OBSERVE

The Odgers Berndtson Global Magazine_

Issue 02 2015

An exclusive interview with Maria Ramos

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INSIDE: a special report on the changing role of the CFO

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Maria Ramos: Barclays Africa Group in safe hands

The new CFO
A special global report

Reputation management
Are you in control?

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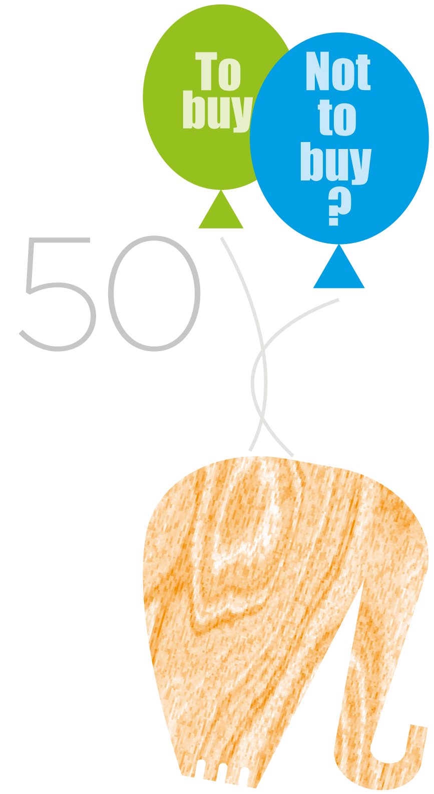

"We can bring benefits to our customers in a way only very few banks can, by combining our global network with a local presence"

MARIA RAMOS PAGE 10

Welcome to the latest issue of *Observe*, our international business magazine available in print, online and from app stores.

As ever we have a diverse range of content that will be of interest to boards around the world, some of it serious – such as our in-depth report on the changing role of the CFO – some of it lighter, such as our look at the changing nature of brands in today's fragmented, digitally oriented market.

Our cover story is an exclusive interview with one of Africa's leading business leaders: Maria Ramos, CEO of Barclays Africa Group. She discusses the importance of diversity in the rapidly evolving African market and what Barclays is doing to help businesses both large and small.

We also tackle such thorny issues as the rise of the activist shareholder, the challenges of reputation management in the digital age and the best ways to turn your office space into something really rather spectacular.

Finally, we have a profile of Chuck Jeannes, head of one of the world's largest gold mining companies, and a look at the rapidly growing business community in Singapore. As ever please do tell us what you think by using any of our social media channels, which you can access directly through our app.

Håkan Ekström,
Managing Partner, Odgers Berndtson Sweden

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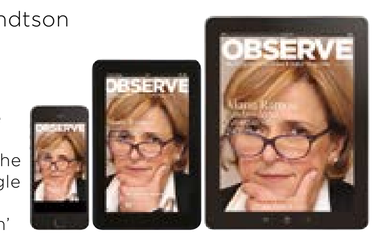


***Observe* travels the globe in search of eye-catching business stories**

APPOINTMENT

SETTING THE STANDARD

Former co-CEO of J.P. Morgan investment bank Bill Winters has been appointed CEO of leading international bank Standard Chartered. Winters has been described as being "among a handful of truly exceptional leaders in the finance community" by investment banker Jacob Rothschild, which is just as well. Standard Chartered profits fell by 30 per cent in 2014 and he faces complex issues including withdrawing from Korean retail banking and exiting perceived high-risk activities.

gfmag.com

PHOTO: ©VARIO IMAGES GMBH & CO.KG/ALAMY

LATIN AMERICA

THE CAR IS THE STAR

Mexico is now Latin America's largest annual automobile manufacturer after 2014 production outpaced that of Brazil for the first time since 2002. According to the International Organization of Motor Vehicle Manufacturers Mexico produced 3.4 million automobiles last year, an increase of 10.2 per cent over 2013. In the last year alone the automotive sector has seen investment from BMW, Kia, Daimler AG and Renault-Nissan.

oica.net

PHOTO: ©GETTY IMAGES

COMPLIANCE

THE COST OF COMPLIANCE

Rapidly evolving regulatory requirements have redefined the corporate compliance landscape in recent years and companies have responded by increasing their compliance budgets and changing their global business strategy. In a 2014 Deloitte survey 50 per cent of respondents said that their company now had a stand-alone chief compliance officer compared with 37 per cent in 2013, while three quarters said their compliance budgets had increased.

corporatecomplianceinsights.com

Deloitte.

TECHNOLOGY

RISE OF THE ROBOTS

Automated technology may be on the rise, but have you thought about how these machines could ultimately displace us? Automation and artificial intelligence is now being used for knowledge work and Nigel Rayner, analyst at information technology research and advisory firm Gartner, suggests that "many of the things executives do today will be automated". But don't panic just yet. It means that we will need to see smart machines as partners and collaborators in the future, and while it might have deep implications for how organisations operate, the robots won't be ushering us out of the door just yet.

hbr.org

PHOTO: ©TAKESTOCK/ALAMY

DIGITAL BANKING

VIRTUALLY PERFECT

Private bankers in Switzerland are turning to innovative technology in a bid to attract the next generation of young investors. Researchers at UBS are currently testing a number of technologies to help customers visualise their complex investment portfolios. Apparently one includes virtual reality goggles that present clients' portfolios as a city. "Which pieces of your city are missing? Your skyscrapers are too tall, you've invested too high here," says Dave Bruno, head of UBS's innovation lab. "There are ways to use the new technology to do things in finance that are quite cool and interesting for our business model."

uk.reuters.com

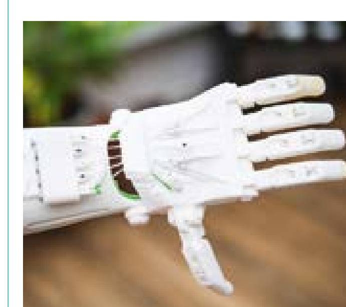
PHOTOS: ©BLEND IMAGES/ALAMY; ©BSIP SA/ALAMY

TECHNOLOGY

PRINTS CHARMING?

3D printing technology is expected to grow enormously over the next five to 10 years but many leading businesses remain unaware of its potential. A recent McKinsey survey of leading manufacturers showed that 40 per cent were unfamiliar with the technology 'beyond press coverage', while 12 per cent said they thought it may be relevant but needed to learn more. While mass adoption may be some years away the prudent CEO should prepare for a future dominated by integrated digital technologies.

mckinsey.com →



ENTREPRENEURS

GROWING ENTERPRISE

The number of women opening their own businesses in the US is rapidly on the rise according to a study from American Express OPEN. It revealed that female entrepreneurs launched 887 new businesses every day on average in 2014, and they now own 30 per cent of all enterprises in the US. Since 1997 the number of female-owned businesses has increased by nearly 75 per cent with researchers estimating that in 2015 there are just over 9.4 million female-owned businesses generating nearly $1.5 trillion in revenue.

americanexpress.com

CAPITAL BUDGETS

CFO INVOLVEMENT

According to McKinsey CFOs now have a critical role to play in helping companies in capital-intensive industries get more out of their capital budgets. Cost overruns and delays run rampant in large capital projects, and a lack of internal discipline, both in the proposal and management stages, is contributing. The smart CFO needs to be involved in every stage, implementing a standard model for all projects in order to make a big difference in boosting both return on invested capital and free cash flow – see our special report on the changing role of the CFO starting on p15.

mckinsey.com

PHOTO: ©CULTURA RM/ALAMY

YOUTUBE

ESSENTIAL VIEWING

Analysis by Bank of America Merrill Lynch has found that YouTube is worth more than 85 per cent of companies in the S&P 500. The video sharing website, owned by Google, is estimated to be worth close to $80 billion. Putting that into perspective, Time Warner and Twenty-First Century Fox each have a market capitalisation of just under $70 billion with BlackRock, Ford and General Motors also falling below the $70 billion level.

bloomberg.com

YouTube

POWER LIST

PREMIER POSITION

German Chancellor Angela Merkel has topped Forbes' Power Women List for the fifth consecutive year. She continues her reign as 'the most powerful woman on the planet' having clinched a third four-year term at the helm of Europe's most vibrant economy in December 2014, making her the longest serving elected EU head of state.

forbes.com

ILLUSTRATION: ©IKON IMAGES; PHOTO: ©VARIO IMAGES GMBH & CO.KG

TECHNOLOGY

NO MORE COMPUTERS?

Greater mobility and hand-held smart devices mean that the days of the desktop office computer could soon be behind us. Due to developments in consumer electronics people often own better devices than those they have at work, and cloud applications now make it possible for your work and data to follow you. Manufacturers are taking note; Microsoft touts its new Windows 10 as the 'Bring Your Own Device Windows'.

bbc.co.uk

PHOTO: ©HERMIN UTOMO/ALAMY

SHADOW BANKING

BANKS THAT AREN'T BANKS

Shadow banking, the extension of finance and non-bank credit to individuals through non-traditional channels, is on the rise. Using big data and new technology it incorporates peer-to-peer lending sites, lending between individuals, asset-backed bonds and other credit products but is not subject to regulatory oversight. The US's Financial Stability Board claims shadow banking poses systematic risks to the global financial system despite it growing to a staggering $75 trillion in 2013.

gfmag.com

TECH MERGERS

THE CHIPS ARE DOWN

The long-anticipated wave of tech-industry mergers has started. However, against expectations, hardware companies have made the first move. Avago Technologies, a chip-maker, has announced its intention to buy Broadcom for $37 billion, which will be the biggest tech deal since the days of the dotcom bubble. Intel has also revealed its plan to acquire Altera for $15 billion or more. Expect more chip-makers to follow as the industry prepares for the 'internet of things' by merging its technology and data, amassing more bargaining power and cutting costs.

economist.com

ILLUSTRATION: ©IKON IMAGES

BRAZIL

CHALLENGING TIMES

In the last issue of *Observe* our special feature examined Brazil's troubled economic and social landscape and recent figures demonstrate the extent of the challenges faced. Brazil's GDP shrunk by 0.2 per cent in the first three months of 2015 and, while that's less that the 0.5 per cent predicted by economists, it offers little consolation as the country continues to face rising unemployment, high inflation and interest rates, tax increases and the ongoing threat of recession.

wsj.com

Banking

IN SAFE HANDS

Coming from a non-banking background has not stopped Maria Ramos, CEO of Barclays Africa Group, from transforming the bank and its relationship with its customers across Africa

Maria Ramos cut a diminutive figure as she bravely took to the stage in Johannesburg.

It was September 2014 and she was confronted with a global challenge like none she'd faced before.

Thankfully, as the only female CEO of one of Africa's 'big four' banks, Ramos does not fight shy of challenges – nor the chance of turning them into opportunities.

So it surprised no one when the 56-year-old boss of Barclays Africa Group – dressed in bright blue hooded fleece and jeans – nominated her male banking rivals not only to emulate her Ice Bucket Challenge soaking, but also to match Barclays and her own personal R30,000 donation to charity.

It is six years since Ramos took the helm of Barclays Africa and despite a glittering career littered with accolades, having a non-banking background has caused some to question her credentials here.

Few remember, however, that it was working as a Barclays clerk to pay for her studies that the Portuguese-born student – whose family moved to Mozambique when she was a child – cut her teeth.

It was here, too, that she took on and won a 'men-only' Graduate Scholarship, gaining a diploma from the Institute of Bankers in 1983.

"As a bank we are passionate about diversity, particularly gender equality, because we are convinced that our success as a company depends on it.

"In Barclays Africa Group, women make up 25 per cent of our senior leadership team across the continent and our target is to get to 35 per cent by 2018."

One in four of the Bank's board members is a woman and to support Ramos's ambitions, the bank is sponsoring the United Nations campaign 'HeforShe', which aims to mobilise one billion men and boys worldwide to end inequalities faced by their female counterparts.→

PHOTO: ©ABSA GROUP

Right and opposite: Maria Ramos says Barclays Africa is "increasing access to financial markets through our Citizenship programme".

> There is a direct correlation between diversity and performance. As a bank, we are very focused on this issue

The bank has also created a Barclays Women in Leadership Index and is a partner in the creation of the South African Chapter of the 30 per cent Club, aiming for 30 per cent-plus representation of women on boards in the next five years.

"There is," she is adamant, "a direct correlation between diversity and performance. As a bank, we are very focused on this issue."

Twenty years after apartheid, South Africa presents Ramos with challenges and opportunities in equal measure. While unemployment has doubled to 25 per cent and half of the country's 53 million people are said to live in poverty, less than a quarter of adults have a bank account.

So Ramos's key business goal is to position Barclays "as the bank of choice when clients and customers across Africa think about their banking needs".

"We want to become the 'Go-To' bank on the continent by helping our customers and clients achieve their ambitions in the right way."

That includes, she says, "increasing access to financial markets through our Citizenship programme. We have supported the establishment of 27,600 village savings groups, linked 2,000 informal savings groups to our branches and reached 582,000 beneficiaries over the past five years."

Ramos aims to reach the 'unbanked' of Africa with branchless banking through mobile technology and banking in retail stores, while new products include a Payment Pebble – a card reader that allows small businesses to accept payments through their smartphones – and Kenya's first Kwacha (the local currency) Visa credit card.

While she says "South Africa is and will remain the largest part of our operations", she concedes that she is looking elsewhere on the continent for real growth.

"We committed to our stakeholders to be top three in five markets – South Africa, Kenya, Ghana, Botswana and Zambia – by 2016."

Some of these will be among the fastest-growing markets in the world with growth rates ranging from 5.1 per cent to 7.8 per cent this year. Overall, the IMF estimates real GDP growth in SSA to be 5.5 per cent.

There are also ambitious targets to reduce the bank's cost/income ratio to the low 50s by next year and deliver a Return on Equity of between 18 and 20 per cent from this.

South Africa's GDP may have risen by 30 per cent over the past 20 years, but that compares to an average 115 per cent in other emerging markets. So what, I ask Ramos, is the bank's role in building the African economy?

"We are enabling economic growth on the continent by financing investments, facilitating access to financial markets, providing the infrastructure for economic activities (e.g. enabling payments) and funnelling savings and deposits into productive investments."

In practical terms, she adds that this has meant helping more than 150,000 clients, ranging from large corporates to SMEs with their growth plans; taking the governments of Zambia, Kenya and South Africa to the financial markets; and supporting the development of the agricultural sector by helping create a partnership between one of Barclays' global corporate clients, 600 local farmers and several NGOs.

Ramos regards Barclays Africa's long-standing history as a great source of competitive advantage. "As a global bank with a well-established local presence and regional reach and expertise, we can bring benefits to our customers in a way only very few banks can, by combining our global network with a local presence," she says.

