

# OBSERVE

The Odgers Berndtson Global Magazine\_ No. 9  
Issue 03 2016

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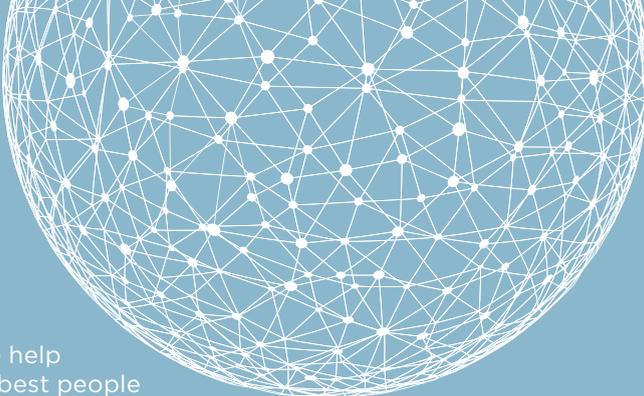
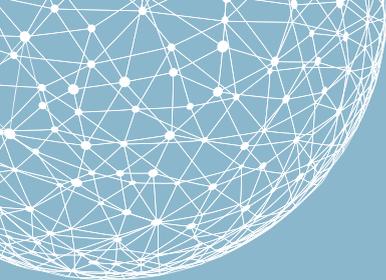


 VALEANT

**An exclusive  
interview with  
Joseph Papa**  
CEO of Valeant



ODGERS BERNDTSON  
Search Intelligence



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

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

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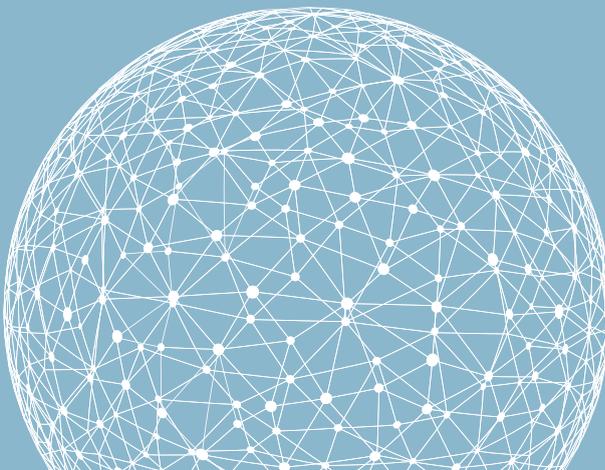
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**PLUS**  
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**50**



## ALSO INSIDE:

Elhadj As Sy  
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This is a very special issue of *Observe* – our global business-to-business publication now in its ninth edition – because in part it celebrates our company’s 50th anniversary.

When Per Berndtson set up Berndtson in

Brussels in 1966 little could he have known that half a century later a small acorn would grow into a substantial oak tree with 54 offices in 29 countries around the world.

Executive search has come a very long way since those early days. In a major round table discussion, Ian Odgers, Jennifer Ward and Kurt Brusgaard talk freely about how the industry has grown in stature over the past decades and what lies in store for the future.

Elsewhere in this issue you can read an exclusive interview with Joseph Papa, the newly installed Chairman and CEO at Canadian pharmaceutical giant Valeant, hear the views of Elhadj As Sy, Secretary General of the International Federation of Red Cross and Red Crescent Societies, learn about the interaction between business and charities, understand what Blockchain is all about and delve into the worlds of third-party logistics, philanthropic prizes and changing corporate governance in the UK.

As ever, we always welcome your feedback on the content in this latest issue of *Observe*. So please do get in touch via the channels listed below.

We started this conversation 50 years ago: here’s to the next 50!

Kester Scrope

**Chief Executive, Odgers Berndtson**

 @odgersberndtson

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Download the free *Observe* app for your device from the App Store or Google Play by searching ‘Odgers Berndtson’



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### TECHNOLOGY

#### ARE YOU RECEIVING ME?

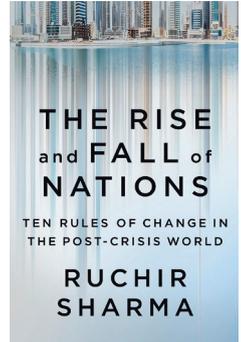
A recent article in *Time* magazine suggests that messaging services such as Line, WeChat, WhatsApp, Facebook Messenger and others are generating some of tech's most exciting new ideas. For example Japanese firm Line was the latest to show the promise of messaging by going public and raising more than \$1 billion, the largest tech IPO of the year. In addition to basic texting and calling, Line's app, says *Time*, "offers animated stickers - many of which users pay for - as well as games and a digital wallet". In China, WeChat has become a crucial tool for managing daily life, allowing users to do everything from hailing taxis to paying their utility bills. In an attempt to keep up Apple is about to revamp its Messages app to also incorporate stickers and animated themes. Message received?

### GLOBAL ECONOMY

#### THE RISE AND FALL OF NATIONS by Ruchir Sharma

A *New York Times* bestseller, Ruchir Sharma's *The Rise and Fall of Nations*, has been described as "quite simply the best guide to the global economy today". William Easterly, writing in *The Wall Street Journal*, summed up Sharma's book thus: "How do you write a compelling book about which nations will rise and fall over the next five years? Probably not by suggesting that it's mostly random, except for extreme policy mistakes. True, Ruchir Sharma, head of emerging markets at Morgan Stanley, offers much more than that in *The Rise and Fall of Nations*. He recounts his exhaustive global travel that has him meeting with Vladimir Putin on one page and listening to George W. Bush analysing Vladimir Putin on the next, and he describes his massive research effort aimed at spotting '10 clear rules' to follow based on a huge database of many nations and many decades." Sharma's book is, then, a positive guide for the practical observer and investor and shows how to choose healthy emerging markets.

W. W. Norton, €30.85/\$27.95/£17.99



### WORK-LIFE BALANCE

#### UNDER THE STARS

Stressed business leaders looking to find a way to escape (at least briefly) from the pressures of the boardroom may like to spend a night at a pop-up, one-bedroomed hotel in the Swiss Alps. It costs a paltry \$250 a



night and has one unique quality; it's outside. No walls, no roof, no wi-fi, just a bed and the stars - and a butler who brings you breakfast in bed in the morning. Called Null Stern it's the brainchild of conceptual artists Frank and Patrik Riklin. Now that really is getting away from it all.

[null-stern-hotel.ch](http://null-stern-hotel.ch)

### STRESS

#### TURN IT OFF!

According to a new study called 'Exhausted But Unable to Disconnect' by academics at Lehigh University, Virginia Tech and Colorado State University, it's not just the amount of time spent on work emails, but the anticipatory stress and expectation of answering after-hours emails that is draining employees. Using data collected from 297 working adults, the study looked at the role of organisational expectation regarding 'off-hour emailing and found it negatively impacts employees' emotional states, leading to 'burnout' and diminished work-family balance, which is essential for individual health and well-being. Some businesses already recognise the problem. Boston Consulting Group for example guarantees one email-free evening a week, while *Huffington Post* has a similar policy.

[source.colostate.edu](http://source.colostate.edu)



## BUSINESS

**GERMANY'S SMALL REVOLUTION**

According to HBR.org mega giants such as BMW, Siemens and Bayer are being outperformed by SMEs such as Rimowa (which makes luggage), Jungbunzlauer (one of the world's leading producers of biodegradable ingredients of natural origin), and Strama-MPS (a special-purpose machine builder). Most of these companies are private and don't publish their balance sheets. But a new analysis from the German Savings Banks Association shows that, in the last fiscal year, its midsize company clients managed, on average, profit margins of 7.3 per cent. By contrast, the 110 largest German companies had margins of just 6.3 per cent. The 300,000 companies in the association's data set have more than doubled their profits from operations over the past 13 years, outpacing their corporate counterparts in the country.

[hbr.org](http://hbr.org)



police have issued some rather obvious recommendations such as "carefully consider how your behaviour might appear to others" and "don't enter private property without permission" while expressing its support of people "playing, having fun and using public spaces, so long as the behaviour doesn't worry other citizens causing the need for police action".

[nordic.businessinsider.com](http://nordic.businessinsider.com)

## EQUALITY

**ENTER THE 'MASCULIST'**

Writing in London's *City A.M.* publication, Justine Lutterodt, director of the Centre of Synchronous Leadership (a leadership consultancy and think tank based in London which aims to facilitate

systemic change in the corporate sector through innovative approaches to leadership development) says the term 'feminist' has lost much of its stigma. "The view that women are entitled to an equal seat at the table of power is increasingly considered obvious rather than extreme. Studies like McKinsey's 'Women Matters' have also helped, demonstrating the correlation between the presence of women in the boardroom and better financial performance." Lutterodt adds: "We need to start by having more masculists (both male and female) in the boardroom. Only then will we unleash the full potential of the men leading our businesses, and level the playing field for the growing number of women joining them."

[cityam.com](http://cityam.com)



## FINANCE

**THE MACHINE AGE**

A fascinating article in *Global Finance* magazine by Anita Hawser, reveals that while most of the trading in financial markets today is done by machines or high-frequency software algorithms, and the customer-facing front end of banks is automated, in the back and middle offices, human workers are still shuffling paper and doing manual, repetitive, error-prone work that has long been assumed by robots in manufacturing industries. That could soon change. Next-generation business process outsourcing (BPO) providers like Genfour in the UK and Finland's OpusCapita, which helps companies streamline their purchase-to-pay processes, are using robots instead of humans to automate firms' finance, accounting and human resource functions. As James Hall, Genfour's founder and CEO, puts it, he is "trying to build a BPO company without any people in it."

[gfmag.com](http://gfmag.com)





BOARDROOM

GETTING ON?

A new *Financial Times* investigation, using data from ISS, reveals the average US board director is older, serves a longer tenure and is more likely to be male. The oldest and youngest boards and directors of companies with a \$50bn-plus market capitalisation range from Berkshire Hathaway (Warren Buffets' American multinational conglomerate) whose directors average 71.7 years to Facebook whose directors average just 48 years old. Behind Facebook is China's Kweichow Moutai (a State-owned enterprise making moutai liquor) whose directors average out at 52 years and Italy's oil and gas giant Eni at 54 years.

[ig.ft.com](http://ig.ft.com)

SPORT

OLYMPIAN COST

With the Olympics over for another four years an Oxford Saïd study has revealed that the average Olympic Games overruns predicted costs by 156 per cent in real terms.

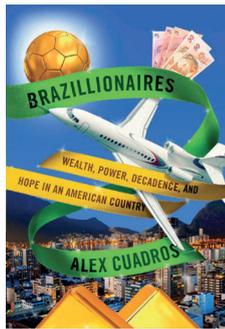
"All Games come in over budget," comments Professor Bent Flyvbjerg, Chair of Major Programme Management at Oxford Saïd. The Rio Games, says the report, are on track to incur a cost overrun of \$1.6 billion, or 51 per cent in real terms out of total sports-related costs of \$4.6 billion. The billion dollar-plus cost overrun on the Rio Games comes at a time when Brazil can ill afford it, says the study. "Brazil is facing its worst economic and political crisis since the 1930s and the state of Rio de Janeiro is particularly hard hit by recession", added Professor Flyvbjerg, "But Brazil is not a unique case. All summer and winter Games that we've studied have shown cost overruns. For a city and country to host the Games is a huge undertaking and one of the most costly and financially risky megaprojects they can undertake."

[sbs.ox.ac.uk](http://sbs.ox.ac.uk)



MONEY

BRAZILLIONAIRES: WEALTH, POWER, DECADENCE, AND HOPE IN AN AMERICAN COUNTRY  
by Alex Cuadros



'Under observation' has reported elsewhere on the spiralling cost of the Rio Olympics and recent issues of *Observe* have widely covered Brazil's economic woes. But that doesn't mean there aren't still plenty of what young American journalist Alex Cuadros calls 'Brazillionaires'. This tale of Brazil's wealthiest citizen, Eike Batista is a story of hubris and tragedy that uncovers the deeper meaning of this era of billionaires. *The Wall Street Journal* enthused: "Brazillionaires [is] journalist Alex Cuadros's compelling tale of Brazil's superrich, which deftly weaves lurid soap opera with high finance and outrageous political skullduggery. . . . If Brazil sometimes comes across as a circus in this compelling, thoroughly researched account, it is because it can be just that."

