

People Matters®

From Roy Lecky-Thompson, RLT Associates, Personnel Advisers

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We continue in this issue with the broad theme of learning lessons from the recession, building on them, and thriving afterwards.

Regular contributors Anthony Archer and Jane Huish have both written thought-provoking articles: these imply readers should be encouraged to step back from grasping any putative green shoots of recovery and from prematurely urging business as usual - without change to some fundamentals.

Jane argues from experience that what now passes for education in the UK is not proving sensible either for the country or for individuals. She believes that premature focus on skills training is dangerous. For many readers, it is hard to imagine a government doing more to destroy education than the dying Labour administration, as it muddles priorities and suffocates the teaching profession in mindless bureaucracy.

Anthony points to the numerous corporate, ethical and moral issues that emerge out of an essential analysis of the causes of the recession. As a respected head-hunter

THE CREDIT CRUNCH: TOWARDS A NEW ANTHROPOLOGY OF CORPORATE BEHAVIOUR

By Anthony Archer, Odgers Berndston Anthony.Archer@odgersberndston.co.uk

The global credit crunch has created an entire industry of commentators, some more seminal than others, but it is noteworthy that much of the response has been in terms of macroeconomic and historical analysis, rather than the human aspects. That is not to attempt to divorce economics or history from people, but rather to suggest that a greater emphasis on the behavioural implications of the crisis and the human cost may be instructive; a question that might be asked, therefore, is do we need an anthropology for what has been happening?

Of course there is not much new under the sun. Many have rummaged around for their dog-eared copies of *The Great Crash*. J.K. Galbraith concluded in his famous book, which sets the standard for blending economic theory and social history, that bubbles will occur as long as the investing public holds the almost mystical belief that there is unlimited wealth available in which each is destined individually to share.⁽¹⁾

The classic response has been to blame someone: Government and regulators are high on the list of supposed culprits, as are boards of directors of greedy investment banks. Consumers are surprisingly low on the list, yet the conspicuous consumption of the past decade (including mortgage and other debt that should never have been acquired) is at the centre of much that has led to the meltdown, particularly in its origins in the US subprime market. Oddly, financial journalists have come in for much blame from some quarters. Might they have reported the early stages of the run on Northern Rock or the collapse of Lehman in such a way that the crisis was exacerbated? It seems unlikely, although journalist egos have been swelled at the suggestion that they have such influence.

Institutions do now seem to be asking the more human and behavioural questions that arise and governments and corporates are starting to look ahead to what these questions imply in terms of the type of global talent that will be needed in the future if lessons are to be learned. Angel Gurría, OECD Secretary-General, speaking at the recent G8 Labour Ministerial Summit said: "Restoring global growth is an economic and political priority, but also an ethical, moral, social and human imperative." The theme of the meeting was People First: tackling together the human dimension of the crisis. Religious leaders have added their analysis. The Archbishop of Canterbury, in a recent lecture in Cardiff, said: "Blaming the greed of individual bankers for the financial crisis was too easy and people should instead be asking profound questions about how poorly regulated economies obsessed with ever-growing consumer choice have skewed the judgments of entire countries." He is not alone in apparently pointing the finger at the regulators.

Many column inches have been consumed through discussion in the UK of the tripartite system under which, since 1997, the Bank of England, Financial Services Authority (FSA) and HM Treasury each act to regulate the financial markets. Colin Mayer, Dean of the Said Business School at the University of Oxford has noted: "In the nineteenth century the Bank of England encouraged excessive conservatism, but recently there has been inadequate questioning. It was symptomatic that at the height of the boom the City of London issued a report on the damaging impact of regulation. Now we will go from excessive deregulation to excessive regulation. We need a much more independent and balanced view."

The Turner Review has so far provided the best analysis of the crisis. In an understated recommendation, it called for the formal character of the relationship between the Bank of England and the FSA to be defined. It also focused on the new vocabulary of macro-prudential regulation and the perils of procyclicality. Cynics might be forgiven for questioning whether these concepts will remain in full view when the next global recession hits, but clearly the absence of appropriate tools has been a factor. The review also challenges boards of financial firms in a number of areas, in particular risk management. The application is, however, wider and can equally be applied to non-financial companies and also third sector organisations.⁽²⁾

working across professions plus the not for profit sector - and a C of E synod member - he is well placed to draw from his experience. If these points are not addressed, it is difficult to see how any recovery might be sustained beyond the short term.