PHOTO: ©PETER TREANOR/ALAMY

And she accepts that "without doubt" Africa's growing political stability has been a driver to the growth of banking across the continent.

"Africa has enjoyed the best ever decade of growth and economic development in its history; political stability and an improved culture of governance in African countries were important drivers of that growth."

But she counters: "Political stability is but one driver. Other factors include investment flows into infrastructure and →

technology, which will have to continue, investment in education, and creating jobs for the very young, ambitious and energetic population."

Recruitment, she concedes, is a big issue. With 42,100 permanent employees across the continent, one of her biggest challenges is overcoming the restriction on movement of the bank's talent pool due to various national rules and regulations.

"I believe that we need to create conditions across the continent that allow people and talent to move across borders with ease."

"We are proud of our Pan Africa Graduate Development programme, which over the past six years has more than doubled our intake of graduate trainees."

Education is something close to Ramos's heart. After completing her own honours degree in Commerce at the University of Witwatersrand (1987) in Johannesburg and then a Masters in Economics from the University of London (1992), Ramos taught Economics (1989-1994) before serving as an Economist for the African National Congress's Department of Economic Planning (1990-1994). Aged 35 she was then elevated to Director-General of the National Treasury.

It was here that she met her husband, Trevor Manuel, the then Minister of Finance, and it is said that the two of them (fondly referred to as South Africa's Royal Finance Couple) effectively steered post-apartheid South Africa towards a free-market economy, while at the same time transforming the Treasury into one of the Government's most efficient departments.

From the cosy confines of Parliament, from 2004 for five years Ramos proceeded to take on Transnet, one of the country's most unwieldy, debt-ridden and inefficient freight transport and logistics companies, and was lauded for quickly restructuring it back to profitability through a programme of privatisation of all but its core businesses.

She has amassed an impressive array of academic qualifications, honorary doctorates and management excellence awards, and her string of accolades takes some beating.

PHOTO: ©BARCLAYS

Above: Barclays Africa is helping fund projects such as a solar panel programme for towns, villages and isolated communities
Left: Maria Ramos speaking at an international conference

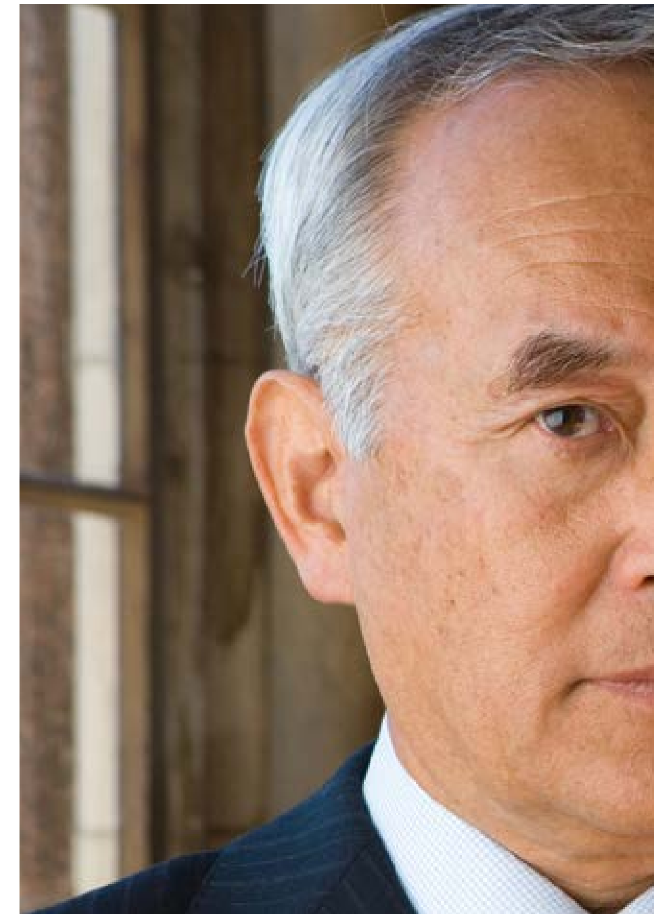
Fortune magazine voted her 10th in its Most Powerful Women of EMEA list (2014) and South Africa's Most Influential Woman (2012). She was CNBC's Africa Woman Leader (2011) and *Fortune*'s 9th Most Powerful Woman in International Business (2009).

She is currently a member of the Executive Committee of the World Economic Forum's International Business Council and on the Board of Business Leadership South Africa.

I defy anyone to question whether Barclays Africa Group is in safe hands under her tenure. ■

Di Rix is a freelance business journalist

CFO Special Report



The irresistible rise of the Chief Financial Officer

In a major global report, GARY MEAD finds out how the modern-day CFO is so much more than a number cruncher, and explores the growing trend towards CEO status

Chief Financial Officers rarely make headline news – unless you have been the top bean counter for Google, that is.

So when Patrick Pichette, the CFO of Google, said he was stepping down to travel the world with his wife, it splashed across serious broadsheets and the tabloid press around the world. In his resignation note (posted on Google+, naturally) Pichette observed that he was a "member of FWIO, the noble Fraternity of Worldwide Insecure Over-achievers" and that his almost seven years as Google's CFO had been "a whirlwind of truly amazing experiences".

Few CFOs achieve the kind of prominence – or the almost US$31 million from his Google stock incentives between 2010 and 2013 – enjoyed by Pichette. But I somehow doubt that walking up mountains with his wife will be enough for Pichette in the long term.

Many will try to seduce him back into the corporate world – but Pichette is now too big, too experienced, too obviously multi-skilled, to simply go back →

ALL PHOTOS: ©ALAMY

CFO SPECIAL REPORT

to a finance role. The temptations of taking a CEO role, or more likely a Chairmanship, to actually oversee the control of a company, will be great. He has just the right experience and leadership qualities to have innumerable companies, big and small, politely pounding at his door. For he fulfils this brief identified in a study of exceptional CFOs: "Today, success requires the CFO be strategic, operationally savvy and forward-looking. They need the ability to influence a broad group of stakeholders, and to communicate in a straightforward, compelling manner."[1]

Chairs-in-waiting

How times have changed. Once upon a time, all that was required of the CFO or Financial Director of a company was that they kept a close eye on the numbers and made sure the ship kept to its course. But now they – or at least the really good ones – are expected to do so much more, be so much more; in fact, to be a surrogate CEO. Little wonder, therefore, that many of them have set

> "be strategic, operationally savvy and forward-looking"

their sights on the top job – and, indeed, are taking over the top job. Today, the average CEO starts the job at the age of 52, and the average age of a Harvard MBA is 27, so there's a 25-year preparation time to scale the ladder.

There's plenty of statistical evidence from around the world that the growing tendency for

CFOs to step up to the CEO role is a reality. Take Canada. Back in 2004 only 14 per cent of Canadian CEOs had previously had a senior executive finance position. Ten years later that had grown by more than 57 per cent, to 22 per cent. Perhaps unsurprisingly, given the importance of the natural-resources sector to the Canadian economy, as many as 33 per cent of CEOs in natural resource companies have been in an executive finance position. According to Scott Thomson, CEO of the Canadian company Finning International Incorporated, and who was formerly CFO of Talisman Energy, the switch between the roles of the CFO and the CEO role is striking: "It was interesting how different the CEO role is from [that of] the CFO. As the CEO, most of my time is spent with customers, employees and suppliers."[2]

Moreover, CFOs are increasingly looked on as excellent Chairs-in-waiting. The good CFO will have a reputation for prudent, patient, low-ego sound judgement – a 'good pair of hands', which goes very well with the non-executive role as Chairman/woman. There are fewer examples of CFO-to-Chairman moves than CFO-to-CEO moves, but some notable ones exist, such as that of Andrew Higginson, a long-time finance chief of the well-known UK retailer Tesco. When he left Tesco in 2012 he took on two chairmanships: at N Brown, a listed fashion group, and Poundland, a private equity-owned retailer.

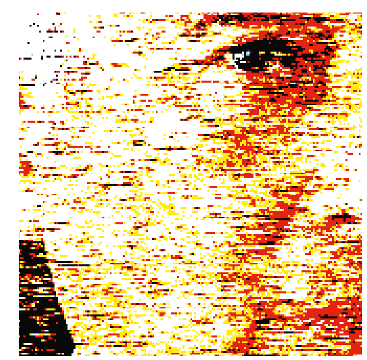
The CFO-CEO marriage

The debate over whether a good CEO comes from an operational rather than a finance background is almost as old as the hills. Back in 2006 McKinsey posed the question "do chief financial officers make desirable CEOs? ... the CFO's portfolio of skills would seem to serve well as a platform for that final leap to the boss's suite. Or does it?" Almost a decade ago, about 20 per cent of all CEOs in the UK and the US were once CFOs, dropping to 5-10 per cent in Europe and Asia, according to McKinsey, who conducted a poll of investors, advisers, CFOs, CEOs and Board members, asking whether CFOs make good CEOs. The result was inconclusive: "For every respondent who believed strongly that CFOs make good CEOs, another vehemently opposed the idea."

But that was almost a decade ago – and pre-crash days. In the post-crash era, companies have one thought uppermost: control the budget. Grow if we can – but at the very least make sure that we don't go under. Who is better placed to ensure that than the CFO? This in turn has forged an ever-closer alliance between CFO and CEO, and makes the transition from CFO to the top job that much smoother, as Boards want to see that the person at the helm is not just a good leader, but can crunch the numbers with the best of them. No doubt that explains in part why about 25 per cent of CEOs appointed in 2013 to the US's biggest listed companies were once CFOs. In the UK, around 50 per cent of CEOs appointed in 2012 and 2013 to FTSE 100 companies have a finance background, with more than 10 per cent promoted directly from CFO.

So how might we explain the development of this close – almost symbiotic – relationship between the CFO and the CEO? According to Agah Uğur, who has held the CEO position of the Borusan Group in Turkey since 2001: "Modern CFOs, with a deep commercial understanding and high business insights, on top of their high financial control capabilities, have become a collaborative partner to the CEO." Borusan is one of Turkey's leading industrial and service groups, with business interests in steel production, logistics, energy and telecoms. Uğur studied industrial engineering at Birmingham University in England, before going on to qualify as a chartered accountant. He joined Borusan Group in 1989 as CFO, following a few years working as an accountant.

For him, the progression to the top job was a natural one: "Modern CFOs try to understand real obstacles by

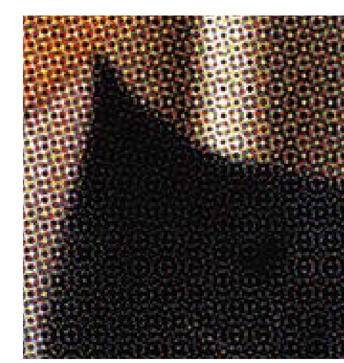


questioning not only the issues related to market, sector and administrative subjects but also the existing processes, business models, organisational structures and the way of doing business ... consequently, focusing on the future of business with a strategic view, [they act] as one half of the CEO's brain."

The global financial crisis has encouraged the idea that a risk-mitigation expert is precisely the kind of person who ought to be at the helm of a company. Financial oversight is not – or should not be – separate from the strategic process but central to it. However, there is a tension that has only become heightened as a result of the crash between the risk-mitigation function of the CFO and the risk-taking role of the CEO. The CFO specialises in a data-driven approach to decision-making; the intuitive style of management won't do any longer in a world where a solid grasp of the importance of data is critical.

Born to lead

Perhaps the key step up from CFO to CEO is that the CEO →



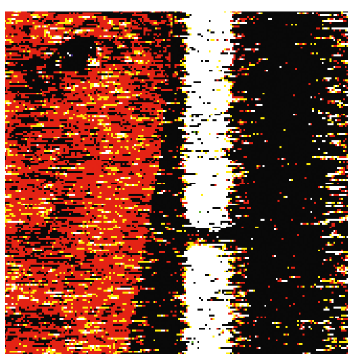
CFO SPECIAL REPORT

is, ultimately, called on to provide leadership, covering a wide range of often complex issues across all parts of the business. In the end, leadership arguably comes down to personal character. Leaders need to be driven to succeed; they are hard-working, resilient and self-accepting. They need to be able to live with high stress levels. They need a robust –

even overpowering – ego, the kind of self-belief that permits few doubts. And there is evidence to show that the truly great global CFOs have a profile that closely matches those demands.

This is echoed by Phil McCann, Partner with Odgers Berndtson and Head of the Apac CFO and Financial Management Practice. He has been running a series of interviews with CFOs in his region to see what makes them tick. One of the latest was with Evelyn Henry Miller, who was voted by *CEO* magazine as US CFO of the year for mid-sized public companies, and is currently CFO of Agencies of Change. Miller commented: "The CFO is no longer regarded as the 'bean counter'. I can count beans, but I am in no way a bean counter. The CFO must be a business strategist and a trusted advisor. There is truly a marriage between me and the CEOs with whom I have partnered." The CFO is, in the words of Mark Freebairn, Partner and Head of the CFO Practice at Odgers Berndtson in London, "the critical friend, the support, the non-ego-driven confidant that helps the CEO run the business, but is perfectly happy to let the CEO take the glory".

Odgers Berndtson studied the psychometric profiles of almost 300 top CFOs and finance executives in Canada and found that "the profile for these successful CFOs is more similar to that of business development executives or entrepreneurial CEOs than it is



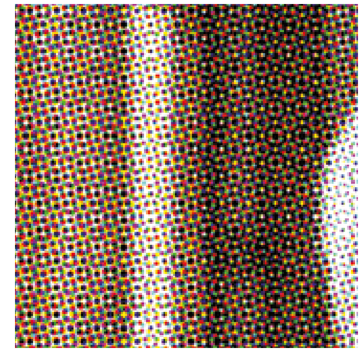
to that of budget- or control-oriented individuals … they have the ability to find innovative solutions to complex business problems … today's successful CFOs must be able to bridge the gaps between strategy, execution and finding new sources of value for the organisation."[3]

As Hugh Arnold, Adjunct Professor of Organizational Behaviour and HR Management at Toronto's Rotman School of Management, says: "While the majority of CFOs require incredible technical expertise, these skills alone do not equip them to be successful … there seems to be an unspoken 80/20 rule in the C-suite. Only 20 per cent of the success of a CFO stems from having strong financial skills. The remaining 80 per cent is a result of leadership skills, which is what our new programme will cultivate in rising finance talent."