[Spiegel & Grau](http://Spiegel & Grau), €19.02/\$28.00/£10.99

RETAIL

IKEA - INDIA STYLE

IKEA has started work on its first store in India, in the southern city of Hyderabad. Due to open by the end of 2017, the Swedish furniture and homewares giant is hoping to overcome the challenges that have deterred other international companies - such as Wal-Mart and French supermarket chain Carrefour - entering this huge but complex market. The home furniture industry in India is estimated to be worth \$20bn and is growing rapidly.



REX FEATURES/ALAMY



## ENJOY PRAGUE IN THE GRAND MARK STYLE

When you visit Prague in the Czech Republic for whatever reason, make sure to stay in The Grand Mark Prague Hotel. You will be surprised by its architecture, the service, and its location, but mainly by its personality. This 5 star boutique baroque hotel, situated right in the city center, just a few steps away from Powder Tower, is certain to make your stay extraordinary.

### SPACIOUS ROOMS AND HOTEL GARDEN

First of all, be prepared for your accommodation in the most spacious rooms and suites in Prague; the average size exceeds 50 sqm. You will be amazed by the high ceilings as the hotel building is a restored baroque palace from the 15th century. In its courtyard you may relax in the 1800 sqm wide baroque garden with its fountain and historic fresco. The hotel entrance from the garden is listed by UNESCO as a World Heritage Site. This hotel contains a uniqueness which you would look for in vain in any other chain hotel.

### MEETINGS AND WEDDINGS WITH SPARKLE

Anyone who wants to make an impression at business meetings or to create a spectacular wedding will find in The Grand Mark what he is looking for. Huge garden events in the heart of Prague or private meetings with views over city roofs from its private terrace will change every event into a special occasion.

### LE GRILL RECOMMENDED BY MICHELIN

Haute Cuisine is an inevitable ingredient of this hotel. Le Grill restaurant is recommended by the Michelin guide for its Czech and International cuisine. The Chef Ondrej Korab prepares dishes based on seasonal products and uses only fresh ingredients from local farmers. The hotel menu is therefore changed every month. You may savour the hotel specials during the day or enjoy them at the evening hotel BBQ, which starts during Summer every day at 6pm.



The Grand Mark Prague



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Tel +420 226 226 100 [reservations@grandmark.cz](mailto:reservations@grandmark.cz) [www.grandmark.cz](http://www.grandmark.cz)

# The power to do good

DANIELA BEYROUTI spoke exclusively to Elhadj As Sy, Secretary General of the International Federation of Red Cross and Red Crescent Societies about the gargantuan task of helping protect human life and health across the globe

It is surely one of the most demanding roles in any field. Elhadj As Sy, Secretary General of the International Federation of Red Cross and Red Crescent Societies (IFRC) has the unenviable task of co-ordinating a massive, globally interconnected organisation that reaches 160 million people each year through its 190-member National Societies.

Dealing with the daily plight of refugees, the poor, the unwell and the dispossessed requires a certain kind of character, a toughness mixed with an enduring belief that things can – and must – be better. As Sy is at the helm of an organisation that aims to tackle the major humanitarian and development challenges of this decade by “saving lives and changing minds”.

With this backdrop I ask Mr As Sy about his personal mission at the IFRC. His answer is unequivocal: “I’m still motivated by the same simple principle: be there, at all times, at the side of people and accompany them to respond to their needs. Of course their needs will be many and varied, and may change in different settings. It is up to us then to adjust.”

This ‘adjustment’ requires, among many other qualities, diplomacy and grit. Says As Sy: “Be there on the side of the people, but also be at the side of those who may be part of the problem, helping them to become part of the solution. That’s why you have to engage with the most powerful of this world and at the same time you should be able to sit on the ground with the most destitute. For me the leadership journey is the ability to be yourself in each of those settings. And that’s maybe a permanent journey that we all have to undertake...” →

“

I’m still motivated by the same simple principle: be there at the side of people

”



International Federation of Red Cross  
Fédération internationale des Sociétés  
Federación Internacional de Sociedades  
الاتحاد الدولي لجمعيات الصليب والهلال الأحمر





**Humility as inspiration**

As Sy adds that humility can be a source of inspiration and motivation for moving forwards:

“In the past there was an idea that humanitarian workers were the idealists with values, then on the other hand, you had the private sector who were efficient, driven by profit and results and so on. I think the situation is much more nuanced today. Our challenge is to have the humility to understand and respect each other better and to realise we have something extremely important in common; a willingness to do good in general.

I think it's about wanting to do good for people and wanting people also to



We have something in common; a willingness to do good in general



be in a situation to be your clients and customers and wanting also to serve. It's truer today because even your customers, supporters and staff would like to associate with something like that.”

As Sy has an impressive track record in humanitarian work. He holds a Bachelor's Degree in Arts and Human Sciences from the University of Dakar and pursued his Master's studies in Arts and Germanistik at the University of Graz, and graduated from the Vienna Diplomatic Academy where he is named in the hall of fame. He was also awarded a postgraduate diploma in Education from the Ecole Normale Supérieure in Dakar. He speaks English, French and German and is a Senegal national.

Before taking up his post at IFRC in August 2014, As Sy served for nine years (between 1988 and 1997) as

Director of Health and Development Programmes with Environment and Development Action in the Third World based in Dakar, Senegal. He later worked with The Global Fund to Fight AIDS, Tuberculosis and Malaria as its Africa Regional Director. He also served as Head of UNAIDS in Eastern and Southern Africa and Representative in New York. More recently he was Director, HIV/AIDS Practice with the United Nations Development Programme in New York. Before joining the IFRC, As Sy was UNICEF's Director of Partnerships and Resource Development in New York. He also served as UNICEF Regional Director for Eastern and Southern Africa, and Global Emergency Director for the Horn of Africa.

**Reflections on the private sector**

I probe As Sy on whether or not he believes business leaders can learn from the humanitarian, public health or development sectors. His answer is precise and well argued: “There's a cultural difference in terms of work processes, in terms of procurement, supply management and in logistics. These are all areas where there is a need to strive for results across all sectors. So, if you ask me what business leaders need to do to do good, they could put these skills and expertise at the service of people in need.

“There are other dimensions that are extremely important like the protection of the environment and natural resources that need to be managed with responsibility. For example, issues related to water which is extremely important to production but also, in a humanitarian setting, can be a source for peace and stability. It can also be a source of conflict if not managed carefully. There are issues related to economic disparities. Inequalities are sometimes much more dangerous than poverty itself, so I think there is a lot to reflect on in the private sector in terms of sharing knowledge, expertise and resources of all kinds, so we all have an enabling environment where we can do business and also provide development and humanitarian assistance at the same time.”

The IFRC's future thinking has been →

guided by its Strategy 2020 a Collective Plan of Action document which sets out its aims and ambitions for the rest of the decade. Does the business community form part of that thinking? “Absolutely. We look to them to partner with us for resilient communities, to partner with us in accompanying people to recover what is very important to them, but what they have lost in a humanitarian setting, which is their dignity. These are areas, along with food, shelter, water, sanitation and hygiene where we look to partner with the private sector.

“It always amazes me that if I travel to the most distant villages on earth, regardless of which continent it is, I can find a bottle of a certain soft drink. There is certainly an expertise and a way to get it there, but in those same places we need also to get drugs and food and other supplies. How can we partner in that regard? How can we also partner to stimulate the private sector for humanitarian response? There is a lot of innovative work taking place now in the area of ‘cash transfers’ \*. If we provide people with cash based on the assessments that we’ve made, then the private sector can bring in the goods.

“It is also a dignified way of helping people rediscover their dignity. There is a shame that you see sometimes in humanitarian settings, in the eyes of a proud father and mother receiving a bag of maize. It is just so painful to experience. But if people have the purchasing power so that they can choose what they need at a point in time, then they can begin to rediscover that dignity. That’s vital.

### **Productive members of society**

“I was in Zimbabwe recently in a very remote, rural area and accompanied a woman whom we had provided with cash to see what she was going to buy. She was

telling me how hungry her children were, but when I accompanied her to the shop, I saw that the first thing she bought was a bar of soap. She whispered in my ear that they hadn’t washed for the last 10 days. This, again, demonstrated that the recovery of dignity through being clean was almost elevated to the same level as food. But then if my team had gone there to define priorities, the first thing they would buy would be a bag of rice, sugar or milk. I think that tells us again that the human dignity of people is extremely important, and its recovery is an important part of resilience.”

We conclude, inevitably perhaps, by talking about people. Says As Sy: “We have a tendency to recruit or work with people that are like us and reflect our own model. I think that’s another nut that we need to crack. I hope that organisations like yours can help. That is the reason why sometimes we don’t do recruitment ourselves but reach out to search firms that can bring – the word I was looking for is ‘composite’ – a kind of composite index that will bring different dimensions together and help us attract different kinds of candidates.”

In the end, says, As Sy “we are putting humanity at the centre of all that we do so that we can be there at the side of people, accompany them to respond to their needs which would in turn make the world a better place for everybody, for your neighbours, your friends, for parents, for work and for business.” ■

**Daniela Beyrouti** is a partner in Odgers Berndtson’s Zurich office.

*\*Defined by the World Bank as the provision of assistance in the form of cash to the poor or to those who face a probable risk of falling into poverty in the absence of the transfer. The main objective of these programmes is to increase poor and vulnerable households’ real income.*





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[live.ft.com/InnovateEurope](http://live.ft.com/InnovateEurope)



# Embracing change

How do you identify the right person to lead your change initiative? Odgers Berndtson worked with Hogan Assessments to find out

given in today's turbulent, fast moving business environment. Those who are alert to external and internal market indicators can help to ensure the organisation stays ahead of the competition and changing stakeholder requirements.

**3 Drive change**  
In order to drive change throughout an organisation we need leaders who are comfortable being out in front of the organisation, are skilled communicators and comfortable with risk. These leaders will be able to get people on board, champion new methods, systems and processes and drive alignment.

**Change resisters**  
Always an important question with any change initiative is who is going to resist change at all costs? These individuals or teams can slow adoption and reduce the return on investment of a given project. They will be fearful of failure, aloof and indifferent to the feelings of others while overly focused on their own agenda and reluctant to act independently or against popular opinion.

The pace of change will only increase. In this environment it is essential to embrace not only the developing business world but also those who can steer your organisation through the evolving landscape. ■

Change is the one constant of our time; the speed at which the economy and the world at large is changing is exponential. Nimble, agile, customer-centric and transformative are the buzzwords of the moment. Businesses that are not evolving with the times are losing ground. More and more organisations are asking their people to drive change and innovation. But what characteristics will make someone a successful change agent and how do we find them?

Research has identified the innate profile that makes a great change leader or, by contrast, a leader who will resist change. Characteristics such as resilience, confidence, risk taking, an outgoing

personality and an early adopter of technology are all key indicators that a leader will be able to do what it takes to lead through change. These people can:

**1 Deal with ambiguity**  
Ambiguity is a given in a rapidly evolving environment. To cope with this leaders need to balance risk taking or limit testing with operational imperatives. These leaders will be able to champion new methods, systems and processes necessary for the organisation to meet the needs of its stakeholders.

**2 Flex their styles**  
The ability to shift with changing circumstances is a



Hogan Assessments and Odgers Berndtson Leadership practice can quantify and help you leverage your team's appetite for change and innovation. For more information on how to identify strong change leaders contact: [leadership@odgersberndtson.com](mailto:leadership@odgersberndtson.com)

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# ODGERS BERNDTSON AT

## **20 Round table**

Ian Odgers, Kurt Brusgaard and Jennifer Ward discuss how the executive search industry has changed and where it is heading

## **28 Time to assess**

Adrian Bassett on the ever-evolving value of assessment tools

## **30 Game changers**

Who have been the great management gurus over the past half century? *Observe* chooses some of the greatest





Odgers Berndtson at 50

# Making the right choice





During the past 50 years the executive search industry has grown to become a critical global enterprise. Here IAN ODGERS, JENNIFER WARD and KURT BRUSGAARD discuss how the industry has come of age – and what lies ahead in the future →



**Ian Odgers is Partner and Advisor in the Board Practice at Odgers Berndtson in London; Kurt Brusgaard founded Berndtson International in Denmark in 1979 and today is Chairman and Partner of Odgers Berndtson A/S; Jennifer Ward is a Partner in Odgers Berndtson's Calgary office in Canada**

**Ian Odgers** I have been in this business for 44 years and for 26 of the first 28 years of Odgers & Co I was running the company. At first it was one small office, with one small desk, one small filing cabinet, me and a PA. In 1998 I sold the business to the current chairman of the group Richard Boggis-Rolfe and I continue to work in the business on a part-time basis.