Those organisations that have been able to capitalise on new technology, even in (or because of) a downturn, may be proving more resilient right now. Internal communications specialists Marc Wright and Daniel Penton illustrate how embracing Web 2.0 has upside potential for those CEOs who are brave enough to use it sensibly and integrate it into their strategy. Some baby boomer readers chairing meetings might find it hard to accept Generation Y participants simultaneously multi-tasking, but you can observe that this already happens during conferences among younger delegates utilising mobile devices in silent modes.

Brian Friedman (not a Generation Y man) has used Web technology to significant commercial advantage in his business start-up in the depths of the recession. He is surprised by how what was initially expected to be a passing interest in expatriation reward matters has taken off in response to demand. For those who have been expatriates and have managed them, the issues being addressed are as familiar as ever and no less difficult to answer nowadays in a mobile society with high expectations. The availability of a centralised resource should prove invaluable. ●

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A particular challenge to boards is whether changes in governance structures are required to increase the independence of risk management functions. Turner is suggesting a more direct relationship between senior risk management and Board risk committees. It is becoming increasingly clear that the widespread use of derivatives throughout the 1990s was not understood by non-executive directors. Did the Board of Northern Rock think that management was using these instruments to hedge the bank's positions or as a proprietary trading tool designed to enhance the profits?

The key learning point for the future is that some boards will need reshaping to ensure that non-executives and those charged with governance are fully equipped to understand the strategy and risk parameters and are able to engage with the risk managers, if necessary without the senior management team present. That will require a change of mindset and is recognition that corporate behaviour needs to be changed.

Remuneration policy is equally in the spotlight. Turner is at its clearest in stating that remuneration policies should be designed to avoid incentives for undue risk taking and that risk management considerations should be closely integrated into remuneration decisions. The banks institutionalised a permanent culture of high compensation, whereby success was rewarded largely by cash and without regard to the cost of capital on a risk adjusted basis. Times of plenty will now have to see provision made for times of famine. Quite how shareholders will react to that is unclear and it is easy to see why a UK and global code will be required to ensure a level playing field for talent and reward. In terms of how incentive compensation is structured in the future, more will need to vest over a longer period and will be more equity-based. The inevitable market response to that will be a one-off increase in base pay to compensate and banks will have little option but to act if they want to attract and retain the best talent.

For listed companies, the Combined Code is likely to be revised. The Financial Reporting Council is currently consulting with interested parties. One of the accountancy bodies, the Chartered Institute of Management Accountants, has made a full and interesting response. A key challenge, it argues, is for boards to ask the right questions of management. It seems a rather basic recommendation. The submission states: "It has been suggested that the failure of boards to 'ask the right questions' has been a major contributor of recent corporate difficulties. For example, the purchase of ABN Amro by Royal Bank of Scotland has been acknowledged by the former chairman, Sir Tom McKillop, as a mistake. However, in defence, he argued that the board had 18 meetings to discuss the proposed takeover and that there was widespread support for it. But what the external observer cannot know is the quality of the debate at those 18 meetings. Did anybody play devil's advocate to ask the most awkward questions? Did the NEDs fully understand what was being proposed so that they could ask the right questions?" The submission is too diplomatic to go on to infer that a Board with a dominant chief executive has its work cut out to ensure the debate is of the required objective quality.⁽³⁾

So what might a new anthropology of corporate behaviour look like? This analysis, which cannot be exhaustive, suggests that companies, both banks and non-banks, need to examine in some detail their governance machinery, particularly the way in which the non-executive directors engage with management. There will be inevitable soul-searching about the ethics underpinning a company's mission in the current environment. Is the reward culture in balance? In terms of raw governance skills, the approach to risk management has been catapulted to the top of the agenda. Are the risk management processes sufficiently independent? Is the right talent available to staff the function? The events of the past 12 months or so have proved an immense wake-up call for global business and government. The regulators will have their say, but in the final analysis, the questions are human ones and no amount of fresh red tape will guarantee how executives behave towards their stakeholders. ●

Anthony Archer is a Partner of Odgers Berndtson and a member of the General Synod of the Church of England. The views expressed are those of the author.