Not just a clever accountant…

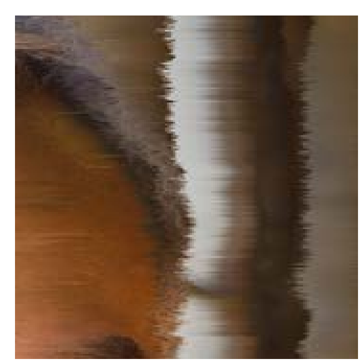
Leading CFOs tend to be competitive, ambitious, hard-working and resilient, and possess stronger interpersonal skills than the average executive, and are more willing to take centre stage. They also tend to be less rule-oriented and process-driven than the average executive and more open to new ideas and innovative approaches. According to Ross Woledge, who heads Odgers Berndtson's CFO and financial officer practice in Canada, traditionally "the CFO would come to the table and report how the company did that quarter, where the variances were – and that's it. Now CFOs are coming to the table and saying: 'What about this? Have we tried this? Have we thought about this?'"

CFOs can paint themselves into a corner by being too good at the numbers game. Becoming a CEO requires a wider range of talents and skills than possessed by the typical, old-school accountant. Mark Freebairn argues that CFOs



today have a broader role than the conventional view of them suggests. "Those doing the CFO role have become forced to take on a much broader perspective than before, and this has helped develop them into outstanding potential CEOs. Look at Jeremy Darroch, for example: a great CFO of Dixons, and then an equally strong CFO of Sky. He was appointed CEO and the business has continued to expand and develop even more strongly than before," says Freebairn.

Having a wide experience outside purely financial roles is critical for the CFO who aspires to the CEO function. Many cases testify to the importance of gaining a wide operational understanding. Take the example of Guilherme



> "The CFO is no longer regarded as the 'bean counter'"

Loureiro, who is now CEO of Walmart's operations in Brazil. He joined Unilever after graduation, and worked there for 25 years. In 2000-2003 he was CFO for Unilever Brazil and followed that with various ever-more-senior operational jobs with Unilever, until he joined Walmart in 2012 in his current role. As a CFO he recalls facing tough times with a very volatile Brazilian economy up to 2004: "We had inflation above 2,000 per cent per year, various currency devaluations and so on. Managing during inflation time is tough. The other main issue is the tax system, which is very complex – we have to do lots of tax planning. Given the volatility and complexity of the country, CFOs in Brazil are highly regarded and always play a key role as a business partner. That's the main reason they are always a good candidate to become CEO."

Loureiro's job as a CEO of a big retail operation is "very different – more dynamic, much lower margin, less time to think and plan – very action-driven. In retail there is a daily battle: if you miss sales today, it is very difficult to recover tomorrow. It is a volume battle. You also work with a much higher turnover, and a much bigger number of associates working in multiple locations. I have found it much more complex to manage. The CEO role is very different from the CFO – first of all because you do need to have a much better understanding of your customers, your business, your suppliers and all the stakeholders. Second because

you are the ultimate decision maker – you cannot delegate it."

In other words – the CEO is required to lead from the front.

…but a bit of an extrovert

Freebairn argues that the CFO personality basically breaks down into old-school and new: "There is a new way of delivering the finance role – the commercial, strategic and forward-looking way. There is also the older-school way of delivering the role – technical, financially oriented and focusing on actual and historical information. It will come as no great surprise that the majority of people doing the former are more extroverted, outgoing, confident in front of crowds … while an old-school CFO is less likely to have the traits needed to be a CEO, a newer-school →

CFO SPECIAL REPORT

CFO may well have the traits to be a great CEO in any situation – growth or decline … The more involved they have been in the front line of the business, the more they have become commercially aware. This has greatly broadened their outlook, their business acumen and, coincidentally, their personality. Finance directors sit at the board table as true participants in the business now, and their opinion on the commercial and strategic aspects of business performance is valued as highly as their technical skills ever were."

In Germany, Shaun Mills is currently CEO of Alpha Trains, Europe's biggest and most diversified specialist train leasing company, providing in excess of €2.1 billion in new-build rolling stock to public and

private operators in a dozen European countries. Mills has a classical CFO background – a degree in finance and accounting followed by almost a decade with KPMG and then a stint with British Aerospace, where he was managing director of a subsidiary, Heckler & Koch, best known for firearms production. It was, he says, a "turning point" in his career,

> "In my case it was a natural evolution from CFO to CEO"

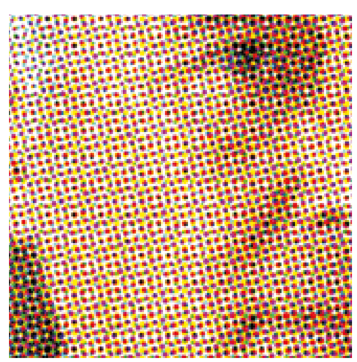
"controlling and running and overseeing" a business preparatory to its sale to a set of private investors. It gave him a taste of what it might be like to be a CEO: "I have always been commercially minded," he says.

Leaving finance behind

Mills then spent a period with Eurofighter in Munich and then as Finance Director of GNER, the UK train-operating company. He then took over as CEO of Nederlandse Spoorwegen, the principal passenger railway operator in the Netherlands, an experience that convinced him he would "never go back to pure finance". In September 2010 he got the call to see if he might like to lead Alpha Trains.

"For me there is a big sense of achievement in becoming a CEO. The impact you have on the business is much greater; I like the sense of 'the buck stops here'. My experience in my last two roles as a CEO and ex-CFO is that the companies want someone financially astute because it gives a really good understanding of the financial aspects of the business. A balance of skills is needed today as a CEO, and financial stewardship is a very important aspect of the CEO's job, I think. It's a very lonely place sometimes, and you need real strength of personality. You have to juggle several balls at once but, above all, inspire people, lead from the front. You have also got to be a good talent spotter – you have got to be able to assemble the right team around you and make quick, sometimes hard, decisions."

Brian MacDonald is now CEO of Hertz USA's equipment rental division, which supplies construction equipment, but his background was within finance. After his MBA he spent 13 years with General Motors in various finance jobs in Brussels, Paris and Tokyo before joining Dell as Treasurer, where he gained useful Board exposure. He then moved to Sunoco, the diversified energy company, where he was CFO of the chemical side of the business. He oversaw a large restructuring and was promoted to CEO and handled the sale of the subsidiary, and took up his current role in June 2014. He says: "In my case it was a natural evolution from CFO to CEO. The best CFOs end up figuring out the day-to-day



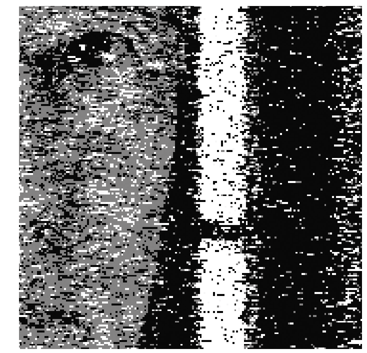
running of the business."

For MacDonald the leap higher requires a "different leadership dynamic. The issue is that everyone wants to see the CEO – who is the effective 'prime minister' of the company. Becoming CEO is a huge step – how people regard you is very different from the CFO role. In any other job, you have a boss. Of course the CEO also has a boss – the Board – but you have a very different environment, it's a little bit lonelier. You get a lot more 'filtered' information; you often get just the tip of the iceberg. So you have to weed out what you need to know."

He stresses that as CEO "you have to be very curious about things, you have to talk to everyone to get a good idea about how the company is doing, talk to the mechanics

and truck drivers, working informally. But a lot of what I do in my current role as CEO is what I did as CFO, but the big difference is that I spent around 50 per cent of my time focused on sales, although I have never been a salesman."

MacDonald says that he has a 'leadership adage': "Your biggest strength becomes your biggest weakness. In my case it was finance. I can, as CEO, skate in and out of finance issues, but I realised I had to let go of finance to do the CEO job properly. When people come out of finance roles they can focus on containing risks, not seeking growth – you have to recognise that in yourself. Controlling costs can also have a boomerang effect. We live in a world where there is definitely more short-



termism, and while CFOs understand the dynamics of capital markets, CEOs have to drive Boards to be more concerned with long-term growth."

All rise: here's the new CEO

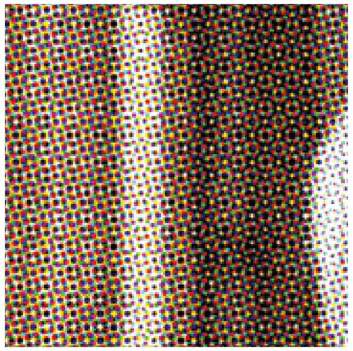
Hüseyin Geliş is CEO and President for Siemens Turkey. He's been with Siemens for 39

years and has been a CFO with the group in Canada and India, prior to taking over the Turkish CEO role in 2007. In 2005 he was nominated by *Business Today* as one of the top 10 CFOs of the Fortune 500 companies in India. The background of an international career, together with deep and lengthy experience of Siemens as a global company, clearly meant that he fully understood both the business and the people before he took the top role in Turkey.

"I have had a very broad portfolio as a CFO, in-depth involvement in all kinds of business activities. I think it's important that a CFO should be from a purely accounting background, but from an operational perspective too. In the last 20 years there has evolved a heavy emphasis on process efficiency, and that typically involves a good CFO. The CEO has, in the end, overall responsibility for the business, but the CFO is in a key supporting role. It's the CEO who needs to understand the soul of the company. I have always enjoyed the processes of the company in their entirety, not just a single function – after all, we are all involved, it's more like a chain. As a CEO you have to motivate people, you have to understand the market and the customer. I think that creative innovation was always my strength."

Burak Başarir is CEO of Coca-Cola Içecek (CCI) in Turkey, the fifth-largest bottler in Coca-Cola in terms of sales volume. He started his professional career conventionally enough, as an →

auditor with Arthur Andersen, before joining CCI in the finance department. He leads a workforce of 10,000 and oversees 23 plants. He took over as CFO with CCI in 2005 and was appointed CEO in January 2014. He says that he was "very lucky during my tenure as CFO [because] we did the IPO of CCI, where I played an integral role. This



kind of experience is very rare, not many CFOs have such an opportunity." He agrees with many of those interviewed here, that a CFO who eyes the CEO role needs broad experience: "If I hadn't spent a considerable amount of time on the commercial side of our business, I might not have been a good fit to lead our largest operation, Turkey, and thus probably wouldn't be at the helm of the company as I am now." For him, "a CEO should have a high level of energy and strive for continuous development".

At the start of the millennium a series of corporate scandals – in which billions of dollars were lost – took place, in which a combination of fraud and greed on the parts of CEOs, CFOs and other senior executives aroused ire among the general public and policymakers. New regulations were passed, including the Sarbanes-Oxley Act (passed by the US Government in 2002 and which set new or enhanced standards for all US public company boards, management and public accounting firms.), which brought the CFO firmly into the boardroom. In so doing it created a much more even balance of power between CEO and CFO. This evolution is happening so fast that the available evidence usually has a significant time lag. For example, a survey published by the *Harvard Business Review* in Jan-Feb 2010 on the 'Best-Performing CEOs in the World' contained the surprising fact that none of the top 20 CEOs was previously the CFO of the company. That is likely to change; perhaps it is already changing.

The reason why we are confident that more and more CFOs are going to make it to the top-dog position in the future is that the objective nature of the way 21st-century companies need to operate is likely to dictate that. The CFO today is at the epicentre of corporate life as never before. Ross Woledge, Principal, CFO Practice Leader with Odgers Berndtson in Canada, says: "Diversity of experience can often make the difference if you are a CFO coveting the CEO chair. It's clear that the CFO is expected to play much more of a commercial role today. It's no longer acceptable to be cooped up in your office. You need to be a visible presence both inside and outside the organisation."

This necessary breadth of experience is highlighted in *The Chief Financial Officer: What CFOs do, the influence they have, and why it matters*[4], published by *The Economist*, where author Jason Karaian makes the point that the evolution in the CFO role is symbiotic; it's not just the CFO function that has expanded and is far more influential today than ever before; this is also reshaping the way companies work. Companies increasingly rely on big data to determine all manner of things, and the CFO occupies the commanding heights of data. The CFO is charged with interpreting this ever-expanding data and is assumed to have all the answers. This gives them a much higher profile, both on the Board and beyond. This is perhaps the perfect background to mount a challenge for the CEO position. Exceptional listening, talking and communication skills are today a *sine qua non*, as is a capacity for building strong teams, calling for a talent for collaboration and empathy; both 'soft' (emotional intelligence) and 'hard' (understanding of IT and data, not just numbers) skills are

> "Diversity of experience can often make the difference"

increasingly expected from the CEO.

Don't be afraid to improvise

In June last year the *Wall Street Journal* interviewed Indra K. Nooyi, Chair and CEO of PepsiCo, who was formerly the company's CFO. Her interview both explained why CFOs have become more attractive to Boards for the CEO role, and the challenges that lie ahead for anyone contemplating the step up: "The reason CFOs became considered for CEOs at all is because regulations, Sarbanes-Oxley, confused the hell out of boards and CEOs. And the world has become more complex; transformations have to be done of companies. People have often said being a CEO is like conducting a symphony orchestra. The problem is that CEOs don't have music that's given to them with a set structure; we have to make up music as we go along. In many ways, being a CEO is like leading a jazz orchestra. You improvise ... CFOs tend to be good at a [structured role, like playing in a traditional symphony], and when [CFOs become CEOs] you move to a jazz structure."

From bean counter to jazz aficionado – what could be easier? ■

NOTES

1 *Developing the CFO of the Future*: Odgers Berndtson and the Rotman School of Management, University of Toronto
2 *Ibid*
3 *Ibid*
4 Published by *The Economist* and Profile Books, February 2014

Leading by example

Chuck Jeannes, President and CEO of Goldcorp, talks to *OBSERVE* about being prepared to take risks, 'putting the elephant on the table' and changing perceptions of the mining industry

"For some time I had thought that I'd love to find an opportunity to run a gold mining company, I just never dreamed it would be the largest senior gold mining company [by market capitalisation] in the world," says Chuck Jeannes, President and CEO of Goldcorp.

In Jeannes' case, reaching that position involved a combination of dedication mixed with an uncanny ability to take calculated risks, or as he modestly puts it "a great deal of hard work, but also a lot of good luck and opportunities that became available at the right time".

Born and raised in Nevada, he practised law until in 1995 his client Placer Dome, a large mining company headquartered in Vancouver, offered him the opportunity to leave the legal sector and move into what he describes as "more of a general management position". That position was Vice President, General Counsel and Corporate Secretary in the North America region.