**Jennifer Ward** I joined in 2014 when the Canadian operation restructured to become centrally owned and fully integrated across the country. I was brought in as one of the first partners in the firm's new Calgary office. I've been in the recruitment and search business for more than 20 years. It was my first role after university. I moved into pure executive search seven years ago. I focus on public sector and industrial services placement, typically supporting the oil and gas industry. I think the business model that has been developed in Canada and across the Odgers Berndtson network focusing on industry specialists coupled with global reach makes a lot of sense in today's market.

**Kurt Brusgaard** Per Berndtson called me when I was MD for a mechanical engineering company to talk about a prospective role. At that time Per had just two clients in Denmark - Novo and Maersk. He asked me to launch Berndtson International in Copenhagen, covering Denmark, Norway, Finland and partly Sweden in the beginning. I jumped from an executive position to search. Today we have a solid base in Denmark and can genuinely measure ourselves against the other big players.

**IO** When you look back to the late 1970s when you started, how have you seen search change particularly within the Danish and European markets?



**KB** I have seen change towards more specialist functions and focused CEOs. Typically a background as an engineer (like myself) was a good start for becoming a good CEO. But that was then, and the landscape has changed a great deal since those early days. Having said that, good results, proven track record and a good personality - that has not changed - and probably never will.

**IO** I agree. At first all search was very generalist, there were no specialist sectors at all and the firms were really quite small, you would typically find search firms up until the 1980s in the UK of not more than six people or so. There





was a view, certainly up until the early 1990s, that anything more than 12 consultants would prove unmanageable: so things were very generalist in those days. Compare that now with the 100s of consultants we have across Odgers Berndtson today – that has really allowed those specialisms to come out.

At first there was absolutely no technology, so the little black book played a very important part: who did you know and who had you met? I remember looking in a filing cabinet for some sort of coding system to help me identify a candidate, but there was none. Finally I would find a file with a really important description of what a potential candidate was like and it was



always ‘a good chap’! That was it, nothing more, no comment about skills or abilities and they were always male I’m afraid to say.

**JW** It’s interesting listening to both of your stories. I entered the industry in the 1990s and used to hear the stories of how candidates were interviewed and how they were coded and managed like you described. But I joined the industry at a very interesting time because in the early to mid 1990s a lot of things were still being done manually. But within about two years, this incredible thing called ‘the internet’ became a very useful tool for us and it seemed like virtually overnight we went from doing things very manually to doing them with speed – effectively and

efficiently. I remember there was a strong sentiment among a certain client base that felt they could use the internet and technology to their advantage such that they would effectively put us out of business, or no longer need our services.

In the early years a lot of the strategies that we had to employ in the industry were really around how do we remain relevant when everything is changing? And things changed very quickly.

So we started to record information electronically, but at the same time there became this big concern about privacy. Where is all this information going to be held? Who has access to it? We didn’t understand it. We had many discussions about what we can say and what can we ask candidates and clients knowing that it’s out there somewhere and that the wrong person could get their hands on it. So, it’s fascinating to look back on this really dramatic period and to see how it’s evolved from there.

**KB** And of course now there’s the impact of social media and the speed things happen. But you also have to remember (and use) the basics: that a good interviewer is still one of the most important aspects of strong search and recruitment.

**IO** I agree that some things haven’t changed at all and I’d maybe try and relate that to where we stand now. Years ago we developed a certain concept behind our search which arose from a search I did for a divisional chief executive of a significant firm in the UK. Three years later I happened to take the Chairman of that company out for lunch and I said: ‘How is X doing?’ and he said ‘Oh I’d forgotten you’d put him in; that was the best appointment we ever made and you were worth 10 times your fee!’

At the time I said what we’re doing is really important if you do it well. We’re not just looking to find someone who fits a jigsaw puzzle at a particular moment in time. We’re looking for somebody who will perform over many years. So we developed this concept of saying the outcome we would really like is that a minimum of three years after an appointment, a client would say that it →



was the best appointment he or she ever made. The better we know our client and candidate the better the chance of long-term success.

So what we did (and still do) with senior assignments was to talk to as many people around the position as possible and to try and predict what is likely to happen to the company over the next five years or so. What decisions are going to be made? That's very important. And then we ask: what is the chemistry? Who is the person going to be working with? What are their relationships? And only at that stage can we start our search because all leadership depends on context.

Some of my very best searches had maybe two people on the short list, that's all. There was an occasion when the client only saw one candidate, just one and he said: 'that's it'. And what happened? Twenty five years later that chap was head of the biggest operation within one of the largest companies in the world in that particular sector – our approach worked.

But the basic point and why we have been able to stay a step ahead of technology up to now, is that the first bit of the work we do – which is true for any search – is context... What is the context?

Technology has helped us enormously as has assessment. But I would never use assessment as my number one tool for making an appointment, never. But it's often quite useful to enable you to analyse certain other areas you might want to explore a bit further.

**JW** I agree. You'll never be able to replace the value of having trusted relationships with your client when they know that you understand their culture and regardless of how technology is leveraged to help you in your search work, at the end of the day they still trust that you think this is a 'good chap' or woman! So aside from the great relationships and the trust clients have in our judgement, it comes down to the fact that clients know that we will most likely never put candidates in front of them who don't fit the corporate culture and whose personality and leadership style aren't right.

**KB** As an interviewer if you talk all the time you do not get one characteristic out of these candidates. You must really listen. I once had a candidate in the early days and I was really doubtful about whether or not he was the right fit for the job. So I called Per Berndtson and he said 'did he impress you?' and I said 'not really' and he said 'forget him'. Per always looked for well-educated, young, energetic people who could run the show and if they could have two degrees, it was an advantage!

**IO** I take a slightly different view. I think again it comes back to the understanding of your client. For instance our appointment for who was to run the 2012 London Olympics. The last person you would have thought would be right to fill that role would be someone from Goldman Sachs [Lord (Paul) Deighton, who was a former COO of Goldman Sachs, took on the role]. I mean it just doesn't make sense at all, does it? But it did, it made absolute sense and it was, as you know, hugely successful.

**KB** I have a similar story. I remember I had to find the CEO of Copenhagen Airport which was a grey, dull building outside Copenhagen. Now it's one of the best airports in the world. The candidate I thought would be perfect for the role said no the first time I discussed it with him. In fact I had him in for another position, (he



came from the insurance industry), and he rejected that particular role and then I said 'what about Copenhagen Airport?' He said 'no, never' but the next day he called and said 'let's talk'. And we did and he was so successful in that role. He was there for 16 years, I think.

So for me it's about knowing your client, its culture and ambition and then combining that knowledge with a candidate who may on the surface seem entirely ill-suited, but, like Lord Deighton and the London Olympics, really fits like a glove.

**JW** With clients I always talk about the *je ne sais quoi* candidate, the one that there's just something about them. To me that's one of the things I like best about what we do, when you've got that sort of relationship with a client and they'll interview anyone you ask them to because they really do trust your judgement. Yet when I look at some of the people we're currently putting into either VP or CEO level roles, particularly in small to mid-size organisations, they represent a bit of a different demographic. We're looking for a lot of Generation X candidates now to succeed the baby boomers and I find that particularly the younger ones are demanding a lot more from us than just our good judgement and opinions on people. Which is where reliable assessment tools can really play their part. These are people who have grown up in the tech generation, and for whom technology is part of their everyday lives. They want to know that we're leveraging technology as much as we can so we'll be better at what we do, so that they in turn are building better companies.

**IO** Indeed and today we're talking about the era of big data and heavy data mining and other leading edge technologies. I think it's going to be very interesting over the next few years. I suspect we're going to move in that direction and I think search firms have got to keep well ahead of the technological curve – as indeed we do. And at the end of the day we're going to be successful because there's intelligence behind our searches, not only abstract data mining.

**KB** Our business is one of the few businesses where experience and knowledge really count, otherwise we would have stopped years back. But, if you're good at what you're doing you become better and better – with and without technology.

**IO** And we do have these specialities in depth across our network. There is a lot of working together across the specialities. We don't have little silos working in isolation. Specialities provide huge knowledge and expertise in a particular area which can be called on by any country. On top of that, searches can be cross fertilised from other sectors and countries providing a rich source of potential candidates. This emphasises our strength in joining forces across different specialisms and different geographical locations.

The Higgs Report in 2003 was the watershed moment for board governance in the UK. Odgers Berndtson was the only major search firm to have made a significant submission to Derek Higgs, garnered from our extensive experience in recruiting for boards, and the report reflected much of our thinking at the time. →





**KB** We think outside of Denmark because we are not big enough to have all the resource in our local base. So we say who could be the best person in London, or Frankfurt or New York to help find the perfect candidate? And that is why I love these assignments!

**JW** Yes it has led to a robust situation where you really trust your colleagues across the entire Odgers Berndtson global network, and can call on them for advice, support and partnership to effect the best outcome and place the best candidate for our clients.

**KB** Which is why, just to give another example, we recently placed an Italian from Australia who was living in Europe and who is now a senior VP covering the Asia Pacific region. You never rule out what Jennifer rightly describes as the *je ne sais quoi* candidate!

**IO** Almost all our senior searches are looking in a series of different countries and if you look at the chairs of the FTSE 100 nearly a third are not British but come from other parts of the world. So again our global collaboration across our offices and specialisms becomes infinitely more important.

**JW** One of the aspects of our business that I've seen change over the past few years and I think will continue to change is the emphasis on looking for diversity in our rosters of candidates. For boards or exec teams, almost every search that I launch these days involves a discussion around the need for more diversity within the organisation I'm working for. So we pay special attention to that.

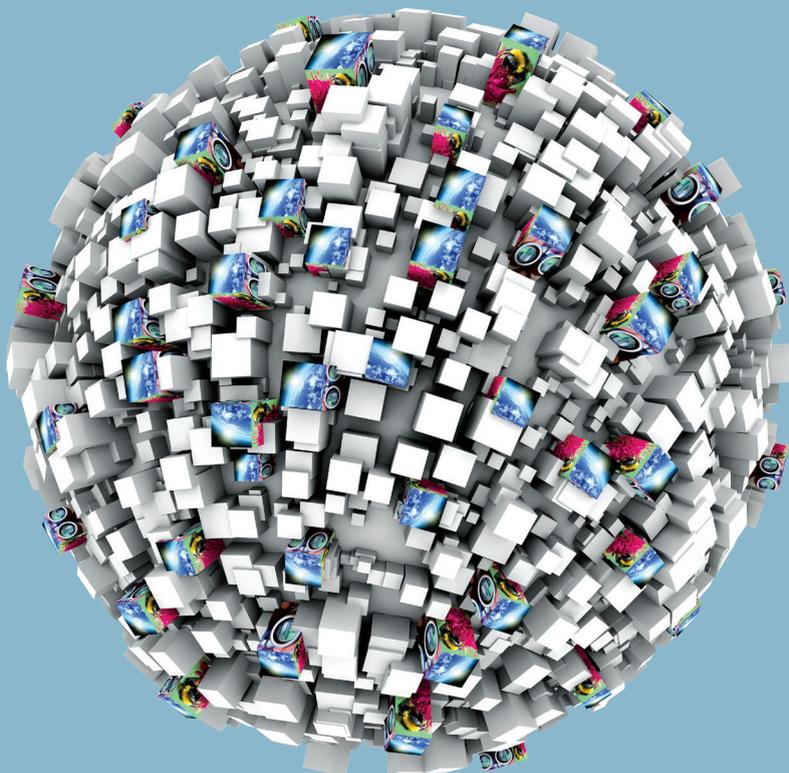
And related to that I'd like to just mention our CEO x 1 Day programme which runs in many countries around the world and is about to launch in the UK as well. As you know, the programme is really gaining momentum in Canada. The CEO x 1 Day programme aligns university students with CEOs of various organisations. The last step of the selection process for that programme involves bringing 12 finalist candidates into Odgers Berndtson offices to spend a day with partners. At the end of that day we identify the few who will be matched up with our CEOs. I had a real epiphany



when we went through the programme in 2015 and brought those 12 finalist students to our office. I was immediately struck when they walked in that not only were they 50 per cent male/female (and that was completely random), but only three of those students were Caucasian. We really were in awe of those students, because not only were they high academic achievers but they were also comfortable and gregarious and personable and involved in all sorts of altruistic activities. We concluded that if these are our future leaders, diversity really isn't going to be a big issue in 15 or 20 years from now as these are the people who are going to be sitting on boards and executive teams... and we joked that at that point the diversity candidate will actually be the middle-aged, white male!