⁽¹⁾ The Great Crash 1929, J.K. Galbraith (Penguin)

⁽²⁾ The Turner Review: a regulatory response to the global banking crisis (Financial Services Authority March 2009)

⁽³⁾ Refer link on CIMA website: www.cimaglobal.com/enterprisegovernance

IN THESE DIFFICULT TIMES TURN TO WEB 2.0

By Marc Wright and Daniel Penton www.simply-goodadvice.com – the internal communications consultancy

Recently in conversation with Suzy Welch, the business writer wife of former General Electric CEO Jack Welch, we asked her how important she and Jack rated internal communications in organisations at present. Her answer was short but telling: “It’s everything. It’s the most important job right now.” If you remember that this was coming from the partner of one of the most celebrated businessmen of the modern era who earned the nickname “Neutron Jack” – in reference to the neutron bomb – for eliminating employees while leaving buildings intact, it begins to illustrate the seismic shift that internal communications has undergone over the last year. Everyone, top to bottom in organisations, is looking to internal communications for answers.

While the biggest worldwide recession in living memory rages on, it’s being met head on by social networking (blogs, wikis, Twitter), which is experiencing exponential growth both inside and outside of the workplace. Suddenly senior executives have a new way of talking to their colleagues and staff. During the Presidential campaign these techniques allowed Obama’s team to bypass the media and go directly to voters.

Well, just as the web has reduced the role of newspapers, Web 2.0 inside the enterprise allows senior management to bypass the Internal Communications function in the workplace. Why? Because internal comms professionals are proving to be surprising laggards in the uptake of social media tools. It’s going to happen anyway, so here are ten tips to make this a good thing rather than a necessary evil.

Start a CEO blog

Not every CEO should blog – in fact it’s an exceptional CEO who can pull it off. But the rewards are huge. CEO of UK supermarket chain Waitrose, Mark Price, started blogging to share his determination to shed some pounds. The poor man was attending a dozen tastings and three corporate dinners every week, so a public diary of his consumption would encourage him to eat parsimoniously. But the real benefit was that he could describe to his staff (or Partners as they are called at the firm) what he gets up to during the working week. Suddenly his diary – and his observations on what he found in his travels – was open for all to see and comment on. The result? Hundreds of thousands of pounds worth of goodwill created internally and externally as journalists picked up his comments.

Be Yourself

In these credit crunch days the biggest challenge facing any business leader is trust. Trust is not created – it’s on loan from the people you deal with. So if you are going to start blogging make sure you do it in your own words; that you are as open as possible. Bypass the lawyers and certainly do not expect a junior in communications to do the heavy lifting for you. Readers’ bullshit detectors have been honed over years of being sold to. Your fake blog – or ‘flog’ as they are known in the trade – will be smoked out in no time, putting you in a worse place than when you started. Strive for the authentic voice in all that you do.

Go on YouTube

A new communications manager at Blendtec was bemused to see R&D guys feeding broom handles into the company’s blenders as part of the testing process. He filmed this dramatic process and put it on YouTube. Then the MD of the kitchen equipment manufacturer got involved and www.willitblend.com evolved. Tom Dickson has blended glowsticks, 50 marbles, skis and notoriously a just released iPhone to answer the eponymous question. The result – around 15 million downloads just for those items. Wonder how many blender sales that has converted....

Start a CEO Forum

If you don’t know what to blog about then let your audience do the talking. Take a lesson from Sun Microsystems and Motorola and start a CEO blog. The software is all but free and you can get advice and a blog policy off the net. The result – an unfettered channel for employees to raise issues with their leader about everything and anything happening in the organisation. The upside is that CEOs get a direct line to the issues that really affect the frontline and customers. The downside? Well most CEOs worry about the hundreds of posts they will have to respond to. The reality? They get about 10 a week and most of those can be answered by referring to the functional head responsible.