It was a move that even today he describes as a big risk involving a large pay cut. "If you're not willing to take risks you're not going to be successful in business," he reaffirms. A point that he proved again just four years later by leaving Placer Dome for Nevada-based Glamis Gold.

Glamis was a small business, challenged during a period when gold prices were plunging below $300 per ounce following a steady decline since the 1980s. "Chuck's first assignment was to save Glamis' New York Stock Exchange listing because our share price was touching $1," says the then CEO of Glamis, Kevin McArthur. "In the next seven-year period he was instrumental in four mergers. We built five mines... and our share price went from $1 to $56."

"The gold industry is tough," says Jeannes. "You have to be strong enough to compete in other ways. I realised that you're competing for assets and people as much as anything else, so the way you structure your business is vital if you are to be successful."

Structure and a strong, focused strategy is what Jeannes has given Goldcorp. Under his direction, the company has grown into a highly successful gold producer, with mines in Canada, Mexico and Central and South America and a market capitalisation of more than $23 billion. It is strong testimony to his ability as a leader.

"It's very easy to list all of the typical points you'd see in a business book," he says, "but to me there are certain things that are absolutely fundamental to being a good leader. First and foremost is to always lead by example.

"I'll never ask anyone to operate in a way that I don't. Whether it's working hard, acting ethically, treating people with respect or working with open and frank communication, you cannot reasonably ask others to do any of them if they don't see you doing them as well."

It is an open and honest approach to business that he encourages throughout Goldcorp, extending to weekly meetings for 'putting the elephant on the table'. "It's absolutely vital to have a transparent environment in a business in order to be successful," he says.

"Lack of communication stifles success and hinders improvement so I try very hard to create a setting where people are comfortable putting their grievances on the table. The fact that we get those issues out, discuss them and resolve them has had a lot to do with our success."

But success doesn't just come from communication. Since being CEO of Goldcorp Jeannes has followed a dedicated strategy of growth through acquisitions funded by the sale of non-core assets. He often says that he wants Goldcorp to be the best company not the biggest, and is not afraid to →

> I'll never ask anyone to operate in a way that I don't
>
> CHUCK JEANNES, GOLDCORP'S PRESIDENT AND CEO

PHOTO: ©GETTY IMAGES

GOLDCORP

The world's top senior gold producer by market capitalisation in the world with operations and development projects located in politically stable countries throughout the Americas.

Operating assets include four mines in Canada, three mines in Mexico and four in Central and South America.

Goldcorp also has a pipeline of projects including the Cochenour project in Ontario, Canada and the El Morro project (70 per cent interest) in Chile.

Committed to responsible mining practices and delivering sustained, industry-leading growth and performance.

To achieve this Goldcorp is focused on six key attributes: quality growth; low cash costs; cost management; maintaining a peer-leading balance sheet; operating in regions with low political risk; and conducting business in a responsible manner.

Above: Goldcorp operates mines in Canada, Mexico and Central and South America

Right: One of more than 19,000 Goldcorp employees worldwide

lose underperforming assets. This has enabled the business to finance further growth without taking on significant debt.

However, Jeannes believes that production of gold may have hit its high point as easy-to-mine deposits become harder to find. "We're going to see, in my view, 'peak gold' very soon," he says. "Whether it is this year or next year, I don't think we will ever see gold production reach these levels again. There are just not that many new mines being found and developed."

Nevertheless, he is devoted to the ongoing success of the sector. He is a member of the board of trustees of the International Council on Mining and Metals, and a director of the World Gold Council and the US National Mining Association.

"It's a 24-hour job that you're never fully away from, but it's really important to still find time to do things that keep you fresh," he adds. Getting away involves staying active. At the time of speaking he had recently returned from a fly-fishing trip to the Bahamas. "I have my own boat, which I love to take out into the middle of nowhere and get away from everything for a while. It allows me to come back refreshed and ready to go again."

For Goldcorp he highlights "people as one of our core strategies. Once you've identified that as being important to the success of your business you have to find the best way of getting those individuals."

This means working with universities and institutes, and participating in Odgers Berndtson's CEO × 1 Day Programme. This matches students with CEOs for a day to shadow them and apply learned skills to a real-world situation. For CEOs it is an opportunity to nurture promising future talent.

"Quite simply, I want to attract the best and brightest that is out there," he says. "I don't want them to go and work for Apple, I want them to come and work for Goldcorp. And if I can participate in something where I may change perceptions, encourage the next generation of leaders and gain us some positive feedback then that is very important to me."

Changing perceptions is important for the mining sector, which Jeannes says "is still viewed as an old or dirty industry, which isn't true." He also wants to challenge another common misconception of mining being traditionally male dominated, hence the creation of 'Creating Choices', Goldcorp's company-wide development and mentorship programme for women.

It's of particular importance in some of the regions in Goldcorp's portfolio, such as Latin America, where Jeannes says "women would never dream of moving up in an organisation given the societal and industry norms that they're used to. We want to break those norms and say that if you want to receive training, career development and support then we will provide it and you will advance. It just makes absolutely no business sense to ignore half of the population.

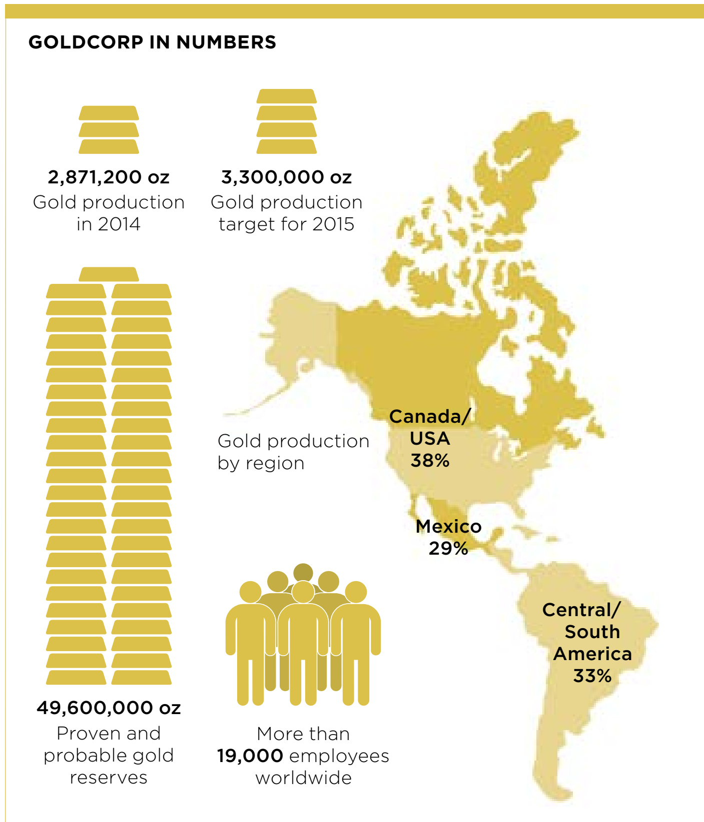
"We're very proud of the programme and of the 1,400 women who have passed through it, and we've seen absolute results," he continues. "Many women have progressed in the organisation in ways that I don't think they would have without 'Creating Choices'. We have three women on our board and we've committed to adding more by 2017. I'm also encouraging some of our senior female executives to serve on other boards. There's a big gap out there and a real lack of talented women on mining industry boards, and we're never going to fill that gap if guys like me don't try and change that."

According to Jeannes it is "about changing the industry's view", and includes simple points such as making it mandatory that a head-hunter provides women candidates when recruiting for a new position.

So just what does he look for when hiring for Goldcorp? Perhaps unsurprisingly, he says "it all goes back to open communication. When I interview I want really good honest, fulsome and frank answers, not the canned replies you so often expect in interviews. In order to do that, I often ask questions they would never have planned for, something off the wall."

His favourite interview 'curveball' is asking the candidate what they are bad at. "They're never prepared for it and you can really tell if they're being honest," he says. "I'll always be immediately suspicious of anyone that says they can't think of anything they're bad at, as nobody is great at everything. Simple things that can give you so much more information about someone."

Indeed, Jeannes says that you have to be critical of yourself to lead. "Being a leader is to exist in a goldfish bowl," he says. "Every aspect of how you conduct yourself and what you achieve is visible." To date his conduct and achievement have earned Goldcorp the position of the world's top senior gold producer by market capitalisation, so it would be hard to understand what he is bad at. ■



SPACE THE FINAL FRONTIER

Gone are the days of cramped cubicles – today's workspaces can be both inspiring and original, as ANTHONY FFRENCH-CONSTANT discovered

To the many of us bemoaning the battery-farm ranks of cramped cubicles that still comprise the working environment of all too many hen-pecked office employees the world over: spare a thought for the poor soul who, since the very inception of same, has been so erroneously held responsible.

In 1964, while working for Herman Miller in Ann Arbor, Michigan, inventor Robert Propst designed the Action Office furniture system. Based on the principal tenets of openness and flexibility, the system perfectly encapsulated the designer's utopian idea that office workers could shape their own space, and have some level of privacy in an open environment.

That a white Propst-designed roll-top desk takes pride of place in the space station lobby in Stanley Kubrick's 1968 film *2001: A Space Odyssey* is, perhaps, the most fitting testament to just how far ahead of its time Action Office 1 was. It even featured a standing desk decades before a consensus began to consider this a good idea.

Though beautiful, however, Action Office was expensive and difficult to assemble, and sales were poor. The simplified Action Office II followed, and was an instant success. Unfortunately, the flexible partitioning integral to this new system was to prove the inadvertent culprit that so unjustly afforded Propst the sobriquet 'Father of the Cubicle'.

In truth, his design placed the partitions at 120 degree angles and allowed them to be shaped at will for meetings; a system to accommodate, not determine, the work undertaken.

And it was actually the advent of the personal computer that saw his vision of adaptability and rapid change in the workplace ruthlessly discarded in favour of the fixed, serried ranks of the 'cubicle farm'. Indeed, towards the end of his life he himself stated: "The cubiclising of people in modern corporations is monolithic insanity."

How ironic, then, that the advent of wireless connectivity should once again free office workers from the constraints of any single workstation and afford Propst's utopia the opportunity of an increasingly rampant global renaissance. Today, employees are increasingly looking for ever more flexible ways of working...

In a recent article, Tim Oldman of the Leesman Index (which measures workplace effectiveness) suggests that shared space is the future of the workplace; that the modern office has to adapt to the idea that people want the option of a desk or shared workspace, working from home or even from a client's facility.

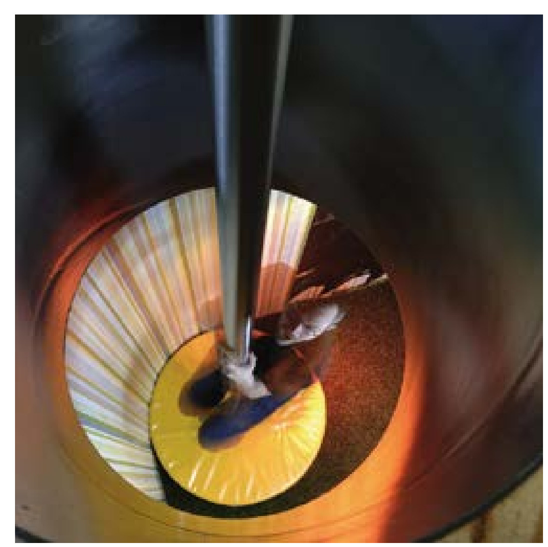
Oldman quotes one interviewee who suggests that employees will treat the office as a hive – leaving to go to other work places, co-worker hubs, etc, before returning to the hive and the collective for certain core tasks and duties and, above all, to work as a team. And this calls for more engaging, rewarding spaces that aim to attract their fleeting customers...

With offices around the world, **Google** is one of the first companies to embrace such thinking, striving to attract employees back to the hive through one fundamental design principle: to create a space that promotes creativity.

Designed by architects Camenzind Evolution within the entirely pragmatic shell of an old brewery, its **EMEA Engineering Hub** in Zurich all too vocally announces that Google is not a conventional company, and does not intend to become one. Here, the 'Zooglers' participated in the design process to create their own local identity.

Hence, while personal workspaces remain relatively neutral and functional, communal areas offer a witty riot of colour, form and space diversity to stimulate creativity, innovation and collaboration. Within colour-coded floor levels, the office areas mix open-plan workspaces with smaller office enclosures, the glass partitions of which combine transparency with privacy.

Standard meeting rooms aside, numerous informal meeting areas reflect the growing importance placed on a 'nook' to which those who have a chance encounter on stairs or at the coffee machine can retire for semi-private conversation. Many incorporate the theme of the floor; hence igloo satellite cabins with penguins, and original ski-lift gondolas set in a snow-scape.



Work and play are not mutually exclusive (as Google puts it 'it is possible to code and pass the puck at the same time'), so communal areas and 'micro kitchens' are deliberately dispersed throughout the building to encourage Zooglers to circulate, fireman's poles provide a rapid link between floors, and a steep slide affords the hungry instant access to the cafeteria from the floor above. →

Within the equally unprepossessing framework of an old shipbuilding factory, Canadian firm Sid Lee Architecture has adopted a similarly bold approach to **Red Bull's Amsterdam** headquarters.

"To design the inner space, we aimed at retrieving Red Bull's philosophy," says Sid Lee Architecture's Jean Pelland, "dividing spaces according to their use and spirit, to suggest the idea of the two opposed and complementary hemispheres of the human mind; reason versus intuition, arts versus industry, dark versus light, the rise of the angel versus the mention of the beast."