**IO** I completely agree with you. I think that diversity will become the norm and we will be looking for different sorts of diversity in the future. Ultimately though we need to consistently upgrade the quality of our consultancy because the most important decision a client ever makes is the appointment of its CEO and who are the people who are actually there helping make that right choice? It's the search consultants. ■

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# ASSESSING

The use of assessment tools in the business environment has developed substantially over the past 50 years. ADRIAN BASSETT looks at past, present and future trends

## 1960s

- Katherine Briggs and Isabel Briggs Meyers publish the Meyers Briggs Type Indicator (MBTI).
- Robert and Joyce Hogan published the Hogan Personality Inventory in 1986, based on the five factor model, and with an emphasis on the prediction of outcomes rather than measuring traits.
- Warren T. Norman publishes his first article on the Big Five Personality Factors. A model that many modern-day psychometrics continue to have their origins in; Openness to experience, Conscientiousness, Extraversion, Agreeableness, Neuroticism.

## 1980s

- The 1980s saw an increased use of psychometrics in a business setting.
- The first commercially available psychometrics designed explicitly for an occupational setting (rather than clinical or general personality) were launched, for example the OPQ (Occupational Personality Questionnaire).

## 1990s

- Although the term was first coined in the 1960s, the concept of Emotional Intelligence gained popularity following Daniel Goleman's 1995 book of the same name. Various tools were subsequently launched in an attempt to assess EQ. However, there has subsequently been criticism of the concept, and the extent to which it differs from IQ and the Big Five, resulting in a decline in application.

# ASSESSMENT

## 2000s

- Psychometrics has become increasingly ingrained in recruitment culture at all levels. *Personnel Today* cited research in the HR Sector claiming that 78 per cent of their respondents agreed that psychometrics are a “powerful tool for hiring”.
- There is increased competition in the market and a broader range of tools available; personality, values, motivation, aptitude, situational judgement, leadership styles and more.
- However, technology has arguably had the most significant impact on assessment methodology, for example:
- Psychometric data can be re-cut in multiple ways to focus on key attributes, such as a candidate can complete one questionnaire, and the subsequent data can be cut in multiple ways to provide a range of profiles, for example. A focus on sales behaviour, leadership style, team type and so on.

## The future

- Psychometric tools can be customised to an organisation’s values or to create relevant situational judgement tests (SJTs).
- Item Response Theory to improve scoring accuracy.
- Going forward, the future direction is not clear, but:
- The use of algorithms to predict occupational behaviour based on social media and online presence is likely to gain traction.
- In the age of big data, there may be increased interest in using bio data to predict performance and professional success.

**Adrian Bassett** is an occupational psychologist based at Odgers Berndtson’s London office



1960s

### AKIO MORITA SONY

One of the earliest executives to kick-start his company with branding on a global scale, Akio Morita co-founded the Japanese giant Sony. Not only did Morita decide to target new products at affluent markets – specifically those in the US – he also advocated changing his company’s name from Totsuko to the Sony Corporation in a nod to the Latin word for sound and because it was close to the friendly word “Sonny”.

A charismatic leader, Morita promoted the idea that managers and employees were all in a business together and moved to America in order to better understand the consumers he was targeting. He said: “American business organisations must play down this traditional role of bureaucratic management and replace it with a sense of inspirational and visionary leadership; a democratic leadership that stresses inclusive structures, open communications channels, ethics and integrity.”

### 1960s

► In 1964 **Peter Drucker’s** book *Managing for Results* laid out a vision of the corporation as a social institution – indeed, a social network – in which the capacity and potential of everyone involved were to be respected. Out with the vocabulary (and mind-set) of ‘boss’, ‘foreman’, and ‘worker’; in with ‘manager’ and ‘employee’. If Drucker didn’t invent the idea of ‘management’, he did

more than anyone else to introduce the ‘m’ word and all its iterations into how we think about running organisations.

Source [hbr.org/2012/11/the-management-century](http://hbr.org/2012/11/the-management-century)

► **Wally Olins** was one half of the Wolff Olins brand consultancy, founded in 1965. Throughout his life Olins, who died in 2014, was sought out by

global business and political leaders – the most notable of whom was Narendra Modi, Prime Minister of India since May 2014. Wolff Olins is credited with altering the face and approach of many corporations worldwide. Few companies would expect to survive five decades without refreshing their logos (Rolex being a notable exception). Wolff Olins helped them understand how.



1970s

### ANDY GROVE INTEL

In 1971 when Intel’s first programmable microprocessor, the Intel 4004, hit the market, Intel’s innovative CEO, President and Chairman Andy Grove adopted an egalitarian environment in the workplace. Grove took the company forward by mixing position-power people with knowledge-power people – a lead followed by executives such as Meg Whitman (see the 2000s). In one example of égalité Grove introduced a signing-in sheet

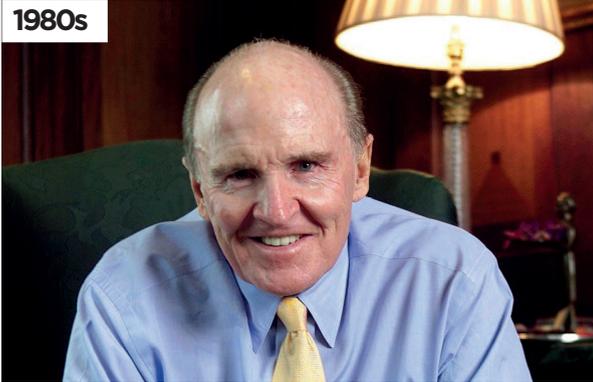
for late employees no matter what their pay scale, a move said to have been targeting well-remunerated engineers who casually drifted in and out in a manner he considered unfair to those lower down the corporate hierarchy who were sanctioned if they had three late marks recorded against their name.

Grove, who died in 2016, decided to forgo his status-confirming executive suite in favour of working alongside colleagues. Latterly, media and tech firms including Pixar, Google and Facebook have introduced workstations and break-out spaces with pods, slides and even hammocks for their workforce, discarding the barriers between different sectors of a company and promoting the interaction once found solely at the water-cooler and canteen.

# THE GAME

Over the past 50 years which business leaders have changed the management landscape more than others?

SANDRA KESSELL picks just a few of the individuals who have turned the leadership rule book upside down



1980s

► In 1982 two McKinsey consultants, **Tom Peters** and **Bob Waterman**, published *In Search of Excellence*. It was a paean to the importance of culture in organisations, an attack on strategy as a merely quantitative exercise, and a celebration of the human element in making companies successful. "Soft is hard," Peters observed. The book sold more than six million copies, astonishing its authors and alerting the publishing industry to the existence of a huge

audience for books on managerial wisdom. Source [hbr.org/2012/11/the-management-century](http://hbr.org/2012/11/the-management-century)

**Other notable managers:**

► **Donald Peterson** of Ford Motor Company, COO from 1980, CEO from 1985-1990.

► **Lee Iacocca**, president and CEO of the Chrysler Corporation and chairman from 1979-1992, who once said: "We at Chrysler borrow money the old-fashioned way. We pay it back."

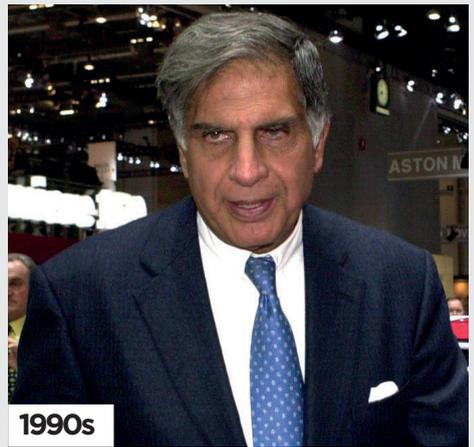
1970s

**JACK WELCH GE**

Credited with making GE the most valuable and largest company in the world, Jack Welch took on the role of CEO in 1981 and stayed in position for two decades. He had little time for bureaucracy or business practice that he deemed archaic, preferring to give his managers a free hand provided they strove to 'do better' and embraced change. Founded in his philosophy that treating people well ensured they would come up with the best ideas, he sought "the 4Es" – energy, energising, edge and execution added to which he sought passion – in the people that he hired, favouring that, and the desire to get things done, to a tick-box resumé. Nicknamed 'Neutron Jack' for streamlining the company, he also put shareholders first, stating that a company's main responsibility was to win. In 1999 *Fortune* named Welch 'Manager of the Century' and the *Financial Times* has named him one of the three most admired business leaders in the world.

► **Steve Jobs**, who co-founded Apple in 1976, once said: "Recruiting is hard. It's just finding the needles in the haystack. We do it ourselves and we spend a lot of time at it. I've participated in the hiring of maybe 5,000-plus people in my life. So I take it very seriously. You can't know enough in a one-hour interview. So, in the end, it's ultimately based on your gut. How do I feel about this person? What are they like when they're challenged? Why are they here? I ask everybody that: 'Why are you here?' The answers themselves are not what you're looking for. It's the meta-data."

► **Bill Gates** co-founded Microsoft in 1975; he once said: "This is a fantastic time to be entering the business world, because business is going to change more in the next 10 years than it has in the last 50."



1990s

**RATAN TATA TATA SONS**

The chairman of Tata Sons from 1991 until December 2012, Ratan Tata's own company executives say he combined character, commitment, competence and courage with indefatigable energy.

While other 90s executives were growing profits in technology, Tata was upping the ante in manufacturing by creating India's first indigenously made →

# CHANGERS

car. After an invitation to collaborate was met by the Indian and Asian automobile industry with apathy, Tata Engineering (now Tata Motors) went ahead solo. Today Tata Motors alone is a US\$42bn organisation that is found in 175 countries around the world.



2000s

**MEG WHITMAN**  
EBAY AND HP

One of the world's most influential women executives, achieving success in the male-dominated tech business arena, Meg Whitman has been feted by *Fortune* magazine, the *Harvard Business Review* and the *Financial Times*. She served her early years at DreamWorks, Procter & Gamble and Hasbro, before heading eBay as president and CEO for a decade. When Whitman joined eBay in 1998 it had 30 employees generating \$4m revenue; by the time she stepped down in 2008 the company was employing 15,000 people and posting annual revenues of \$8bn. One of Whitman's first actions on joining Hewlett-Packard in 2011 was to remove the fence that segregated the executives' car park from the rest and to do away with the wood-panelled executive offices so that everyone walks in the front door with everyone else.

► **John Chambers** of Cisco who was promoted to the position of president and CEO in 1995, continued as CEO and became chairman of the board in 2006. He once said: "Within about four or five years [of starting at Cisco] I realised there was

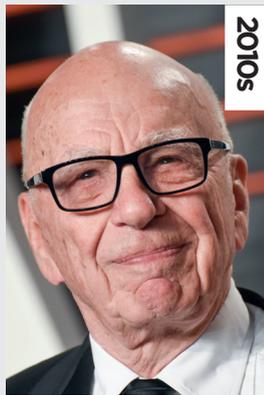
something that many of us do not understand when we take a leadership role: culture. Great companies have very strong and great cultures. A huge part of a leadership role is to drive the culture of the company and to reinforce it."

► **Jeff Bezos** founded Amazon in 1994. Bezos was one of Google's first investors in 1998. He once said: "The common question that gets asked in business is, 'why?' That's a good question, but an equally valid question is, 'why not?'"

1990s

**RUPERT MURDOCH**  
NEWS CORP

Australian-born Murdoch has been one of the top executives in the world for more than 50 years, but his leadership has been highly visible this decade. From owning a two-newspaper business 60 years ago, today the Murdoch family controls 120 newspapers in five countries, cable TV and news networks across the world, a film studio, a book publisher and a satellite TV company. Still hands-on in his eighties, at the time of writing Rupert Murdoch was reprising his role as CEO at Fox News. In the last five years Murdoch has fought off scandal at the UK tabloid *News of the World* by shutting down the paper completely and restructuring and dividing his empire, separating publishing



2010s

businesses from entertainment. Not only is he bang up to date, he likes to stay ahead of the game and he has stated that in order to motivate employees you have to engage their minds and hearts and ensure that they feel valued.

