brent crude would set you back \$115 in the summer of 2014. By this summer, you may get change from 40 bucks. Bad news for oil and gas producers, and their supply chain. Good news for consumers.



But oil is not the only commodity to be experiencing a plunge in prices, Gold, copper and iron ore have faced similar pressure. And global milk prices reportedly dropped 50 per cent last year. ("No whey!" we hear you cry.) What's driving the cycle? Will prices recover? If so, when? What's going on in China? As you put together the schedule for that next board strategic offsite, be sure to book an economist. It's back to school time...





### ARCHANT DIALOGUE

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

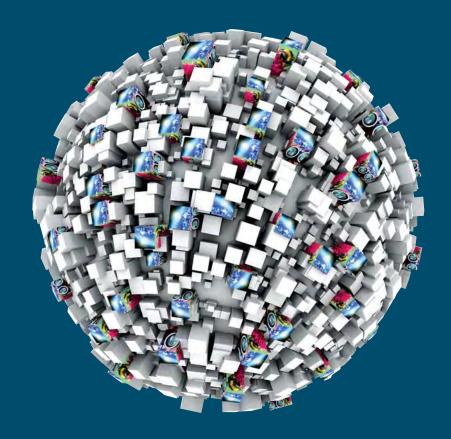
Lisbon

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 2015

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

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

## Global search



With 50 offices in 27 countries, we find outstanding leaders anywhere in the world

Your appointment. Our reputation

odgersberndtson.com