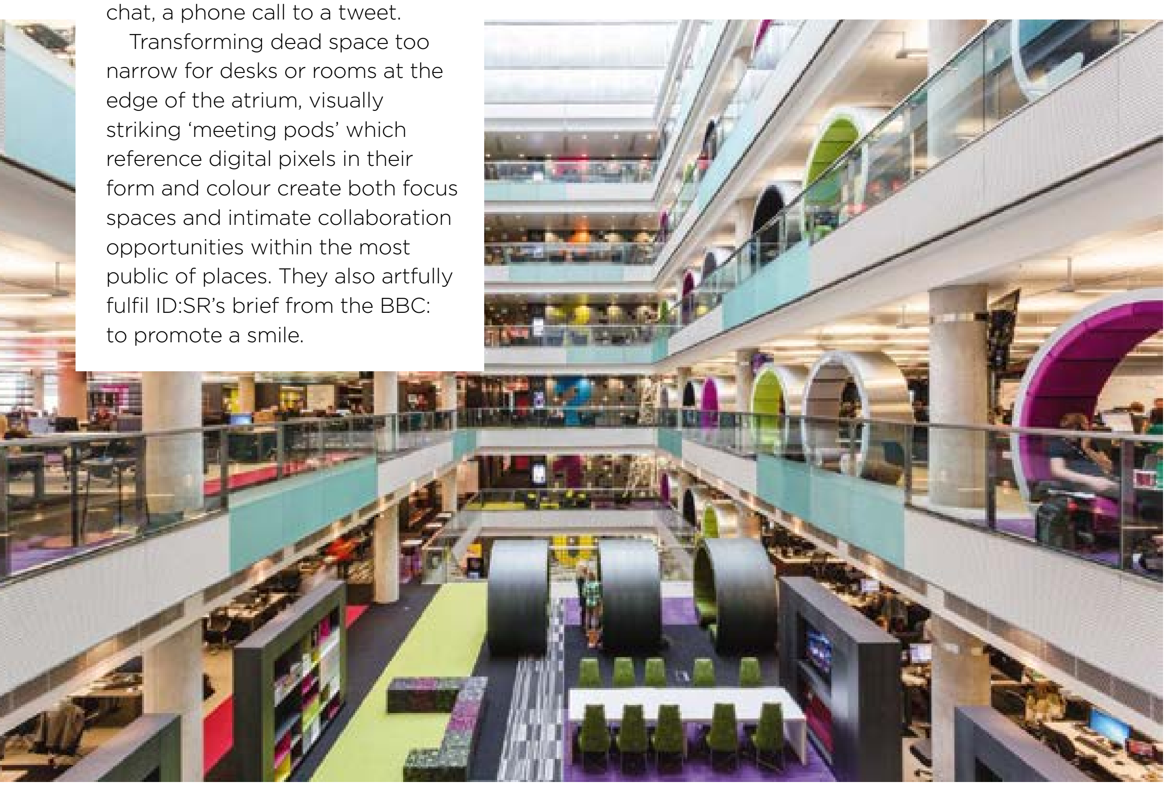
In other words, this extraordinary space of powerful, ostensibly random geometries aspires to combine the brutal simplicity of an industrial building with Red Bull's call to arms – the invitation to perform.

Open to interpretation as mountain cliffs, skateboard ramps, chunks of steel cut from the hull of a ship... the aggressively angular black and white niches, bridges and mezzanines merely compartmentalise the space, rather than dictating its function, a perfect reflection of the flexibility and variability inherent in modern office working practice. And yes, the gentlemen's urinal does come complete with a set of mosaic wings...

At **BBC North** headquarters in Manchester, north west England, ID:SR architects worked with the BBC to create a design solution that would allow the latter to work more effectively and creatively in less, more efficient space.

The result of months of exhaustive interviewing, input and people profiling, the building is amenity– rather than desk-centric. So the 'Velcro and wheels' flexible workplace provides a wide diversity of settings tailored to every conceivable activity from a team meeting to an informal chat, a phone call to a tweet.

Transforming dead space too narrow for desks or rooms at the edge of the atrium, visually striking 'meeting pods' which reference digital pixels in their form and colour create both focus spaces and intimate collaboration opportunities within the most public of places. They also artfully fulfil ID:SR's brief from the BBC: to promote a smile.

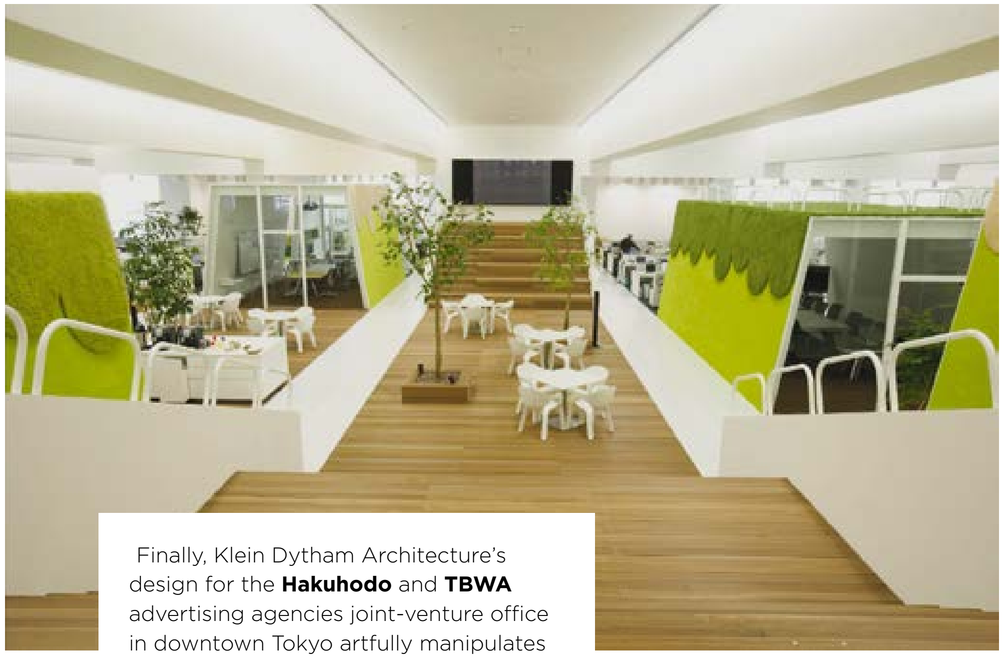


In Fort Worth, Texas, the VLK Architects-designed offices of global digital marketing agency **iProspect** showcase the fruits of further workspace research. Several studies over the last couple of years have identified that curvilinear – as opposed to rectilinear – furniture may be linked to positive emotions, which are known to be beneficial to creativity and productivity.

Moreover, people rate curved, rounded environments as more beautiful than straight-edged, rectilinear spaces, the former triggering more activity in brain regions associated with reward and aesthetic appreciation. To that end, an oval conference room known as the 'brain room' dominates this open-office concept with both walls and furniture therein designed as both projectable and writable surfaces.

DEGW's new headquarters design for French telecommunications company **Alcatel-Lucent** is a further, striking example of curvaceous workspace design, here allied to the results of a further study on the psychological effects of ceiling height.

A higher ceiling was associated with feelings of freedom, together with a more abstract and relational thinking style that helped study participants see the commonalities between objects and concepts. →



Finally, Klein Dytham Architecture's design for the **Hakuhodo** and **TBWA** advertising agencies joint-venture office in downtown Tokyo artfully manipulates colour and light to transform a defunct bowling alley into a thoroughly engaging workspace.

Rather than negating the building's original function, the architects embraced its linearity, designing the office layout in conjunction with the predefined alleys. Under soft, indirect lighting (a dimmer environment deemed to foster superior creativity), white central walkways mimic the overhead structure, while whimsical project, meeting and directors' rooms are scattered throughout the space. The colour green is shown to enhance performance on tasks that require the generation of new ideas, so Astroturf-ed 'shelters' emerge from the wooden floor like small grassy knolls covered in soft moss.

The additional use of trees, exterior furniture and materials and forms that reference nature creates a highly socially orientated 'outdoor' space at the heart of one of the world's most crowded urban conurbations, designed to imbue employees and visitors alike with the feeling of strolling through a park and happening upon a friendly stranger.

Those that baulk at the price of affording their staff such engaging and stimulating workspaces should bear in mind that 80 per cent of the cost of an office is its employees, not the workspace itself. So, if you wish to breed loyalty in a hive the individuals of which no longer have an absolute need to work on the premises at all, it is, surely, worth making their environment as appealing as possible. ■

Buildings referenced:
Google EMEA Engineering Hub, Zurich, Switzerland
Red Bull Netherlands, Amsterdam, Holland
BBC North, Manchester, England
iProspect, Forth Worth, Texas, USA
Alcatel Lucent, Milan, Italy
TBWA/Hakuhodo, Tokyo, Japan

Reputation management

The world is watching

Reputation management in the digital age has presented a host of challenges to businesses

The management of corporate reputation is facing unprecedented challenges in the digital age. The internet and social media are being used in increasingly sophisticated ways to share ideas, draw attention to issues and to mobilise public opinion as never before. Anyone can now broadcast their views instantly and globally, and greater expectation for transparency sees companies facing growing scrutiny by regulators, activists and NGOs, customers and employees.

Years can be spent building a strong brand and yet its reputation can be shattered in a single moment in one sweep of online comments, and many companies still fail to understand the damage that poor online reputation management can do to their business, choosing to be reactive rather than proactive in protecting their brand. If you still think your online presence is secure it may be time to reconsider.

Digital technology has "democratised the conversation, massively changing the corporate reputation landscape", says Andrew Grant, founder of leading financial communications advisory firm Tulchan Communications. "Anyone from anywhere in the world can now talk publicly and visibly about a company and it only takes three or four retweets for something to cause considerable reputational damage. Unfortunately it is often the dissatisfied that speak the loudest."

The relationship between the power of social media and a brand's overall reputation has been experienced by many businesses, as Ed Coke of The Reputation Institute, the world's leading research and advisory firm for reputation, explains: "A great example of this is Ryanair, the Irish low-cost airline. The company has a well-documented resistance to enhancing its reputation, and arguably continues to suffer from online campaigns such as 'I Hate Ryanair'. Although our research shows that Ryanair regularly under-performs when indexed against the reputation of other companies, this consumer perception is formed from direct experience and mainstream media as well as social media.

"In Ryanair's case, since it has begun to focus more on reputation management over the past few years, we've seen improvements in its position," he adds. "Typically, the more negative social media campaigns against brands are in response to inauthentic actions undertaken by companies, with Twitter Q&A sessions such as #AskSeaWorld or #BeachBodyReady from Protein World recently prompting backlashes."

Interestingly, but in no way linked is United Airlines, which experienced this

first hand in 2008 when it broke the guitar of singer/songwriter Dave Carroll. The ensuing customer service disaster, during which Carroll tried unsuccessfully to win a claim for his instrument, resulted in him writing a song, producing a music video and sharing it online via YouTube and social media.

'United Breaks Guitars' spread rapidly and to date has received more than 14 million views. A Google search of the term 'United Breaks Guitars' brings more than two million results and it is estimated that within four days of the video being posted online United Airlines' stock price dropped 10 per cent, costing its stakeholders around $180 million.

"All it takes is one major issue to destroy a reputation," says Samsung's European Communications and Digital Director, Greg Dawson. "There are constant threats to any organisation and you'll find numerous examples of brands that have been highly successful only to be derailed by a single crisis."

And it's not just the sharing of information that poses a threat to corporate reputation. There has also been an alarming rise in cyber-crime. "Companies must be aware that there are organisations out there with the sole purpose of sourcing public information about them, collating it and damaging them or gaining a competitive advantage," says Tulchan's Andrew Grant.

Energy company Shell was the unwitting recipient of a 'cyber hijack' in 2012. In an elaborate hoax from →

ILLUSTRATIONS: MATTHEW RICHARDSON

Reputation management

Greenpeace and The Yes Lab a fake website, Arctic Ready, was created along with Twitter and Facebook accounts designed to increase awareness of Shell's contentious Arctic drilling programme.

The full-blown online assault used social media, online video and gaming to publicly humiliate the company. The accompanying 'Let's Go!' campaign used a series of adverts including a picture of its Noble Discoverer drilling rig, which had suffered an earlier incident, with the caption 'Let's Hit The Beach'.

"There is now widespread acceptance that reputation, good or bad, has a tangible impact on business and organisational performance," says Kate Hamilton-Bailey, Head of the Corporate Communications Practice at Odgers Berndtson. "Top talent in this field must be both strategic and intellectually agile. Good judgement still remains key. The best are able to see the bigger picture and develop a long-term integrated plan, as well as being able to make decisions quickly under pressure and at pace, understanding multiple viewpoints and communicating through numerous and varied channels."

Effective reputation management relies on identifying risks and assessing their magnitude. According to Samsung's Dawson the company has a reputation management programme that comprehensively addresses every aspect of the business. It includes daily news and media monitoring for short-term/crisis response; weekly cross-functional reputation; monthly reputation meetings incorporating proactive programmes; and a quarterly reputation leadership steering group involving the European CEO and reviewing performance of the existing reputation management programme.

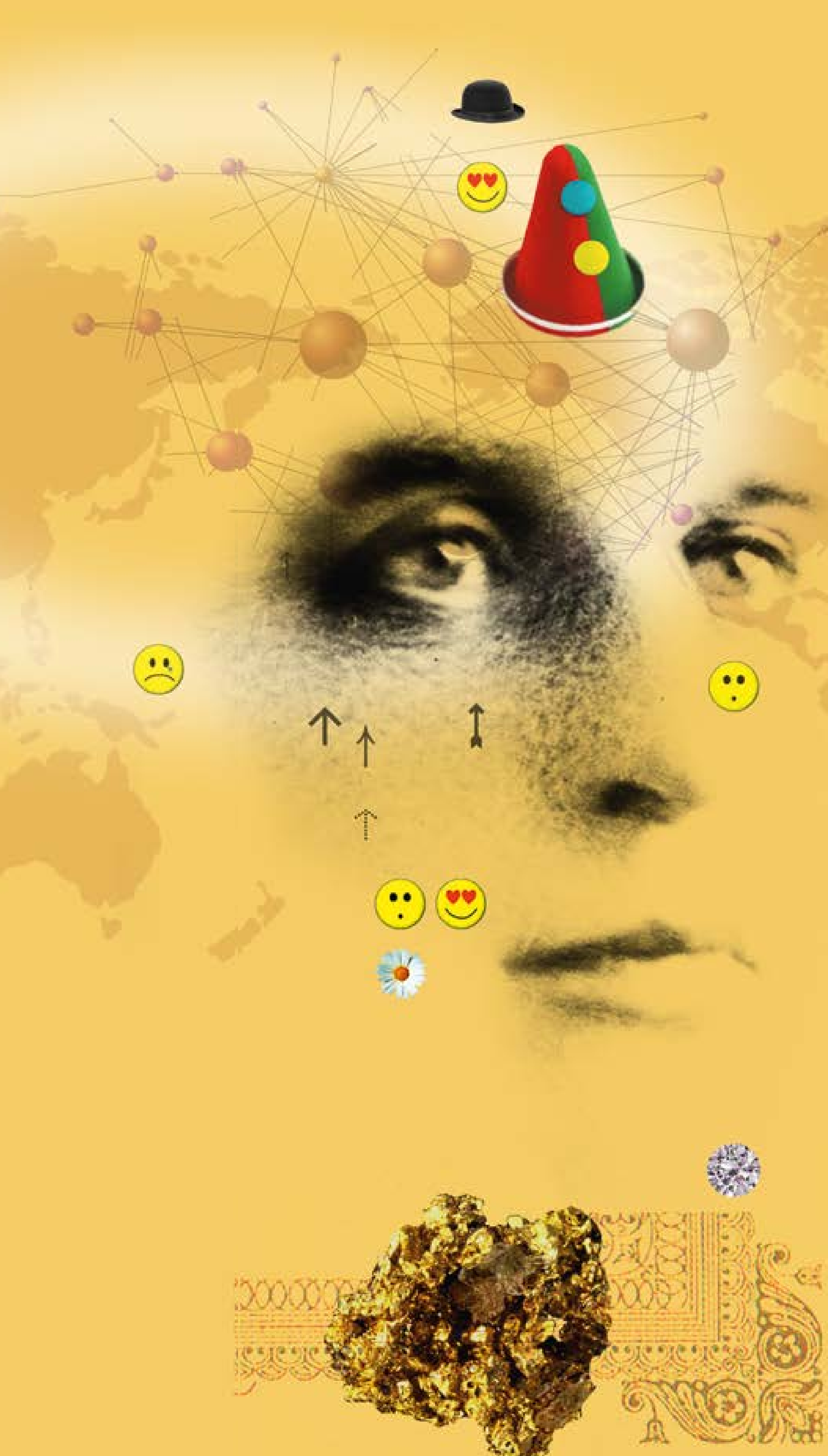
In doing so Samsung creates an ongoing dialogue with its customers on what they expect from the business, not just regarding products but also Samsung as a company. It uses this insight to develop communications programmes accordingly. It's a strategy that is clearly working. The company jumped from 43rd in 2011 to tenth place in 2014 on a list of the world's most reputable companies, collated by The Reputation Institute.