2010s

► **Jack Ma**, Chairman of Alibaba. The Chinese internet mogul has spearheaded his company, Alibaba Group following its huge IPO in 2014. At the time of writing, Indonesia has asked Ma to act as adviser in the development of the Southeast Asian country's nascent e-commerce industry.

► **Peter Wong Tung Shun**, deputy chairman and chief executive of the Hong Kong and Shanghai Banking Corporation.

+

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2000s

► **Oprah Winfrey**, the media mogul, continues to demonstrate her business acumen by guiding double-digit growth in her own network. It also shows her passion for educating females worldwide through

her support of the Oprah Winfrey Leadership Academy for Girls.

► **Indra Nooyi**, CEO and chairman, PepsiCo, once said: "I wouldn't ask anyone to do anything I wouldn't do myself."

*Forbes* said of her: "She is a fun-loving executive as well - she played lead guitar for an all-women rock band in college, loved to play cricket, and is known to sing karaoke and perform at corporate gatherings to this day."

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# May's governance gamble

Britain's new Prime Minister has vowed to shake up the corporate governance system. KIT BINGHAM asks if directors will listen

In her brief but successful campaign to become the UK's Prime Minister earlier this summer, Theresa May gave a speech that set out her priorities if she became the country's leader. She did not focus on the complicated business of wrenching the UK out of the European Union. Nor on the myriad insoluble problems that come banging on the front door of Number 10

Downing Street, like terrorism, immigration or funding the National Health Service.

Instead, the premier-to-be laid out dramatic and far-reaching proposals for reforming the UK's system of corporate governance.

The content, tone and target of her remarks were remarkable coming from one seeking to become the leader of the Conservative party. She

said: "The people who run big businesses are supposed to be accountable to outsiders, to non-executive directors, who are supposed to ask the difficult questions, think about the long term and defend the interests of shareholders. In practice, they are drawn from the same narrow social and professional circles as the executive team and – as we have seen time and time again

– the scrutiny they provide is just not good enough.”

She went on to propose that UK quoted company boards be required to include representatives of workers and consumers, a bolder proposal than that offered by the rival, left-leaning Labour Party at the last election.

Some have dismissed her comments as just plain wrong – with the notable exception of the financial services sector, UK corporate governance has performed well. Others dismissed Theresa May’s diagnosis as political sloganeering that will never translate into new rules for boards. Still others have harrumphed that these changes could fatally undermine the whole concept of the UK unitary board.

The newly minted Prime Minister’s charge against the

British boardroom cannot be ignored, however. Ms May has channelled the same widespread feelings of disenchantment, disillusionment and anti-elitism that lie behind the Donald Trump bandwagon in the US, or that of similar populist parties in Europe, or indeed the UK’s vote for Brexit. Too many communities feel left behind by globalisation and the information technology revolution, and have concluded that neither big business nor their government has their interests at heart.

The most visible symbol of a business elite that has cast itself adrift from most ordinary people is executive pay. Here too, Theresa May has promised greater power for shareholders, not to mention the potential influence that those worker-representatives may have over remuneration discussions.

But executive pay is only a proxy for a broader disconnect between big business and the society in which it operates. When even the *Financial Times* comments that “there is too much rent seeking and not enough wealth creation” in the UK commercial world, and that the “anything-goes” model of capitalism needs to be made fairer, then it’s clear that that disconnect has become one of crisis proportions. Britain’s new Prime Minister has made it clear that she has heard the demand for change. The question then is: will the UK’s directors now demonstrate that they too are listening? ■

**Kit Bingham** is a Partner in the Board Practice at Odgers Berndtson, and Head of the Chair & Non-Executive Director Practice



“

Theresa May has promised greater power for shareholders

”

# OBSERVE on the go

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A man with grey hair, wearing a dark blue suit, white shirt, and light blue patterned tie, stands in a modern office lobby. He is leaning on a white marble reception desk with his hands clasped. The word "VALEANT" is displayed in large, light-colored letters on the wall behind him. The background shows a well-lit interior with wood paneling and a turnstile.

VALEANT

# Man with a mission

In an exclusive interview, Joseph Papa, recently installed Chairman and CEO of Valeant talks to JOHN HAWKINS, Vice-Chairman and Director of Odgers Berndtson USA, about the challenges that lie ahead →

**John Hawkins:** What did your first 100 days at Valeant Pharmaceuticals look like? You walked into a difficult situation, so what have you done?

**Joseph Papa:** To me, it was always going to be about getting to better know the people in the organisation, and understanding the perspective of our customers and stakeholders. During my first few weeks, I had dinner with key opinion leaders to learn about what Valeant does really well, and what we can improve on. One of the early critical steps was to define Valeant's mission: 'Improving people's lives through our healthcare products.' Many people raised questions about Valeant's past, but to me it was about building a new company that truly makes a difference to people's lives through our products. I also wanted to meet the Valeant team members – as many as possible – as soon as possible. Clearly Valeant is a unique company in that we have significant debt. So it was also important to meet with investors, debt holders, creditors and shareholders, among other constituents. I think we've tried very hard as a team to dispel some of the noise that's been part of Valeant recently and, importantly, focus on the future.

**JH:** Were there experiences you drew on from, say, your time at Perrigo [a leading global healthcare supplier] or elsewhere that helped guide your thinking?

**JP:** I think what's important is your own experience. For me, number one is I am a pharmacist by training, and have been involved in the pharma industry for more than 30 years. In addition, being able to look at data and the science, and make decisions based on analytics is a critical skill from my pharmacist training.

It's also important to focus on the importance of interactions with patients. What is it that patients look for from our products?

Those are very important messages that I felt helped me as I joined Valeant – but also throughout my entire career. The other important experience goes back even further to playing high school hockey, and learning to be a part of a team and leading a team.

**JH:** How are you gathering feedback about how it's going at Valeant and getting honest responses?

**JP:** As you can imagine, we've had some really good things happen at Valeant but we've also had some challenges. I knew going in that I wanted to hear what people really thought. So I've done a couple of things. Firstly, I've had six town hall meetings, here in Bridgewater [New Jersey, Valeant's US HQ] but also in Canada and Europe to meet as many of the team as possible and to hear their comments. I know sometimes people are afraid to raise their concerns to the CEO of the company, but I wanted to give everyone the opportunity to say 'here's what I think is broken, you need to get this fixed right away' or 'here's what I think is going really well in this company, make sure you keep it going'.

What I was most pleased with in that process is the engagement in my company. During a recent town hall meeting, more than 80 per cent of the employees at Bridgewater put in a comment or suggestion!

**JH:** That's an amazing response.

**JP:** The other thing I've done – and to be fair I've only been able to do this so far at Bridgewater – is to spend time with small groups of 10-15 people once a week over breakfast or lunch. I start with 'introduce yourself and tell me what department you're in and how long you've been with the company' and this is at all levels. I ask them to share their likes and dislikes about Valeant and ensure them that I'm not going to share any person's specific comment because then the next group →



What's important is your own experience... number one is I am a pharmacist







 VALEANT

will never tell me another thing! But what I will do is take their comments and synthesise them to help me think about what needs to happen.

**JH:** Are there any metrics or tools that help guide your messages?

**JP:** I am by definition a data person. I like data to help me make decisions. I believe that understanding your market share is important, so looking at data both from the prescription side but also from a market share point of view are fundamentally important. Valeant was very decentralized and that works really well when you get into individual business units making decisions, but I felt one of the things I had to do was centralize some functions. For example, our supply chain was decentralized, which made a lot of sense for us, but there were places where we were just not getting sufficient supply of product 'X' and it was because it was being made at one site for another region of the world.

The other metric that's been really important to me is return on investment. I want to make sure that as we allocate capital, for example the expense of a new contact lens line, we see an appropriate return on investment. In my mind it's very simple: the shareholder buys a share of our stock, they give us capital, which then has to show a return on investment or return on invested capital to warrant them buying our stock versus a competitor or just

putting it in a savings account. So return on investment has always been very important in my past and it's going to be very important for us at Valeant in the future.

**JH:** Before we leave the first 100 days, I want to ask one final question. Were there things done by your board – or other staff members of the company – that you found helpful to your onboarding process and that others could learn from?

**JP:** I will say first and foremost, I have a very active board which I very much appreciate, especially because of what Valeant has been going through. There were important activities that needed to get resolved and I had great input from all the board members to help us think through some of the decisions relative to what we need to do for our debt holders.

Early on in my tenure, we had a regular board meeting cadence. I think that was a really helpful process especially given the number of activities that were ongoing here at Valeant when we were trying to make important decisions and move forward. The only other thing I'll say is that I'm fortunate to have some very talented people as part of the team, people who really understood the history at Valeant, specifically Rob Rosiello [Executive Vice President, Corporate Development and Strategy].

When I arrived he was the CFO of the company, a great individual who spent a lot of time on the details to ensure we were making progress.

**JH:** We talked a little about the board. How have you been able to get to know your board members and build bonds with them?

**JP:** I have tried to understand their perspectives and what their specific areas of interest are and, importantly, to help me think through a particular problem. Who on the board has the type of expertise to help me? We've got a lot of people with great pharmaceutical experience on the board – Bob Ingram, Bob Power, Fred Eshelman, Jerry Karabelas – so I clearly look to them on certain questions within the pharma side. On the other hand we've got directors with vast investor knowledge such as Bill Ackman, Steve Fraidin and Rob Hale. So depending what the problem is we have great people to go to. We also recently added Amy Wechsler – a dermatologist with a psychiatry background. Each of the board members brings a certain expertise to help me.

**JH:** Have there been any new strategies around communicating with the board?

**JP:** I think it was very similar to what I've done previously; making sure there are regular updates to the board, whatever the issues may →

be. Importantly, I've used some activities with bankers and some of the board members to just think through a new strategy for our company. You walk through the door of a new company that's got ballpark \$10 billion of revenue and yet you have a lot of debt, so you have to decide 'ok, I'm going to keep these core assets but I want to think about divesting some of these other assets', what I refer to as non-core. That's an interesting process. It was vital to have the back and forth with the board members to make sure we were going down the right path.



We have tried to be as transparent as possible with the marketplace



**JH:** Of course you're new and you've got these new faces and nobody knows each other all that well, what are you doing to help bring the board together?

**JP:** In many ways it's more than a new board; it is also a new leadership team. I've got a new CFO, General Counsel, Chief Accounting Officer and Head of Business Strategy and Communications. First and foremost, I've tried to get the leadership team and the board together in one meeting. In some respects it's time that is valuable for all of us, but at the same we're going through some topics to educate each other about important and urgent items. I want everyone to be familiar to each other, not just me. For example we have a brand new arrangement with Walgreens for our dermatology and ophthalmology products so that's a natural place to say, let's spend a few minutes to educate you on this. It's a 20-year agreement and at that point we were just six months into the deal – we want to help

everyone understand what the future will look like for us.

**JH:** What role will R&D play in the new Valeant? Everybody's asking that question.

**JP:** I think that's one of the most misunderstood things about Valeant. R&D has always been very important to Valeant and I believe it will be even more important to us in the future. For example, within the first three months of my tenure we had three FDA actions occur just in the month of July. In one case, we had an advisory panel meeting on a drug called brodalumab for psoriasis, where remarkably it had an 18 to 0 vote recommending approval. From the data we've seen, if approved, it may be one of the most effective drugs for the treatment of that condition, which links perfectly back to our mission. Here's a company that isn't thought about for R&D, yet we have one of the best psoriasis products coming to the market and that will make a real difference to patients' lives. I think it shows good progress on the things we think are going to be important for our company.