Break down the walls of the organisation

Internal and external communications are dissolving into each other. Anything that is published inside an organisation can and will find its way onto the web. That cheesy video, the unfortunately phrased email, the defamatory comment about a competitor or even where they live can have drastic repercussions. Ad executive James Andrews twittered on arriving in Memphis “True confession but I’m in one of those towns where I scratch my head and say ‘I would die if I had to live here!’” Client FedEx were not impressed as his comments were retweeted round the company.

Just do it

The best way to get comfortable with social media tools is to just start using them. One of your interests will have a thriving forum – whether it is a sport or travel. Just register and start using the technologies. It’s not about the tools; it’s about the applications that make people’s lives easier or more interesting.

Start Twittering

Start a Twitter account at www.twitter.com and enter a wild new world of micro-blogging. This is the equivalent of telling the world about the passing thoughts that catch your interest during the day. You will soon join a community of like-minded people interested in what you are interested in. This is not a fulltime occupation. Just dip in and out when you have a thoughtful apercu or time on your hands. Don't review them historically like email – just swim in the conversation of the moment and feel connected.

Engage your public

Once you have launched yourself into the world of Web 2.0 remember that it is an enhancer not a substitute for real life. You must engage your public. Offer them something for free. A place on a course, an invite to an event, a bit of advice. But make a physical meeting your end goal.

Talk millennial

Anyone born after 1980 is Generation Y and has been brought up in a world that is always on. They work differently to Gen Xers and Baby Boomers. They do not value putting in long hours of slog when they can find the answers faster and easier on the web. And during meetings they will be multi-tasking into their Apple Macs rather than meeting your eye. Get used to it – they are the future.

Drink your own champagne

Corporate communicators can be quite standoffish about social media. Like some journalists they see it as an attack on their role as professional communicators. So in many companies it is the engineers who are better at using these tools than the professionals who are supposed to be advising managers on best practice. So train up your communicators first and let them become social media ambassadors for the rest of the organisation ●

FROM HOBBY TO THRIVING BUSINESS – POST-RETIREMENT

By Roy Lecky-Thompson

For Brian Friedman, retiring from Ernst & Young as Head of Human Capital in September 2007 proved the starting point for developing an interest that just evolved into a business within months.

Though originally a tax specialist, Brian had increasingly become an expert on worldwide reward issues, and decided that it would be interesting to set up an online news portal and networking forum with a focus just on expatriate matters.

And in a short period, the experiment (www.totallyexpat.com) has gone from strength to strength, with a mailing list of 30,000 and a subscriber base of 3,000 to the Forum for Expatriate Management (FEM). It was revenue positive from the start given its low operating costs. Registration is currently increasing by 200 to 300 a week.

"I didn't actually do a lot of research into the market. I had been in the business for a long time and just felt nothing ventured, nothing gained" Brian says. "I wanted to give something back, help represent the industry and consolidate all the information that was out there."

Brian's starting point was the development of an effective website, and a launch party that was hosted by KPMG to which 100 people came. His business model now provides free individual membership after registration that provides access only, and then corporate subscription rates that range from £350 to £15,000. The highest level covers advertising, a page on the site, publicity for events and similar benefits.

Though there has been a downturn in financial services expatriate assignments that is recession driven, the evidence shows that expatriation is important for international businesses: in the FTSE 50, one-third of the CEOs are non-British, and 49 companies have non-Brits on their Boards. There may be a trend towards more senior assignments, which underscores FEM's lobbying of the government's Migration Advisory Committee on planned immigration regulations that could severely hamper intra-company mobility.

The issues around expatriation are significant. Brian describes the process as a re-birth for individuals. If any one of the numerous challenges, ranging from housing to schooling, goes wrong, it will jeopardise the success of the assignment. But the planning process is even more important, he argues, and needs to include effective selection and cost estimates. FEM provides a useful forum for those wanting answers to specific questions or access to service providers.

Having dealt with start-up challenges, Brian notes the level of support has been significant, and following FEM's first annual conference, he is now planning the development of up to 100 branches abroad such as Dallas/Fort Worth - already on-stream - and New York with its launch in September. Other short term targets include Paris, Amsterdam and Shanghai. The chosen locations depend in part on who decides to volunteer locally and is willing to drive forward the idea: the licences will include revenue sharing agreements.