Incorporating your online or digital presence into any reputation programme is essential, as Joanna Manning Cooper, Director of Marketing and Communications, England Rugby 2015 and previously Head of PR/Media for LOCOG, Organising Committee for the London 2012 Olympics and Paralympic Games, explains: "London 2012 was the first truly digital Olympic Games and Paralympic Games – Games in the Twitter era.

"We had a fully integrated digital and social media strategy and plan, and a dedicated digital team responsible for building our web and social media platforms, developing content, and monitoring social media," she adds. "It's vital to have an online reputation management plan that operates in real-time, monitors opinion and responds or rebuts appropriately.

"We built an integrated communications strategy and plan that was shared by all our stakeholders and drove our communications and PR throughout the build-up to the games. Proactive campaigning and communicating all our milestones and stories was underpinned by the need to build confidence in the Organising Committee and keep the public updated on all elements of the large, complex Olympic project."

Sporting events such as the Olympics perfectly illustrate the global nature of online reputation management. What is said about you today in London, for example, can impact your business



around the world tomorrow. Similarly, certain practices that are acceptable in one region, such as poor labour conditions, can be quickly picked up and shared to generate negative PR.

Aldo Ligouri, Global Corporate PR Director of public Japanese retail holding company Fast Retailing Group, based in Japan, elaborates: "It's vital to understand the cultural sensitivities of a particular region, whether it's religion, politics or education. In Japan, for example, corporate reputation severely influences how customers think and act towards a business. Japan has a very high level of appreciation for quality unlike any other I've worked in. For Japanese customers anything of low or questionable quality is looked down upon, which is particularly challenging for companies entering the Japanese market.

"Consequently we spend considerable time understanding the importance of reputation, particularly online," he adds. "In Japan there is a high sensitivity to news, both digital and via more traditional media and it can carry significant weight for a business. It's important to consider that regardless of the fact that we are headquartered in Japan we are a global company and it's vital that we respond and react quickly and transparently to balance any negative press."

David Webber, Partner in the Odgers Berndtson Brussels office responsible for EU and public affairs assignments, believes that a strong focus on government affairs and lobbying can act as an insurance policy that helps to mitigate risk and safeguard reputation. "Everything is now instant and global, and transparency is the new rule," he says. "Government affairs professionals need to be closer to the core of the business and talking directly to the CEO and board in order to implement rapid and global actions in a transparent →

manner that is both credible and legitimate."

If companies are fully prepared to engage with their online reputation and take a proactive approach then there are significant opportunities to be found, as David Crundwell, SVP Global Head of Corporate Affairs at Thomson Reuters, argues: "We need to stop talking about 'digital' or 'social' as if they are special; they are now the norm. Quite simply it is much easier to manage reputational risk effectively today than it was in the past because multiple channels give multiple online options. Being successful requires access to great data, a decisive mindset and a real empathy for your audiences globally."

"Reputation can actually be seen and managed by numbers in the digital age," adds Samsung's Dawson. "There are tools that manage it by the second and provide visibility through a five-year programme, for example. Companies can be in control of their online reputation by having the correct monitoring, reporting and management team to review and respond."

For Tulchan's Andrew Grant, managing reputation is "essentially about performing against expectations. You need to ensure that the market understands your business and that you can instil confidence in the abilities of the management to deliver. I advise identifying the expectations of all parties that you deal with and actively ensuring that your reputations and actions meet those expectations."

Meeting expectations? It sounds simple. The truth is that with the correct strategies in place it is possible to manage your reputation in the digital age. Companies need to work hard to take control of their online brand identity; monitor social media and use them accordingly; be transparent and always act professionally; and ensure it's an approach taken from the board room down. Never underestimate the cost of a poor reputation. Whatever the size of your business or the sector you work in, people are talking about you right now. If you think it's something you can ignore it's time to think again. ■

The science of altruism

DONALD PFAFF, Professor of Neurobiology and Behaviour at The Rockefeller University and DR SANDRA SHERMAN, on how a natural tilt towards altruism can be critical in business

In *The Altruistic Brain: How We Are Naturally Good*, I describe the neuronal mechanisms that predispose humans to behave empathetically towards each other, irrespective of religious or cultural determinants. The brain processes that underlie this mechanism are well understood theoretically, and together constitute a default "wiring" that prompts us – without thinking – to offer help, display kindness, and even risk our well-being to mitigate another's distress. My position is that evolution favoured altruism because it was crucial to our survival as a group.

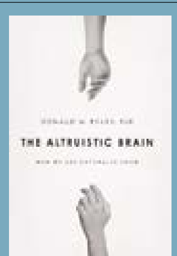
Of course, for a neuroscientist it is enough to explain this brain circuitry, leaving others to consider how – and whether – it applies in the complex world we now inhabit, thousands of years since homo sapiens' brain developed. But in *The Altruistic Brain* I bridge the gap between natural and social sciences, and demonstrate how a natural tilt towards altruism can be critical in such hard-nosed pursuits as business (and its newest offshoot, e-commerce).

Take for example the element of trust. As Nobel laureate Kenneth Arrow has observed, "Virtually every commercial transaction has within itself an element of trust." On a less lofty plane, the Better Business Bureau declares: "Start with Trust." Yet while both these formulae pivot on trust, their semantics are somewhat wobbly, and beg the obvious question – how do arm's length actors establish trust, since they are strangers forced by their situation to rely on each other's promises? One way is to jump-start the process, and accept that most people, indeed the vast majority, will act in ways that are worthy of trust. That is, they will naturally be motivated to appreciate each other's position, and will perform accordingly. They will be honest out of empathy.

In fact, as I wrote the book we interviewed Colin Rule, who helped devise eBay's dispute resolution procedure. Rule was emphatic that eBay's founder, Peter Omidyar, started from the premise that users of the service would trust one another since "people are basically good". Incredibly, deep in the heart of capitalism, where self-interest is the norm, Omidyar starts a whole business based on one person's acting out of concern for another. eBay now has millions of users, and Rule reports that 99 per cent of the transactions proceed without a hitch.

In '*Reflections on an Initial Trust-Building Model*', D. Harrison McKnight and Norman Chervany studied the trust levels prevalent in e-commerce, and came to the startling conclusion that they are actually improved by distance and the lack of prior relationship. That is, the parties' natural trust has no major obstacles and therefore simply governs. The parties assume each other's good will.

Altruism, empathy and mutual concern allow modern business to flourish, even though ancient brain mechanisms are the motive force. ■



The Altruistic Brain. How We Are Naturally Good by Donald Pfaff with Sandra Sherman is published by Oxford University Press, hardback, price $24.95, £16.99, €23.51. Also available as an e-book

Primed for action

The rise of the shareholder activist has forced some companies to take radical action, as NICK KOCHAN discovered

When the names of Carl Icahn, Daniel Loeb, T. Boone Pickens, Guy Wyser-Pratte or Bill Ackman appear on the corporate share register, alarm bells should ring in the boardroom. These shareholder activists believe they can increase the price of the shares by restructuring the company. They will take no prisoners in the process.

Kit Bingham, Head of the Chair and Non-Executive Director Practice at Odgers Berndtson, says: “They deliberately take positions in companies that are undervalued. They seek to unlock the value through a governance-led activist campaign. This may be around a change of chairmanship, creating sufficient noise to gain press attention. They use their rights as shareholders to agitate for change, the share price goes up and they move on to the next one. These are dedicated activist vehicles with a hedge fund-type approach.”

The noise made by activist funds greatly outdoes its size. Their combined assets →

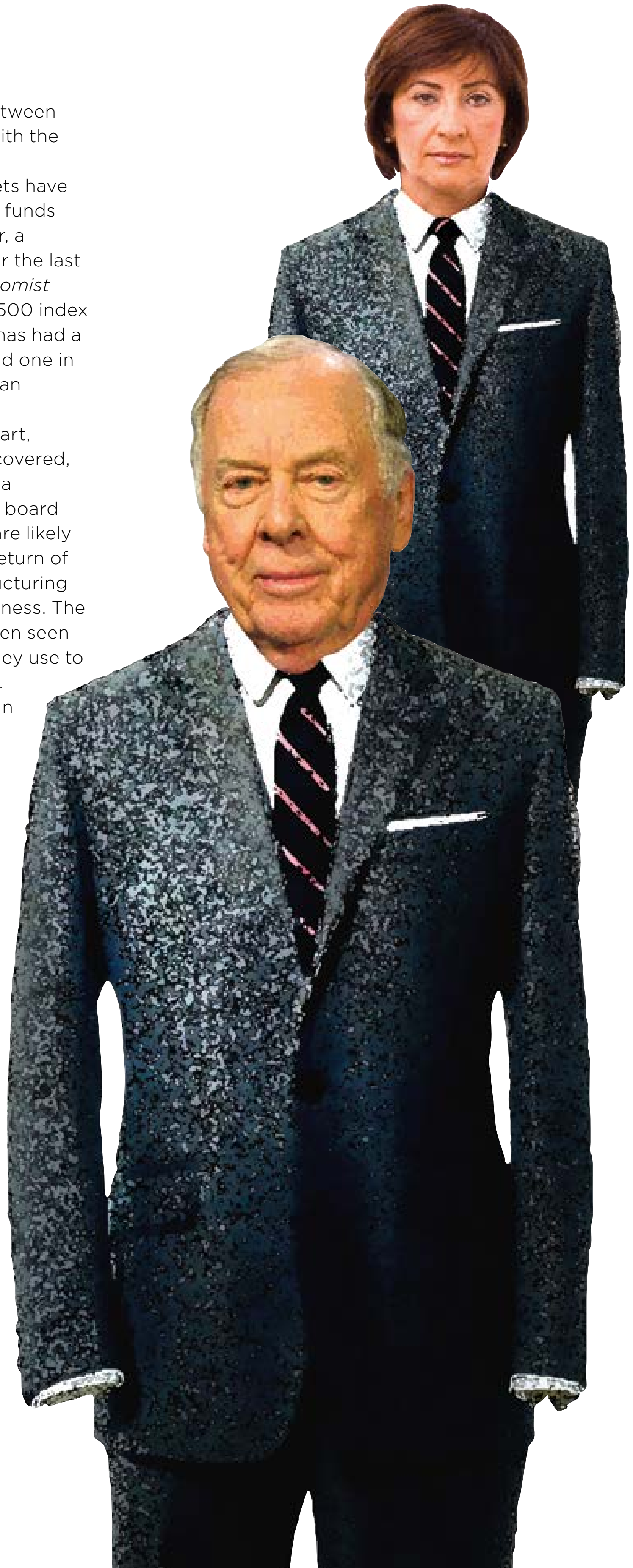
under management are estimated at between $75 billion and $100 billion compared with the $2.5 trillion hedge fund industry overall. However, their supporters say their assets have grown faster than hedge funds. Activist funds are running some 340 campaigns a year, a number that has doubled each year over the last three years. According to a recent *Economist* article, one company in two in the S&P 500 index of America's most valuable listed firms has had a big activist fund on its share register, and one in seven has been on the receiving end of an activist attack over the last five years.

As Apple, Microsoft, Herbalife, PetSmart, Procter and Gamble and Ebay have discovered, activists need only take a small stake in a company, before they start pressing for board discussions or a board seat. Then they are likely to make their demands. This may be a return of cash to shareholders, a corporate restructuring or the sale of non-core parts of the business. The strategies that activists promote are often seen by the boards as sensible. The means they use to promote them may be less comfortable.

Daniel Loeb, the CEO of Third Point, an investment advisor based in New York City, is a notable activist investor. He wrote to one CEO the following: "Since your various acquisition and operating blunders have cost unit holders approximately $570 million in value destruction, I cannot understand your craven stance with respect to shareholder communications."

The constructive activist

Other activists work much more discreetly. GO Investment Partners, an independent partnership managing constructive activist investment funds in Europe and Japan, seeks to make changes by working with managers, rather than against them. GO CEO, Steve Brown, says: "We are constructive activists. We prefer to take a stake in a company and we seek to have private dialogue with board members about what we perceive as strategic governance issues, with a view to being a catalyst to corporate change." Brown cites the case of GO's decision to invest in Lagardere, the French owners of Hachette, the publishers.



A consensual approach

Lagardere, which had already been the target of a long-running campaign mounted by Guy Wyser-Pratte, a noted aggressive activist investor, was about to sell stakes in EADS and Canal+ and reap a windfall. The stock had failed to price in the proceeds of the sales, so timing of GO's involvement was critical. "The market feared that management would blow the money and the stock was nothing like its underlying value. We had a deep dialogue with the key people in the company, and essentially persuaded them to make very public statements about what they would do with the money." Brown persuaded the managers to pay out the proceeds of the two sales to shareholders in the form of shareholder dividends. GO, an investor with $900m under management that invests in mid-size companies, held the stock for three and a half years and obtained a very satisfactory 25 per cent annual internal rate of return.