**JH:** Let's shift gears a little and talk about finances and some of the financial imperatives that Valeant faces?

**JP:** I think there are a couple of things here. Number one, we have tried to be as transparent as we possibly can be to the marketplace on what we're doing with our debt. We are paying down debt, as quickly as we can, but there is a large amount of it – over \$30 billion. We did come out with new guidance for 2016 and what I said is that this is my first look at the company and this is what we think we will do for top-line revenue, as well as for the year 2016. Every time I met with our investors or debt holders this question about the amount of cushion between that generation of EBITDA we're expecting for 2016 versus the amount that's required not to break the covenant is not as large as I'd like. And for that reason I said we're amending our covenants on our debt. Because the reality is there are a lot of great things happening here at Valeant but much of the conversation always gets steered



back to 'is there enough cushion between your debt covenants and your EBITDA generation'. We had an amendment in place so we can talk about what is the future of the company. We announced that fairly recently (in early August) and we think it's an important step to show how we're going to continue making progress deleveraging the company. We have asset sales worth up to \$8 billion; we think that will help us to deleverage the company as well, so we're going to keep moving on that.

**JH:** Are there any new strategies being deployed to address the creation of a new base of long-term investors?

**JP:** Two important things. We've announced, (with your help of course) the appointment of Paul Herendeen as our new Chief Financial Officer and Scott Hirsch as our new Head of Business Strategy and Communications. I think both of those moves will help us reach out to our new investors. We are creating a new Valeant. Valeant had a very loyal following of investors but as we build the new Valeant we're going to potentially find different investors that are also interested in our company. That, importantly, is not only something the

CEO does, it's also something that having a good strong CFO is going to help me with. It's also about how we define our strategy and communicate to the marketplace. Scott, who was formerly with Citadel, will help us think through how we communicate our messages.

**JH:** You mentioned changes in the leadership team, how, at a high level, are you thinking about the global organisation?

**JP:** We have some very talented people across the globe that I have already had a chance to meet but I needed to consolidate my international business, so everything outside of the United States and Canada is under one leader. I've done that. Tom Appio - who has a wealth of experience at Bausch + Lomb and prior to that at Schering Plough, and is currently a resident of China - is going to help us to run all this international business. He'll be able to put together things from his knowledge and experience that I think are going to be critically important for us in terms of how we look at the international business, get results for our shareholders and, importantly, make sure our products are available globally. ■

# ENTER

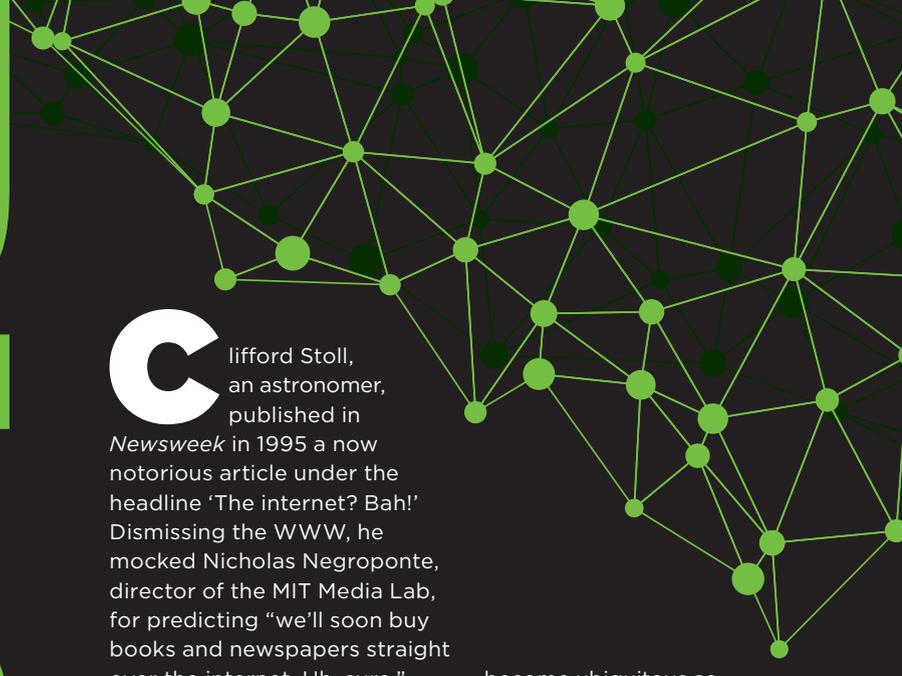
It's potentially  
the most  
disruptive  
technology  
since the  
advent of the  
internet. But  
what exactly  
is Blockchain  
and how  
will it impact  
businesses  
across  
the globe?

GARY MEAD  
investigates



# CT

# BITCOIN



**C**lifford Stoll, an astronomer, published in *Newsweek* in 1995 a now notorious article under the headline 'The internet? Bah!' Dismissing the WWW, he mocked Nicholas Negroponte, director of the MIT Media Lab, for predicting "we'll soon buy books and newspapers straight over the internet. Uh, sure."

No-one today is risking making the same boob when it comes to forecasting the future for Blockchain. That's sensible: because Blockchain is potentially the most disruptive technology that has been seen since the creation of the internet itself.

The technology that underlies Blockchain demands sophisticated code-writing skills but, at the conceptual level, Blockchains are nothing more than decentralised ledgers, or lists, of transactions that happen in a peer-to-peer network.

Blockchain technology underlies Bitcoin and other cryptocurrencies. As yet, Bitcoin (and other cryptocurrencies vying with Bitcoin) have not really broken through the barriers of unfamiliarity and uncertainty; they have yet to

become ubiquitous as payment options. Rather, price volatility and the chance of quick profits (and losses) means that Bitcoin has been more of a tradable asset than a way of actually paying for goods and services.

So Bitcoin, for all its publicity, is no more than the epiphenomenon of Blockchain; it's the technology that is revolutionary, not the cryptocurrencies per se. Bitcoin is dependent on Blockchain; but Blockchain technology is independent of Bitcoin.

Blockchains fall into three broad categories – public, private, and a hybrid of the two. A public 'permissionless' Blockchain – for example Bitcoin – is a fully decentralised system open to everyone (no central 'authority' giving 'permission' to join) and →

# CHAIN

### BLOCKCHAIN EXPLAINED

Blockchain is a decentralised list of transactions that happen in a peer-to-peer network. Those who join in the Blockchain can transfer value without the need for a central third party or 'clearer'. It's a distributed database which maintains a continuously growing list of encrypted data records, secure from tampering or revision. The buyer and seller in the archetypal Blockchain are pseudonymous. Without knowledge of the personal identity of their counterparty they interact directly, without the need for third party verification. The Blockchain automatically creates a transaction record, but no personal information is shared; any information about personal identities is encrypted. So imagine you are a 'buyer' via a Blockchain - you don't know who you are buying from, but you do know that the seller has been trusted to enter the Blockchain; and vice versa.

where the ledger is updated by pseudonymous users. Private or 'permissioned' Blockchains involve a centralised organisation controlling the entire system, such as a company conducting (and controlling) internal auditing or database management.

A hybrid Blockchain is a system open to a controlled group of trusted and vetted users who update, preserve and maintain the network collectively.

Virtually any type of information can be digitised, codified and placed onto a Blockchain, creating a database that is (theoretically) tamper-proof, permanent, and whose validity is confirmed by the consensus of a community of computer users, rather than by a central authority. The 'central authority' is this community of computer users.

The financial services industry is perhaps the most fascinated by the possibilities opened up by Blockchains. It sees the possibility of cutting costs from many time-consuming and therefore expensive routine activities.

Alex Batlin, chief technology

officer for innovation at UBS, says: "Blockchain technologies can make banks more efficient - for example through instantaneous settlement rather than the days it takes at present, lower costs and lower operational risk. The key attraction is that there is no middle or back office, and no registry, so clearly a major impact on costs." A 2015 report by Santander InnoVentures, Oliver Wyman, and Anthemis, forecast that Blockchain technology could reduce banks' infrastructure expenses related to securities trading, regulatory compliance and international transfers by \$15-\$20 billion a year within seven years.

Wider adoption of Blockchain hinges on how regulators and policymakers manage this swiftly evolving technology. It's unlikely that the financial world - or policymakers - will ever take 'unpermissioned' Blockchain networks (such as Bitcoin) seriously, primarily because of anti-money laundering and rules that impose 'know your customer' stipulations.

But beyond the world of finance Blockchain is rapidly gaining traction in many other areas - such as diamond trading.

The Global Blockchain Council (GBC) with its HQ in Dubai has been set up to explore the application of Blockchain technology to a variety of operations, including the international diamond trade.

In 2000 the Kimberley Process (KP) was set up to combat the 'blood diamond' trade. Countries signing up to the KP must ensure that any diamond originating from the country does not finance a rebel group or other entity seeking to overthrow a UN-recognised government; that every diamond export be accompanied by a KP certificate; and that no diamond is traded with a non-member of the scheme. With this process all diamonds collected from a mine are sealed in containers, and given warrants. As they move from location to location, they are given further identifications to verify their origin.

Today, 74 countries are members of the KP, ensuring that more than 99 per cent of diamonds are from conflict-free sources. Anyone who imports

or exports rough diamonds between these countries without a KP certificate is breaking the law.

The GBC's 'Operation Kimberley' is a pilot project to use a 'permissioned' Blockchain to digitise the issuance and transfer of Kimberley Process Certificates used in the shipment of rough diamonds globally and the collection, transfer and storage of trade data and statistics provided by each member country.

James Bernard, Director of Business Development with the Dubai Multi Commodities Centre (DMCC), says that a 'permissioned' Blockchain can both revolutionise diamond trading and, critically, reduce costs across the trading spectrum: "Today, diamond production and trade data is collected by member countries who mainly use Excel and transfer that data to a centralised website. This could easily result in duplications and

incorrect information through errors. Blockchain technology can be used to share a ledger across the member network. The network will be private to the parties concerned, permissioned so only authorised parties are allowed to join, and secured using cryptographic technology to ensure that participants only see what they are allowed to see. Diamond data can be collected and added by the authorised users and immediately viewed by everyone across the network. This establishes trust, accountability and transparency while streamlining the process. It has the potential to vastly reduce the cost and complexity of the processes involved."

Ultimately, what Blockchain can deliver is confidence: it's not the institution that you trust - but the transaction. If a 'permissioned' Blockchain had been in place for forex trading, the great Libor scam would have been impossible. ■

To find out more about Blockchain, see: [richtopia.com/top-lists/top-100-blockchain](http://richtopia.com/top-lists/top-100-blockchain) [businessinsider.com/10-most-promising-blockchain-companies-2014-5?IR=T](http://businessinsider.com/10-most-promising-blockchain-companies-2014-5?IR=T) [blockchaintechnologies.com/blockchain-companies](http://blockchaintechnologies.com/blockchain-companies)

“**T**here is massive room for business know-how within the non-profit sector,” says Kevin Frey, the Toronto-based CEO of Right To Play, a global organisation that helps improve the lives of more than one million children via weekly sport and play activities.

“The question I’m often asked,” continues Frey, “is why top talent would come here if they can make more money elsewhere? The answer is that the top talent that is attracted to the non-profit sector are the individuals who are driven by a desire to make the world a better place. They get a deep personal satisfaction and sense of purpose from knowing that their daily work is having a positive impact on the world. Impact has to matter more than money.”

Frey is speaking with some insight. He is just over a year into his job at Right To Play, joining in August 2015 from the University of Toronto’s Rotman School of Management, where he was Managing Director of the flagship MBA programme. His CV also includes launching Teach Away Inc., one of the world’s largest teacher recruitment firms, and two e-learning companies, Skooli and LearnKit.com.

Frey had become the first new CEO to join Right To Play since its inception in 2000 by founder Johann Koss, the social entrepreneur and four-time Olympic gold medallist. Under Koss, Right To Play has expanded to seven national fundraising offices outside its Canada base while operating across 20 countries with 600 staff and 14,400 volunteer coaches.

That’s a large multi-national by any measure and Frey is tasked with taking the group to the next level by applying his

# ALL IN A GOOD



COURTESY OF RIGHT TO PLAY INTERNATIONAL. PHOTO BY TERENCE BABB

The need for outstanding leaders in the not-for-profit sector is greater than ever, yet it is not always financial incentives that draw people in.

DOUG MORRISON reports

# CAUSE



entrepreneurial flair and 15 years of “organisational know-how, strategic capacities, leadership and discipline”.

As Frey explains: “Having been with the University of Toronto for many years, I have an intimate understanding of how large, quasi-public organisations operate and how things move through these organisations and decisions are made. We do a lot of work with governments, both as funders of our work but also as our partners in the field, so that experience has certainly been helpful.”