Other possible aims for the future will build on the information now gathered to develop consultancy in vendor selection and perhaps expatriate recruitment ●

EDUCATE FIRST. TRAIN LATER.

By Jane Huish, writer and teacher jbhuish@yahoo.com

What characterises the language of any profession, with its technicalities, its formalities, its habits and fashions, is that it functions at a distance from the common educated language spoken and written all around it. It is often now held to be a good thing, something to confer status that one is able to manipulate a special language and to live with skill inside a highly specialised working environment.

There are, it is true, some kinds of human activity which are by their nature (for good or for ill or for something in between) so remote from ordinary human living that they demand a good deal of language of a kind not generally in use, as shortcuts for describing out-of-the-ordinary situations.

When I first went to university, my tutor, who was of the old school, said to me firmly that I would very rarely need to use a word or an expression not easily understood by any educated person.

I set down here, then, in a few short paragraphs some outlines for the topic I want to discuss.

I take it as axiomatic that a human being is not fully or satisfactorily to be defined in terms of what he or she does for a living. Even the most dedicated professional worker will spend most of his or her life not working at the tasks for which he or she is paid (I include, of course, sleeping time as being fully part of a life lived). Who would be able to say with confidence of the times spent not in the office or the laboratory, the lecture room or the hospital ward that they were insignificant parts of a life? I determine to become the best javelin thrower in the world, and I conceive this desire early in life, perhaps just out of my own inner self, or perhaps because someone I admire or envy has shown me what a thing it is to be able to throw the javelin well. It is not (yet) the case in our culture that the obvious thing for me to do, at the age of 8, will be to go to javelin-school, at which uses of the right arm not insistent to do with the launching of a long stick are pretty much entirely neglected. Most people (still) would find that idea absurd. What, however, they would not find nearly so absurd is the suggestion that young people, let us say at about 18 years old when the ways in which one might use human language and human thinking are still developing (particularly if they have suffered what passes for education at most schools, even, or particularly, the expensive crammers), should abandon that general development in favour of exclusive specialisation in courses of management or accountancy.

The old way of thought about education was that first you made your understanding and then you undertook whatever more specialised training might be necessary to fit you for particular tasks. Or it might be, if those specialised tasks lay very near the common centre of a life lived in your own society, that the making of an understanding could go hand in hand, for instance, with learning how to make a boat. At any rate, the thing of prime importance, both for the individual concerned and for the society in which he or she lived, was the quality of a whole life. It used to be thought that the more highly specialised the training required for any particular occupation, the more necessary it was for education to 'aim off', not to be trapped in a human narrowness.

We live now in a culture of 'expertise', with any common centre very undervalued, and with snifty distinction made in almost any department of life between the 'amateur' and the 'professional'. Professionals are always preferred (except, oddly, in the case of the oldest profession, where amateurs are regarded as more desirable, indeed better at the job). But I would like to urge the older view. I wonder with what kind of confidence one could really approach a professional in his field who knew almost nothing about anything else. He or she might be incredibly quick and comprehensive in a knowledge of the field, extraordinarily up-to-date and well informed, might know everything there was to know about the vessel being sailed in; just the person to go down with it when it sank, for want of any ability to conceive that it might not be watertight.

Look, says a really educated person, whose mind has been formed by a proper education nothing whatever to do with 'management' or 'finance', who has come to city or bank work after thinking a lot about other things, ships have sunk in the past, the confidence of sailors notwithstanding. I could tell you about some of them, he says,

"I could tell you because before I began to be a banker, I read Greats at Oxford, in the course of which reading I came across many instances of ships going down, both metaphorically and literally. There are people in my office with nothing but degrees and further degrees and higher degrees in Management or Accountancy who know nothing of ships not being seaworthy, or indeed of metaphor. Their grasp of the shadowy, quasi-fictional world of high finance is breathtaking; but it is not sufficient because it doesn't envisage a world before there was high finance or a world after it. Even their understanding of their special area of skill is intrinsically deeply inadequate for that reason; let alone their understanding of why on earth they might in the first place be doing what it is they do".

Let us have education first; and then afterwards we can have training if we will ●

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