> "Activists need only take a small stake in a company, before they start pressing for board discussions or a board seat"

The consensual approach is particularly important in Japan, says Brown. GO has a fund in Japan, with 12 investments. "Activist investors will get absolutely nowhere in Japan if they behave aggressively. The board will just put up the shutters. We always have extensive discussions with management before we take a stake. We often end up filtering out many companies as they do not understand our intentions." Guy Wyser-Pratte finds many French companies resistant to the activist message. "The management rarely own many shares in their business and they don't understand the share-owning culture."

Wyser-Pratte, a former American Marine, typifies the more aggressive stance. He has brought the tactics of the battlefield to the boardroom. "When you are an investor and you find a rat's nest, you have to become operational. That is the only way you can save your chestnuts from the fire." Wyser-Pratte aims to gain a board seat in companies where he invests and have a keen operational role in its management.

The Kuka experience

He gave the example of his campaign against the management of Kuka, a German robotics company. "We started investing in the company in 2003. We threw out the first President in 2005 after a shareholders' meeting. Then we replaced the Chairman because he wasn't moving fast enough to restructure the robotics division. Then we brought in a new shareholder and made common cause to increase the pressure on management. We reorganised the company completely." Wyser-Pratte says he sold out of the company's stock after its stock had risen from €11 to €77 in five years. He boasts: "Activist campaigns are not a short-term thing. But this has been called the greatest example of shareholder activism ever in Germany."

While the colourful activists tend to grab and use the headlines for their noisy campaigns, conservative institutions are quietly riding on their coattails to push management along in a similar direction. Kit Bingham adds: "Funds that track the index don't have the option of 'voting with their feet' and selling the shares in an underperforming company. So instead they tell the managers of poorly performing stocks in their portfolio that they need to raise their game. They will not say, this is how you should run your company. But they will ask for a strategic review. These funds do not mount high-profile press campaigns or proxy battles. They push management rather than threaten to oust it. But their goal is the same, to be a catalyst for some strategic action to increase a poorly performing share price."

As more investors adopt the activist approach, the pressure on managers to drive their share prices higher and faster grows ever more intense. The alternative may be a knock at the boardroom door from one of the storied activists and a very harsh and public showdown. ■

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

SINGAPORE: OPEN FOR BUSINESS

ARWEN JOYCE looks at why more multinational corporations have anchored their regional operations in Singapore than any other Asian city

PHOTO: ©NOVARC IMAGES/ALAMY

As Singapore approaches the 50th anniversary of its independence, its reputation as an English-speaking bastion of efficiency and transparency on the doorstep of the world's fastest growing middle class is well established. Most global corporate executives are aware of the country's favourable geographic location and stable economic, legal and political environment even if they haven't flown through Changi Airport or witnessed Marina Bay Sands' nightly laser light show.

It's not a surprise then, that this compact city-state of 5.5 million people with negligible natural resources punches above its weight when it comes to attracting overseas investment: more multinational corporations (MNCs) have anchored their regional operations in Singapore than any other Asian city. This is attributable in part to the Garden City's impressive physical and regulatory infrastructure. Its high quality of life, reliable intellectual property protection and competitive tax regime all engender confidence among MNCs looking for investment opportunities. As Yen Yen Tan, Regional Vice President and Managing Director, SAS South Asia Pacific, puts it, "the Singapore brand equals trust".

While Singapore is undoubtedly an attractive hub thanks to its location, political stability and world-class infrastructure, the government's willingness to engage with and support business has also played a large role in its success. In particular, the Economic Development Board provides incentives and tax breaks to attract MNCs in high value-added industries including pharmaceuticals, petrochemicals and technology.

Jonathan Asherson OBE, Rolls-Royce Regional Director ASEAN & Pacific, who has worked closely with the Singapore government for almost 20 years in addition to serving on the country's Economic Development Board (EDB) for five years, explains: "The EDB is a one-stop shop for MNCs in Singapore. Their support for our technology acquisition and research and development activity influenced our decision to invest and embed capability here." Joydeep Goswami, President of Asia Pacific and Japan for Life Sciences Solutions, Thermo Fisher Scientific, agrees: "The EDB made the decision to do business here even easier by providing attractive tax incentives. They made it →

Yen Yen Tan: Regional Vice President and Managing Director, SAS South Asia Pacific

very clear that they are willing to work with companies." In time, the presence of MNCs and the full cadre of professional support services has created an ecosystem that is able to continually attract new players. Asherson concludes: "If you're in the right sectors and the right industries, it's a great base."

Business leaders from across the industrial spectrum had the chance to reflect on the roots of Singapore's success in late March 2015 as the nation bid farewell to her first prime minister, the influential statesman Lee Kuan Yew. Lee is almost exclusively credited with guiding this small city-state on its path from humble post-colonial trading port to economic powerhouse. Victor Mills, Chief Executive of the Singapore International Chamber of Commerce noted: "The greatest achievement of Lee Kuan Yew was the realisation that Singapore had to survive without him. He created strong institutions that were equipped to evolve as the economy developed." Lee's vision and leadership yielded

Jonathan Asherson OBE: Rolls-Royce Regional Director ASEAN & Pacific (right)

PHOTO: ©GETTY IMAGES

impressive results. The World Bank's Doing Business 2015 report recently ranked Singapore as the easiest place in the world to do business for the ninth consecutive year.

Even so, doing business in Singapore is not without its challenges. For one, in 2015, the Economist Intelligence Unit named Singapore the world's most expensive city to live in for the second year running and the price tag on talent, office space and corporate entertainment reflects that reality. Finding candidates with the experience companies need to grow and internationalise is difficult everywhere but competition for talent here is especially fierce, given Singapore's impossibly low unemployment rate, aging population and restrictions on the flow of highly skilled foreign workers. An additional challenge regional managers might face is helping local hires, who tend to have more experience working in hierarchical reporting structures, to succeed in a matrix environment.

In addition, Singapore's workforce is hungry for new opportunities and career

Joydeep Goswami: President of Asia Pacific and Japan for Life Sciences Solutions, Thermo Fisher Scientific

advancement, which can augment attrition rates. Rajkumar Narayanan, President of Allergan Asia Pacific (a $23 billion diversified global pharmaceutical company) explains: "Human capital is at a premium in Asia and our employees expect more in terms of tangible development programmes and mentoring." Joydeep Goswami agrees: "The cost of talent is high and rising. To address the retention challenge we try to offer people a clear career path with the opportunity to aspire to regional and global roles."

Rajkumar Narayanan points out another challenge confronting regional managers in Singapore: "While the opportunity for growth exists in this part of the world, it's not something that can be mined very easily." Nilesh Patel, Senior Vice President and President, Asia Pacific for Avon concurs

Victor Mills: Chief Executive of the Singapore International Chamber of Commerce

PHOTO: ©SINGAPORE INTERNATIONAL CHAMBER OF COMMERCE

and notes that while the consumer base in Asia is large and household income levels have improved, there are still a large number of poor people in these markets without a social safety net who have experienced a lot of economic volatility. "When their income levels rise, they tend to save, so the transition to a middle class with lots of disposable income is happening more slowly than many believe," he says.

In addition to overestimating how quickly growth can be translated into revenue, Patel adds: "Global executives also tend to underestimate our local competitors in Asia. They work on a completely different model, have lower margins and have strong, established relationships in the market."

Finally, the region's economic volatility can make accurate financial forecasting difficult. Narayanan concludes: "The big challenge on all of these fronts is to communicate the differences between APAC and the company's other markets in

Lee Kuan Yew: Singapore's first prime minister and influential statesman

PHOTO: ©GETTY IMAGES

a transparent, open and constructive manner that doesn't come across as defensive."

What's the bottom line for companies considering Singapore as a regional base of operations? Most of the management challenges MNCs are facing here also exist in other cities around the region, but Singapore's most desirable qualities are traits to which most of its neighbours are still aspiring. Cost is an issue but Jonathan Asherson notes that the Singapore government is working on creative ways to partner with regional neighbours to help companies outsource manufacturing capability, for example, to jurisdictions with lower labour costs. Yen Yen Tan adds that the government's ambition to be the world's first Smart Nation, with info-comm technology wired into every aspect of its infrastructure, and its emphasis on innovation and creative problem solving will keep the country relevant and attractive to business for decades to come. Overall, the consensus seems to be that Singapore's offering is compelling enough to justify the premium it commands.

Joydeep Goswami echoes the sentiments of many

Nilesh Patel: Senior Vice President and President, Asia Pacific for Avon

regional presidents in saying: "We have been very happy in Singapore and plan to continue increasing our presence here. My prediction is that Singapore will continue to do very well." Victor Mills shares this optimism for the country's continued economic success: "Singapore will continue to be a thought leader for the region because it's a tremendous success story and a tremendous place to do business."

Reflecting on everything Lee Kuan Yew and his team accomplished in the first 50 years of Singapore's existence, Jonathan Asherson observes: "They achieved more than 100-fold GDP growth with only mud and humans to work with. That's not easy." Given Singapore's intelligent long-term economic strategy, impressive track record for efficiency and laser-like focus on increasing productivity, it is well placed to maintain momentum for its next 50 years and beyond. ■

Arwen Joyce is a Singapore-based journalist specialising in business and travel

Singapore

Bookshelf

BOOKSHELF

OBSERVE chooses some of the latest business books including a compelling new biography of John Maynard Keynes and trade in Africa

Universal Man: The Seven Lives of John Maynard Keynes
Richard Davenport-Hines
William Collins, Hardcover
$27/€22.35/£18.99
e-book available
The so-called 'Keynesian era' lasted for 35 years after the great economist's death in 1946. But in the wake of the recent global financial crisis, economists worldwide have once again turned to Keynes' ideas to confront their problems. Award-winning author Davenport-Hines has written a perceptive biography of the man behind the economics.

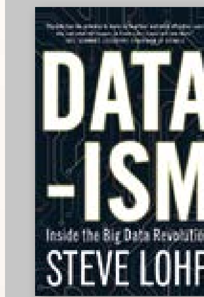
Youthnation: Building Remarkable Brands in a Youth-Driven Culture
Matt Britton
John Wiley & Sons, Hardcover
$25/€20.00/£16.99
e-book available
"Youth is no longer an age, it's a commodity," says the author of this brand 'roadmap' to youth-driven economy. Britton claims his book shows what it takes to stay connected, agile, authentic and relevant in this fluid marketplace. He provides the tools, methods and techniques you need to ensure your brand survives in the age of 'perpetual youth'.

Being Warren Buffett: Life Lessons From a Cheerful Billionaire
Nic Liberman
Hardie Grant Books, Hardcover
$18.99/€16.06/£12.99
So what has enabled Warren Buffett to become the world's most successful investor? Nic Liberman, an investor himself who claims to have always been fascinated by Mr. Buffett, believes he has the answers. Part-philosophical reflection on Buffett-as-man and part-investigation into the mechanics of what fuels Buffett's enormous capacity to accumulate wealth.

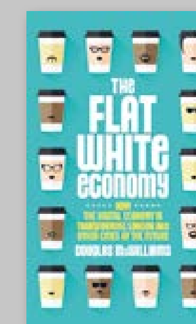
They Told Me Not to Take That Job: Tumult, Betrayal, Heroics, and the Transformation of Lincoln Centre
Reynold Levy
Public Affairs, Hardcover
$28.99/€22/£18.99
e-book available
Reynold Levy was president of Lincoln Centre for the Performing Arts in New York from 2002 to 2014. In this compelling memoir he describes, with admirable modesty, how he transformed the centre into one of the USA's most vibrant performing arts destinations. A great read.

Your Brain on Food: How Chemicals Control Your Thoughts and Feelings
Gary L. Wenk
Oxford University Press, Hardcover
$24.95/€24.83/£16.99
e-book available
A new edition of Dr Wenk's investigation into how certain foods, plants, nicotine and drugs (legal and illegal) affect our behaviour and mood. Wenk provides both insight and interest – through fascinating snippets of history – into how our appetites influence our brains and thus our thoughts and actions.

Africa: Why Economists Get it Wrong
Morten Jerven
Zed Books, Paperback
$21.95/€18.71/£14.99
Part of Zed Books' engaging African Arguments series, Jerven's provocative book takes a radically different approach from those economists who suggest that there has been a 'chronic failure of growth' on the continent. Jerven shows that most African economies have actually been growing at a rapid pace since the mid-90s.

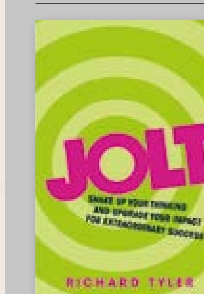


Data-ism: Inside the Big Data Revolution
Steve Lohr
Oneworld Publications, Paperback
$18.99/€16.06/£12.99
e-book available
Steve Lohr, the *New York Times*' chief technology reporter, charts the ascent of Data-ism.

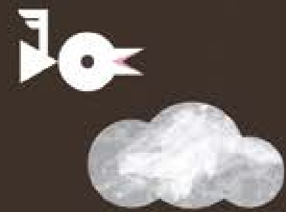


The Flat White Economy
Douglas McWilliams
Gerald Duckworth, Paperback
$24.95/€24.83/£16.99
e-book available
Leading economist McWilliams explains why London's 'flat white' economy and lifestyle is powering the UK's economy and changing the world around us.

The Mindset of Success
Jo Owen
Kogan Page, Paperback
$21.95/€18.71/£14.99
After 14 years of researching leaders around the world, author Jo Owen has found that the best and most successful leaders have something more than skills. They act differently because they think differently.



Jolt: Shake Up Your Thinking and Upgrade Your Impact for Extraordinary Success
Richard Tyler
Capstone, Paperback
$27.95/€21.24/£12.99
e-book available
Tyler draws on his experience as a leading man in London's West End theatre to help leaders better perform.