He adds: “Right To Play is not an INGO that is doing traditional disaster relief or providing vaccines,” he says, “it has pioneered an innovative niche for itself in the development world by focusing on using the power of play to transform the lives of millions of children. Everyone at Right To Play believes in the power of play to change the world. I loved that ambition and I saw massive future potential.”

The switch from private to not-for-profit sector by senior business executives such as Frey is by no means unprecedented but it is still rare enough to cause a stir when it happens, and raise the question as to why it does not happen more often?

According to Sal Badali, a Toronto-based partner in Odgers Berndtson’s Public and Non-Profit Sector Practice, remuneration is an issue and yet it is “a critically important sector in Canada that deserves and needs to attract top talent”. He adds: “Typically you’ll find that those who want these positions and are good at it would be in demand in private sector organisations that could pay a lot more. They often choose to work in the sector because they →

have a passion for it. Fortunately the sector can pay reasonably; it just cannot pay top dollar.”

If anything, the need to attract top talent is more important than ever. Julia Oliver, who heads up Odgers Berndtson’s Not-for-Profit Practice in London describes “a sector in massive transition” in the UK, partly because the post-GFC austerity programme of successive governments has resulted in charities increasingly taking on the delivery of services previously provided by the public sector. The UK sector has also come in for scrutiny in both media and parliament because of governance issues in some high-profile groups and concerns over aggressive fund-raising activities in others. All of which culminated in a critical report in June 2016 from the UK regulator, the Charity Commission, which said public trust in charities had fallen to its lowest level since 2005.

Yet Oliver argues: “We don’t have any problem finding people for roles whether they’re remunerated or not. The charities are run by people who are passionate about what the charity does. It doesn’t attract people who don’t have any sympathy for the cause - they would be the wrong people in those roles. It needs to be someone who has the value-set to make that charity and its beneficiaries really thrive.”

As Frey suggests, non-profits are like any other organisations, it’s just that they have a different bottom line. “It is the same operational and logistical expertise that enables an organisation to manage a global supply chain in the telecoms industry that also allows an INGO to efficiently and cost-effectively deliver food or



Sal Badali



Julia Oliver



Kevin Frey

“It’s never money or perks that convince them”

COURTESY OF RIGHT TO PLAY INTERNATIONAL. PHOTO BY THOMAS BREISTEIN



vaccines,” he says. “The difference is that while for-profits optimise around maximising shareholder value, non-profits attempt to maximise the positive impact on beneficiaries.”

Frey concedes though that “people do have some pre-conceived notions about this space” and perhaps the sector as a whole needs to be smarter in the way it recruits senior management. “To attract those candidates,” he says, “I think that non-profit organisations have to clearly articulate and actively promote their impact to potential candidates... It’s never going to be the money or the perks that convince them.”

He highlights the fact that Right to Play’s finance and audit committee is made up of former bankers; the CFO previously held the same position in a Canadian airline; and the vice president of HR was a senior executive at a global food conglomerate. With some incredulity, he also points out the dearth of MBA talent coming into the sector generally, which with his university background he has at least been able to rectify at Right to Play. Several MBAs are now interning at the group, working on everything from sports strategy to HR, and even an app that Right to Play is launching to fund its non-profit activities.

Frey adds: “We will continue to add folks with experience in complex settings, whether that be from the for-profit or non-profit worlds. I think the distinction is rather irrelevant when you are trying to attract executives. The key is to identify people who have driven improvement in their previous roles and who are motivated by the mission of an organisation, not by the number at the bottom of their pay slip.” ■



A

Third party logistics - or 3PL - is in a state of rapid transition. So what effect, asks DAVID CRAIK, is this having on talent needs?

# LOGISTICAL



# CHALLENGE

The traditional image of logistics is a truck driver thundering down the motorway or a ship laden with containers gliding out to sea.

It's still true of course but today's world of logistics is also becoming increasingly automated and technologically sophisticated. It is a sector utilising the benefits of vehicle tracking technology and robotic devices helping to pack and load trucks. It is one with an increasingly focused eye on a future which will see driverless vehicles and drone deliveries.

The true pioneers of these developments are not one-man haulage firms, but global 3PL or third party logistics carriers.

These are the groups (see box out) which operate their own or customer fleets and are responsible for shipping goods from manufacturers and distributors to shops or directly to customers in their homes or offices anywhere in the world.

So what impact is this fast changing sector having on senior talent needs?

Ajit Venkataramanan, Managing Director of APM Terminals India, says robots and automation are increasingly crucial to 3PLs. Adds



ALL PHOTOS: ALAMY

Venkataramanan: "Senior management need to have a technical mindset. With increased competition in the 3PL space, the product offerings are getting commoditised and this is forcing companies to innovate and offer new and better solutions to customers."

"Having the ability to think outside of the box is one of the important traits of a good manager. I think the last mile delivery is likely to be revolutionised by drones so tracking the innovations happening in 3PL is crucial."

Doug Harrison, President and Chief Executive of Ontario, Canada's VersaCold Logistics Service, agrees: "Technological data in a 3PL is as vital as the movement of the product. In terms of automation it is →





not just about mechanics but to be able to automate decisions about service levels or synergies. We spend a lot of time in ensuring that we have a very capable IT group," he explains.

But these skills, he argues, are just part of a gradual involvement in 3PL senior management talent in the last decade.

"The supply chain has really evolved to more of a professional designate role inside a company," he states. "Supply chain used to be about just transportation and was a fairly back-room concept. But now it is seen as a key competitive weapon in a business and in the boardroom."

That has meant hiring from new sources such as MBA graduates, supply chain graduates, finance professionals and those from a technological, operational or engineering background.

Adds Harrison: "They may not have direct supply chain experience but their talent brings a whole lot of other experience and different innovative thoughts which we need in this faster, more advanced sector. We want people who like continuous learning and who are curious to analyse the complex metrics and processes such as weather-related impacts on logistics, global challenges and cultural interactions. It takes time to find it but it is worth it.



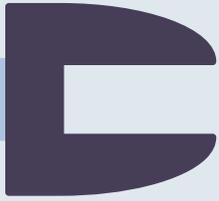
The talent gives you the competitive advantage in a services-orientated business."

Perry Watts, Chief Executive of DHL Supply Chain in UK & Ireland, says the need for sector expertise continues to grow. "The drive for new blood is both through sector and solution experience. For example, we are now delivering airline business solutions such as catering and supplies and for that we have looked for people who have relevant sector experience that can be blended with a logistical approach," he states. "We have been innovative in carving out new niche markets as well as our core logistics activities and we need to find the relevant talent to help us. We do change for a living and if you can't cope with that then you are not for us. Continuous improvement is at the heart of all that we do and where value for our customers is created."

Another example of this change is DHL's growing co-packing service for manufacturers. "You are adding value to a product before dispatching. You need more manufacturing type skills to manage that," he explains.

Odgers Berndtson's sector wide experience offers 3PL firms the best chance of finding this diverse talent. Zoe Lewis, Partner, Support Services, who specialises in the sector, says: "Having supported this sector for many years, we understand the challenges they face and their new





requirements such as needing more commercial acumen. Odgers Berndtson is not a boutique operation; we have multiple practices such as retail, life sciences and manufacturing. This bandwidth enables us to find the very best candidates from other sectors and convince them to join the 3PL world.”

This last point is particularly important. Lewis says the logistics industry does not have a ‘sexy image’. She states: “This sector is earthy with few airs and graces, but it lacks profile; which is ironic given that it is a global, highly complex multi-billion dollar industry. But for those working outside of the sector, many do not regard the logistics industry as their next obvious career move. When highlighting for candidates the value they can bring many do see the appeal.”

This also extends to attracting the next generation of leaders into the sector – the university graduates. “The growth of technology in logistics can be an important factor. Promoting the

use of drones and robotics reveals to them that 3PL can be a ‘cool’ place to work in,” she adds.

Mark Simmons, UK HR Director at XPO Logistics Europe, adds: “Growing competition, the challenges of e-commerce and the drive for innovation means the commercial demands of the sector are greater. But there is a lack of awareness about how rapidly 3PL is changing. We are creating better links with education. We are telling school pupils about the opportunities we offer in sponsored degrees and modern apprenticeships.”

Adds Lewis. “Our clients are no longer looking for the best in the local market, they want the best talent that Europe offers. So our strong international reach helps.”

Venkataramanan maintains APM is thinking globally because most of its customers are MNCs. “They are expecting the same standards of service as any other part of the world. Managers have to interact with customers in various parts of the globe. To meet their expectations, we need managers who have a global mindset to understand the customer needs.”

But he argues it can be a challenge to attract outside talent into the sector: “Companies that have global operations have been able to add value and motivation by offering international assignments and exposure to global ways of working. That’s more challenging for many of the 3PL companies here who are local or family firms.”

It sounds like modern senior managers in 3PL are being distanced from trucks on the motorway and ships at sea. Watts begs to differ: “It’s a well-rounded individual we need. One who uses his or her head with digital skills and analysis but also has plenty of heart and guts.” ■



**TOP FIVE GLOBAL 3PL PROVIDERS**

Gross logistics revenues (GLR) in \$billions. (Armstrong & Associates 2015.)

**1** DHL Supply Chain + Global Forwarding  
**GLR:** \$29,562  
**Territories:** 220  
**Employees:** 340,000

**2** Kuehne + Nagel  
**GLR:** \$21,100  
**Territories:** 100  
**Employees:** 67,000

**3** DB Schenker Logistics  
**GLR:** \$17,160  
**Territories:** 130  
**Employees:** 66,000

**4** Nippon Express  
**GLR:** \$15,822  
**Territories:** 21  
**Employees:** 32,094

**5** CH Robinson Worldwide  
**GLR:** \$13,476  
**Territories:** 60  
**Employees:** 110,000



# MISSION POS

**C**EO succession rates are rapidly accelerating.

According to a PwC study, CEO turnover rates climbed from 11.6 per cent in 2010 to 16.6 per cent in 2015. Between 2007 and 2009, nearly 10 per cent of S&P 1,500 companies experienced a CEO succession yearly. And with retirement and M&A rates rising your company could soon be on that list – an Odgers Berndtson survey of Canadian executives revealed that 62 per cent of companies had no plan for CEO succession, and most other developed economies suffer from the same syndrome.

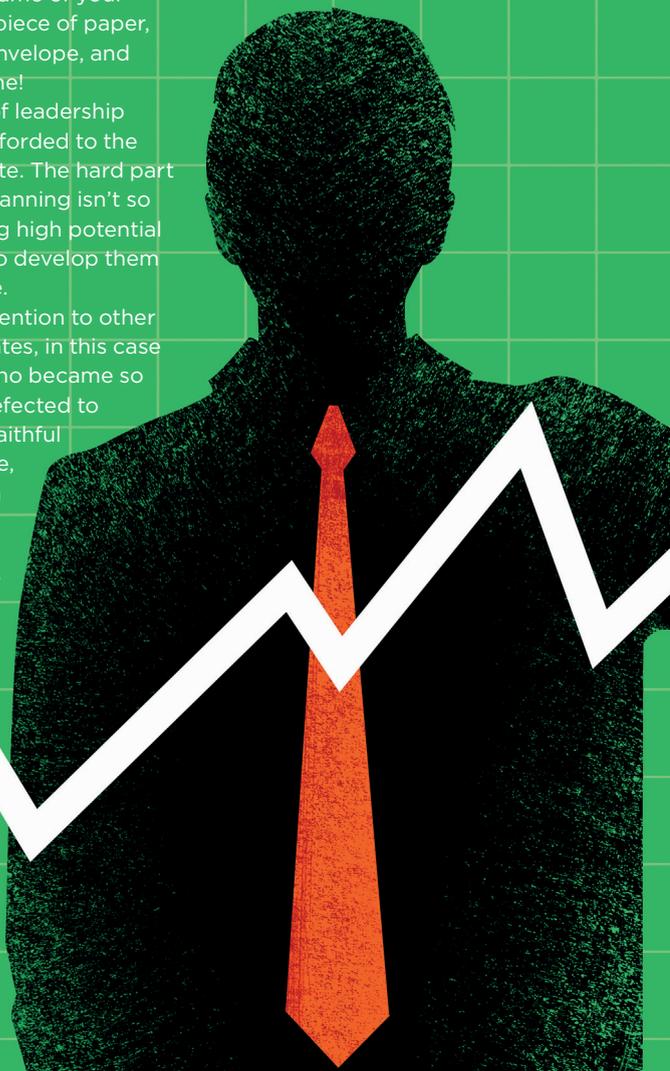
Getting succession right has been a problem for millennia.