THINGS DONE CHANGED*

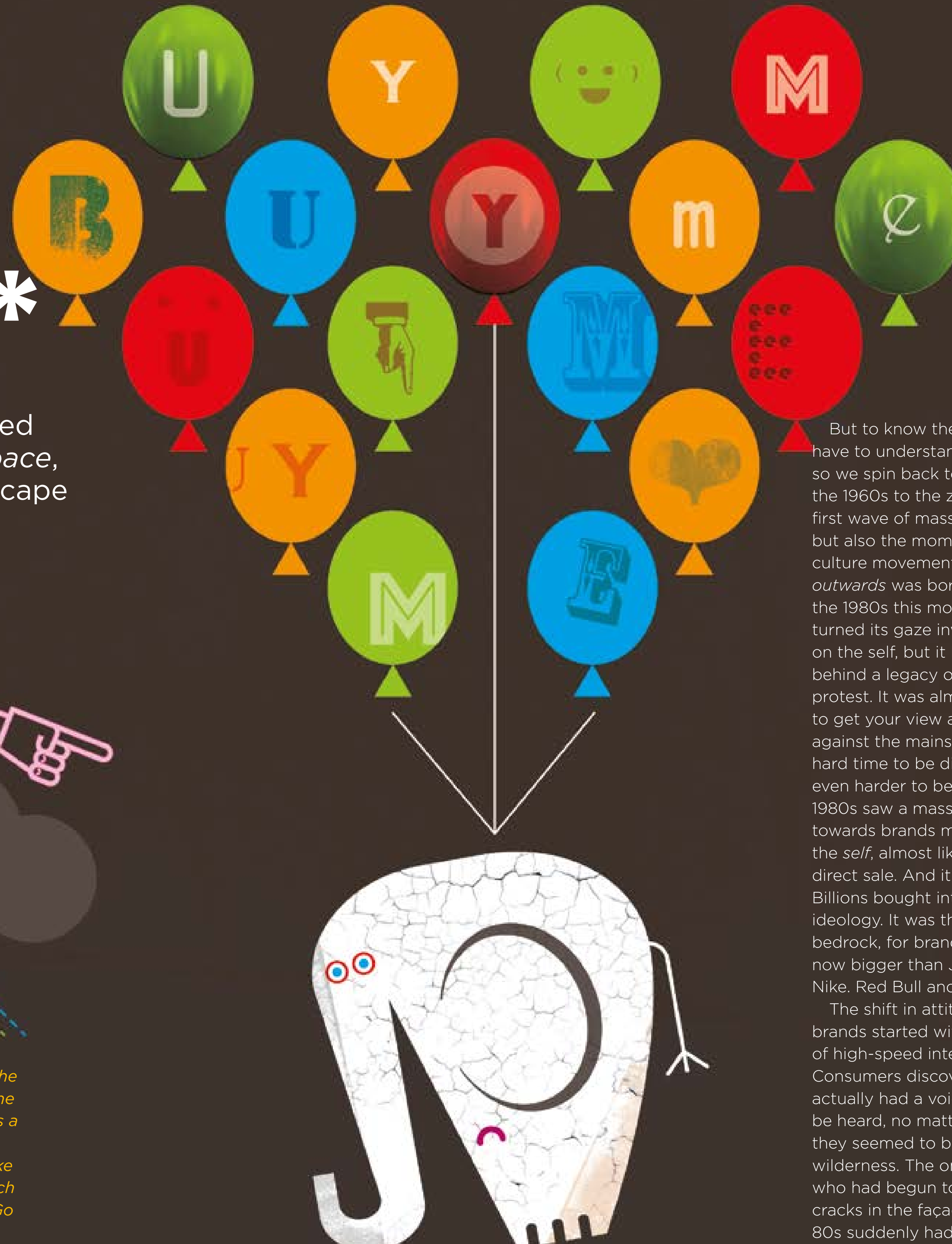
‘Brand activist’ ADAM STONE, author of a new book called *Unbrandable. #How to Succeed in the New Brand Space*, gives his personal view of a radically changing landscape

Most of you reading the above title will be tutting and muttering about this disruption of grammar and miss the fact that it’s a quote. Go and Google it. This is your first step towards understanding the new brand space. The second is getting out there and buying a copy of my new book. I’m telling you this, as to be able to *really* connect with the growing brand of consumers who are sensitive to inauthenticity and hostile to relentless materialism, you have to come from a truly authentic and honest place – hence my openness about why I’ve written this piece.

The previous paragraph is your entry test into this new landscape: a landscape that is shifting rapidly and which to most might present a problem when creating generic communications that help shift units. In reality it’s an amazing cultural space if you understand how to successfully navigate it. The bottom line is if you can sell to the inhabitants of this new cultural space, you can sell to anyone.

Trevor Beattie, advertising legend, former chairman of TBWA London and creator of the infamous ‘fcuk’ slogan for French Connection, recently said:

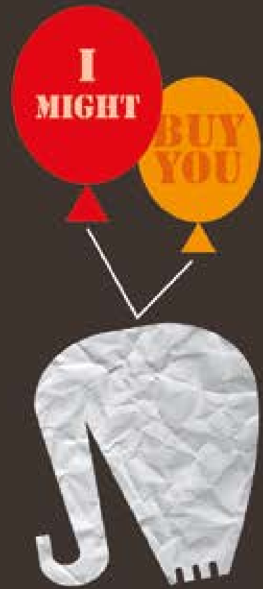
“The 30-second TV ad is dead. Thirty long seconds has become the standard dull unit of consumption. That’s boring. Piss or get off the pot. We need to break its monotonous stranglehold. Thirty secs is a lifetime now. You can (and we all do) skip an ad after THREE seconds on YouTube. In other words, we all KNOW whether we like something after a couple of seconds. We’re absorbing things much faster these days. Let’s tell very short stories or huge long ones. Go super short or hugely long. Break the rhythm. Then people will notice. And don’t ask why it took me so many words to explain that. I had you at “the 30 second ad is dead.”

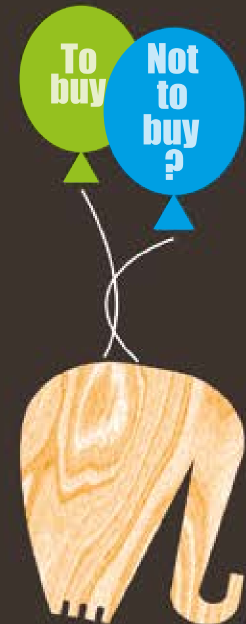


ILLUSTRATIONS: DUST

But to know the future we have to understand the past and so we spin back to the end of the 1960s to the zenith of the first wave of mass-consumerism, but also the moment a counter-culture movement that looked *outwards* was born. Yet by the 1980s this movement had turned its gaze inwards to focus on the self, but it had also left behind a legacy of dissent, of protest. It was almost impossible to get your view across if it ran against the mainstream. It was a hard time to be different, and even harder to be heard. The 1980s saw a massive shift towards brands marketing to the *self*, almost like a spiritual direct sale. And it worked. Billions bought into this ideology. It was the genesis, the bedrock, for brands that are now bigger than Jesus: Apple. Nike. Red Bull and many others.

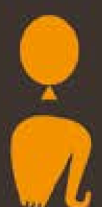
The shift in attitude towards brands started with the advent of high-speed internet access. Consumers discovered that they actually had a voice that could be heard, no matter how much they seemed to be living in the wilderness. The one per cent who had begun to spot the cracks in the façade in the late 80s suddenly had a platform from which to protest and this was when things really began to change. If a brand did not →





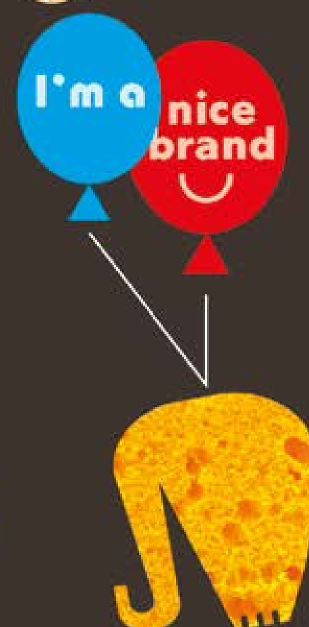
behave correctly then it got taken to task: workforce exploitation, sub-standard materials, hidden costs, planned obsolescence... and as these voices gathered momentum, they also became influential. The digital 'influencer' was born. Young South African anthropologist and noted blogger Tarryn-Lee Warner sums up the situation thus:

"We basically live in a blur. We are under siege all day every day. People, ideas, products, slogans, messages. In such a rapidly moving environment brands have to begin offering something real: not only different but intellectually stimulating enough to make us slow down and take notice. I look at so many brands doing the same thing. The same marketing. The same products. The same traps. The answer is really just a juxtaposition. Brands need to start unbranding themselves. They need to unpack their brands and offer products, services, ideals, messages and concepts to the minority and not the masses."

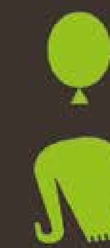


This ability to share information has created a new consumer. They are as loyal to one another and their shared ideologies as they are to their chosen brand(s). If it behaves properly, a brand will be allowed to become an active part of the culture and the new consumer will then become dedicated to it. Thanks to this new consumer we now understand what makes a brand really work, as they live their lives in the open.

Jeremy Brown, CEO of Sense Worldwide, an organisation that hires "smart, relentless people, from academic psychologists to MBAs and from programmers to designers", teams them up and "lets them loose on the world", declares:

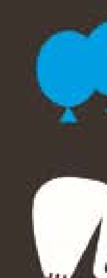


'There is this much softer thing at play and that's actually a much more powerful thing. And that is the bit that you can't really brand. That's the human bit, the bit that we can't disagree with; it's the truth. What's the value of MTV? It's the eyeballs that watch it. The consumers. Facebook – it's the people on it, right? And again this is part of the equation, and I don't think we're going to be rethinking that anytime too soon. But the bittersweet thing is that brands can become so successful that then they forget about the people who made them successful in the first place or they make them so desirable they create their own problems."



So even though everything seems to have changed since Edward Bernays invented mass-market advertising in the 1920s, in reality very little has changed. It's just the way we communicate that has shifted. Here's what Helen Landon, the 1920s radio personality, said at the time:

"Sell them their dreams. Sell them what they longed for and hoped for and almost despaired of having. Sell them hats by splashing sunlight across them. Sell them dreams – dreams of country clubs and proms and visions of what might happen if only... after all, people don't buy things to have things. They buy things to work for them. They buy hope – hope of what your merchandise will do for them. Sell them this hope and you won't have to worry about selling them goods."



**The title is a reference to the fact that street culture is now an unbrandables' cultural wallpaper. They think, breathe, read, listen through hearts, minds, ears and eyes that have been shaped by all things 'street', and this is where many of the dinosaurs of the brand world fail. Every part of your brand communication has to come from here. If communications your team can't speak write shoot in this language then find one who can.* ■

Unbrandable. #How to Succeed in the New Brand Space by Adam N. Stone is published by Thames & Hudson, Paperback, $24.95, £14.95, €22. Also available as an e-book

Susan Kilsby, Chair of global healthcare company Shire, tells *Observe* why she took on the role

WHY I TOOK THE JOB

Why did you take the job at Shire?
Because they offered it to me! I am very interested in the world of healthcare – it's why I joined the board [as a non-executive director] in the first place. I was very excited by this board and the way it operates as a partnership. There was a lot of camaraderie. People act as though they are partners and each has something to contribute. I was excited to be able to be Chair of a company that was doing things that change people's lives. I liked the mission of the company and the chemistry of the board.

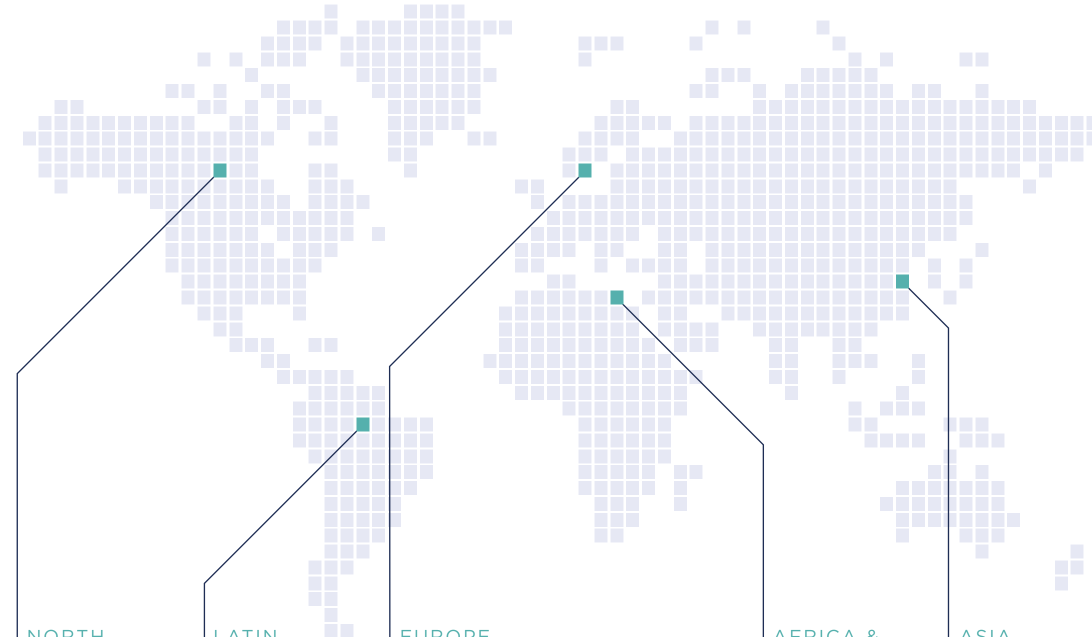
What was the first thing you encountered in your new role?
The Abbvie situation [proposed merger with a rival group made in autumn 2014]. I came back from chairing my first board on a Wednesday and on the Friday I received a call from Abbvie. In many ways it was quite dramatic but quite familiar to me, given my background. [In 2002 Kilsby became the first woman to head a mergers and acquisitions department of any major bank, in this case Credit Suisse]. The call came in to my mobile, not to my office. I answered it but thought 'who's this person calling me from Chicago?'. The message was delivered somewhat in code but I thought, hmmm, I know that script, I've written it for people.

How would you describe your management style?
I like to communicate. My style would be to communicate with board members between board meetings if there's something to say. So if something happens I don't want to wait until the next board to tell people, I'll call them individually and update them. I did that frequently during the Abbvie process – as you can imagine there was a lot going on.

My style is to ensure that everyone speaks before I speak; I want to hear what everyone has to say – which actually has been hard for me to do! I think that as a chairman one of the important things is that everybody is heard and that you then summarise and make sure your view is part of that. My role is to get people to either agree with the conclusion or understand it. I am particularly interested in the 'out there' point of view because if someone doesn't give you that unusual, not-thought-of-before or maybe even crazy point of view you're not pushing the boundaries. If everyone thinks the same way I do, you don't need anybody else.

What type of people were you looking for?
I don't want 'yes' men or women. I want people who are critical thinkers, who can support why they have a point of view and are open-minded to see other perspectives. I like hearing people's perspectives; not only shareholders but also patients, physicians, employees... I'm an information junkie.

What do you do to relax outside of the working environment?
I have this wonderful home in South Africa and it is peaceful and lovely and relaxing. I have good friends there who call it 'happy land'. It's a lovely place with wonderful views over the mountains and vineyards: it really does keep me sane. ■



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dialogue

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