When Julius Caesar was assassinated in 44 BC, he designated as his successor a relatively unknown and frail youngster, Octavian. This created such consternation that the Roman world was soon thrown into a civil war, from which Octavian emerged victorious after his defeat of Mark Antony and Cleopatra, changed his name to Augustus and ruled successfully until the age of 75.

Caesar's succession plan encompasses many of the

pitfalls of CEO succession today:

- Keeping the process a closely guarded secret, without a clear process to ensure a smooth transition. Imagine if, like Caesar, you wrote the name of your successor on a piece of paper, sealed it in an envelope, and voilà, you're done!
- The absence of leadership development afforded to the chosen candidate. The hard part of succession planning isn't so much identifying high potential leaders as it is to develop them for the CEO role.
- The lack of attention to other internal candidates, in this case Mark Antony, who became so bitter that he defected to Egypt with his faithful legions. Likewise, the rift between internal candidates can often weaken or



ALAMY

Even Julius Caesar had one. A succession plan, that is. So what's yours? And is it as robust as it should be? *Observe's* Career Coach, ERIC BEAUDAN, seeks some answers

# SIBBLE

derail CEO succession, when it doesn't have to.

Caesar's decision sparked a rebellion that should have, by all calculations, brought down the Roman Empire. If Rome had been a modern organisation, it would certainly have been broken up or acquired. Augustus was able to hang on, in no small degree, because there was simply no other competing empire ready to pounce and take advantage of Rome's dire situation.

Fast-forward to today, and to the challenges you will face in

are different skillsets or capabilities. Get this out of the way early by asking every Board member to list the top five challenges they feel the next CEO will have to tackle, and by offering your own thoughts on the leadership qualities the next CEO will require. Make this

dialogue with the Board a quarterly topic of discussion.

- Invite senior team members into the process by providing them with a

leadership assessment, and using that assessment as the basis for creating a robust development plan. Share with them the qualities you'll be looking for in a future CEO, and explain where they stand against those.

- Provide opportunities for potential successors to spend time with the Board, and to handle difficult assignments, like an M&A. Board and investor exposure is key to their growth and potential success as CEO.

- When the time comes, lay out a clear communication that outlines the Board's reasons for selecting the new CEO. Invite your Board to spend as much time with the unsuccessful

candidates as the chosen one.

A classic case of CEO succession done right is how Jack Welch, who himself had been chosen to head up General Electric in 1981 after a thorough internal search, prepared his own succession. Welch started with a list of essential qualities an "ideal CEO" should possess, and sharing those with the Board. He interviewed the top 500 leaders across the company, and submitted a shortlist of 23 to the GE Board who appointed Jeffrey Immelt. He is still in the role today.

A final word: almost 40 per cent of newly appointed CEOs leave within their first 18 months. Regardless of how bright and competent your new CEO is, it won't hurt to provide them with an executive coach, at least for year one. The role of CEO is one that few people are prepared for. So many appreciate the added support once they finally step up to the plate. ■

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managing a CEO succession. Here are four practical tips that may help you prepare:

- Think deeply, and honestly, about what your next CEO should look like. A common mistake is to look for a CEO with strengths similar to the previous CEO, when what you may need

There are hundreds of philanthropic prizes on offer around the world but, asks CATHERINE ODDY, are they really as clearly defined as they should be?

Philanthropists, governments, and businesses have used prizes to spur innovation for much of history; we owe incentive-based competition for creative solutions ranging from maritime clocks to plastic. Today more prize-based philanthropy competitions are known to more people than ever before. For example, challenge.gov, the United States federal government's hub for incentive competitions, lists 707 unique awards run by more than 80 different government agencies. Its website states: "More than \$220 million in prize money... offered since 2010". However, the ubiquity of grants has led many to question whether these competitions are as effective as they could be. According to some, the answer appears to lie in the specificity of competition guidelines.

In June, the Chicago-based MacArthur

Foundation\*, launched 100&Change, promising a "\$100 million grant to fund a single proposal that will make measurable progress toward solving a significant problem... affecting people, places or the planet". An award of this size is especially impressive when, according to the MacArthur Foundation, "the average size of a foundation grant was about \$138,000 in 2012".

Indeed, there are hundreds of smaller competitions each offering the promise of cash in exchange for world-changing solutions. The topics are varied, from the Virgin Earth Challenge inviting applicants "to come up with ways of demonstrating greenhouse gas removal activities" to NASA's Vascular Tissue Challenge which rewards the creation of "thick, metabolically-functional human vascularized organ tissue in a controlled laboratory environment". However, whereas other players often look for targeted achievements, the MacArthur guidelines are wide open.

**1** A worker in a cleanroom at Ecovative Design in Green Island, N.Y., 2008 winners of the **Postcode Lottery Green Challenge**

**2** A man in Port-au-Prince, Haiti using Digicel's TchoTcho Mobile banking service, part of the **Haiti Mobile Money Initiative**

**3** Mojave Aerospace Ventures won the **Ansari X Prize** in 2004 as the first non-government organisation to launch a reusable manned spacecraft into space (SpaceShipOne)

**4** Students at King's College London conduct an experiment for the **Longitude Prize**, using glow gel to highlight remaining bacteria after washing their hands



**\$556,775**

**\$10 million**  
prize fund

**1 2**

The winner can focus on any problem, so long as the proposed solution is “meaningful, verifiable, durable and feasible”. Supporters say this broad call leaves a lot of room for entrepreneurial imagination. Critics argue that it gives a lot of rope.

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With such a wide range of competitions, there is a large sample size from which to identify what works. From op-eds in *The New York Times* to reports by management consulting heavyweights like McKinsey and Deloitte, there is agreement that clarity is key in order to

contextualise the issue and properly design the solution. A clear problem must be posed that is both measurable and achievable within a given timeframe.

Successful examples of competition-backed innovation are everywhere and the stories almost always begin →

# THE PRIZE

\$10 million

\$17 million  
prize fund

3 4



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with a well-posed problem set within clear boundaries. In 2010, after the earthquake devastated Haiti along with its infrastructure, USAID and the Gates Foundation created an incentive prize to help revive the country's financial services. The Haiti Mobile Money Initiative offered \$10 million in rewards to tackle the very specific problem of a devastated economy in a country where only 10 per cent of the population had historically used traditional banks. Six months after the launch of the competition, two fully operational mobile banking services had set up shop. By October 2011, both of them won awards for achieving more than 100,000 transactions each, and a year after that, one surpassed five million. Proponents argue that the key to its accomplishment was a well-defined problem followed by tactically applied assistance from the Initiative.

The Postcode Lottery Green Challenge founded in the Netherlands works to "highlight products or services that [reduce] the greenhouse effect in a consumer friendly way and [contribute] to a sustainable lifestyle". The competition requires that the winner show "the potential to reduce greenhouse-gas emissions by an amount you can roughly estimate [and] be realisable as a usable product or service within the next two years".

In 2008, the winner was Ecovative, a manufacturer that uses mycelium to "grow high-performing, healthy, and affordable materials that replace synthetic foams and plastics". After winning the Challenge, Ecovative, now trademarked as Mushroom® Packaging, has "enabled customers - including *Fortune* 500 companies, international mills and furniture makers - to meet design, production, and delivery needs while achieving sustainability goals". Without the specificity of the required task, it's arguable that Ecovative may have still won, but the defined problem helped all contestants shape their submissions with the goal of →



5

5 Sir Richard Branson at a presentation to announce the **Virgin Earth Challenge**, in London, 2007

\$25 million

6 Santa Monica won \$1 million to complete their Wellbeing Project as part of the 2013 **Bloomberg Mayors Challenge**

7 Happy Soil is a biomimetic soil replenishment innovation that was part of **The 2016 Biomimicry Design Challenge**. They won \$2,000 and entry to the 2016-17 Biomimicry Accelerator which has a \$100,000 prize

6

\$1 million



Isolating the problem is more complex than it appears on its face



launching a feasible business model. Furthermore, although the competition does have a clear winner, the Challenge continues to work with other organisations that are interested in continuing to hone the ideas that don't win, a practice that helps to avoid wasting the energies of other worthy applicants.

Without such targeted guidelines, it remains to be seen whether 100&Change will meet its goal. Perhaps the very genius of the competition itself is that it requires the applicants to describe the pressing dilemmas of our age. The principles of incentive-based innovation applied to identifying the obstacle as well as the solution could arguably find a more creative and productive winner. That said, we have learned that isolating and

defining the problem is a more complex endeavour than it appears on its face. There is an entire tradition of experienced designers devoted to successful prize formulation. Historically, the most effective competitions spend time and resources identifying the outcomes sought in order to formulate a clear problem. Requiring contest hopefuls to do that job ultimately wastes their time on applications that will likely go nowhere; after all, there are typically only one or two winners for every hundred losers. This is pressing when this energy could arguably be used for more important things, like working together to solve the very crises the competitions are meant to tackle. ■

*\*The John D. and Catherine T. MacArthur Foundation supports creative people, effective institutions, and influential networks "building a more just, verdant, and peaceful world". MacArthur is one of the nation's largest independent foundations. Organisations supported by the Foundation work in about 50 countries. In addition to Chicago, MacArthur has offices in India, Mexico and Nigeria.*

TEAM HAPPY SOIL



**SELECTED INTERNATIONAL PHILANTHROPIC PRIZES**

- 
**The Open Science Prize**  
*Biomedical research*  
 \$230,000 (USA)
- 
**The Ibrahim Prize**  
*Leadership*  
 \$5,000,000 (Sudan)
- 
**X Prizes**  
*Technology*  
 Range of prizes (USA)
- 
**Postcode Lottery Green Challenge**  
*Environment*  
 \$556,775 (Netherlands)
- 
**The Biomimicry Challenge**  
*Environment*  
 \$100,000 (USA)
- 
**The Longitude Prize**  
*Antibiotic resistance*  
 \$17,000,000 (UK)
- 
**Bloomberg Philanthropies Mayors Challenge**  
*Urban development*  
 \$5,000,000 (USA)
- 
**Abel Prize**  
*Mathematics*  
 \$835,012 (Norway)
- 
**NASA's Centennial Challenges**  
*Technology*  
 Range of prizes (USA)
- 
**CCEMC Grand Challenge**  
*Innovative carbon uses*  
 \$26,770,000 (Canada)
- 
**Fundamental Physics Prize**  
*Physics*  
 \$3,000,000 (USA)
- 
**Zayed Future Energy Prize**  
*Environmental stewardship*  
 \$4,000,000 (UAE)
- 
**Virgin Earth Prize**  
*Greenhouse gas removal*  
 \$25,000,000 (UK)

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50 years ago Per Berndtson set up the Berndtson executive search firm in Brussels. Four years later Graeme Odgers established Odgers in London. The rest, as they say, is history. Here's how it all unfolded

# A GLOBAL STORY

**1966**



**1966**  
Per Berndtson establishes the very first office in Brussels – Odgers Berndtson remains one of the only global executive search firms with European roots

**1970**

**1970**  
Graeme Odgers sets up Odgers in London. Soon after he hands it over to his brother Ian who continues to work in the business



**1979**  
**Copenhagen** and **Madrid** offices open

**1980**



**1971**  
**Frankfurt** office opens

**1990**

**1990**  
**Tokyo** office opens



**1992**  
Calgary, Montreal, and Vancouver offices open

**1996**  
Hong Kong, Shanghai, and Singapore offices open

**2000**



**1987**  
**Stockholm** office opens

**1993**  
Chicago, Los Angeles, Melbourne, New York, and Sydney offices open. By this time there were also offices in Amsterdam, Barcelona, Helsinki, Lisbon, Paris, Vienna and Zurich

**2010**

**2007**  
**Moscow** office opens



**2012**  
Lima office opens



**2003**  
**Dubai** office opens

**2011**  
New Delhi office opens

**2016**

**2016**  
Mexico City, Prague and Houston offices open

Today Odgers Berndtson is a market leader in the UK, Canada and Germany and one of the leading executive firms in countries in which it is represented



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**dialogue**

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