



THE TRUSTED ADVISOR

THE TRUSTED ADVISOR is our firm's regular publication, featuring not only articles and insights derived from our project work but also guest posts and interviews with leading business figures. They offer food-for-thought and practical advice on a variety of key topics in the leadership, ownership advisory, governance and strategy domains.

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Navigating through rough seas

Opportunities and risks of volatile markets for company leaders

by Felix B. Waldeier

Everything about the way we live and work is changing faster than ever before. Technological innovation has caused a digital revolution and markets are increasingly flooded with new products in ever-shorter innovation cycles. Trends such as globalisation and urbanisation are being driven by these developments, and a global shift in economic power is taking place. Changes in the political landscape have significant impact on economic rules of play as well: Great Britain's vote to leave the European Union and the election of Donald Trump as US President are examples of surprising political changes that have a major impact on the market. Against the background of the rise of populism and extremist parties, international relations might be fundamentally altered once again by the forthcoming elections in Germany and elsewhere.

These rapid changes fuel instability and uncertainty, and entail considerable risks for companies. Successfully established business ideas or products can become more or less redundant overnight due to new products that permanently disrupt or alter entire markets. Unpredictable economic and political developments can influence market situations and make a company's medium to long-term planning considerably more difficult.

While individuals may quickly adapt their consumer habits and lifestyles to such changes, it is much more difficult for companies to rapidly reorient their businesses and react to disruptive technologies within a short period of time.

The arising uncertainty can be aptly described by the acronym VUCA: "Volatility, Uncertainty, Complexity, Ambiguity". Companies facing major challenges are forced to rethink their well-trying winning formula and come up with new, innovative concepts. The speed and complexity of the market dynamics as well as the unprecedented political landscape are especially challenging for (family) companies, whose long traditions and sometimes rigid structures often slow down adaption processes – in contrast to small, technology-driven start-ups.

Besides possible risks and dangers, disruptive changes also offer major opportunities for businesses. True to the motto "a magic dwells in each beginning", innovative technologies offer completely new possibilities to transform and expand businesses. Growing networks across continents and industries open up new markets and unprecedented growth opportunities. Companies using these opportunities are able to generate a competitive advantage and improve their market position. This of course does not happen by itself. It depends very much on the company owners and leaders, who have to set the right parameters by adjusting the company's strategy and business model – and by sending clear signals to the organisation.

However, rapid change does not only affect the organisation as a whole, but also its executives on an individual level. Since these changes are often not only unexpected, but also unpredictable, it has become extremely

difficult for company leaders to prepare themselves and take the right decisions. Proven answers and decision-making schemes no longer work as disruptions are not sufficiently understood and are often too complex. At the same time, decisions usually have to be taken under great time pressure and the obligation to quickly react. The emerging high level of uncertainty complicates the managers' daily work, leading to a subjective feeling of insecurity, pressure and fear of losing control. Many CEOs and senior executives may be forgiven for feeling that in today's economy, they are all 'new on the job' – even if they have decades of experience under their belt.

In consequence, many senior executives feel powerless. They are paralysed, become risk averse, invest insufficiently, and instead prefer to hoard cash. Others exhibit ill thought-through, adventurous behaviour due to a lack of understanding and clarity, which significantly increases the risk of serious mistakes and failure. Entrepreneurs often have to focus on "fire-fighting" in order to combat acute problems, rather than laying the foundation for long-term development and success. In difficult times, company leaders often have to withstand a closer scrutiny by the supervisory board, the owner, the customers or even regulatory authorities. External pressure with regard to deadlines, resources and expectations consequently leads to increased tension within the organisation. Growing speed and complexity also increases stress for the individual: a lack of sleep and constant pressure to remain focused make the work of a senior executive harder than ever before. How this stress level is dealt with individually can also influence the impact of turbulent times on the company.

Effective management in uncertain times requires exceptional company leaders, characterised by great flexibility, versatility, anticipation and proximity to the market. The status quo needs to be challenged, strategies adapted and optimisations implemented. This also includes a calculated risk tolerance: by taking important decisions and implementing them with the right management, true change that sustainably shapes a company can be initiated. Furthermore, demanding times can make executives experience a high learning curve and their newly acquired (and hard won) knowledge can be capitalised on in the future. In addition, volatile scenarios allow new, creative decisions and solutions. Leaders can individually benefit from finding out how good they really are and how they perceive the company, its strategy and their own role in difficult times.

To leverage the positive and minimise the negative impacts of disruptive change, the executive of tomorrow has to understand how a complex, economically and politically changing world is affecting business models, organisations, and the individual. They not only have to be able to deal with uncertainty, but moreover to exploit the opportunities that are also thrown up. In times of uncertainty, entrepreneurs need to reconsider how they are hiring, retaining and developing top leadership positions. Different ideas and best practice advice on how to do so are described by my colleagues Carolyn Lutz and Nick Harris in the article "Adapting to adversity".



Being a force for change

An interview with Frits van Paasschen,
author of "The Disruptors' Feast"

by Andreas von Specht

Andreas von Specht: Disruption is everywhere and it is often start-ups or industry outsiders who challenge the establishment with new ideas. What is your advice for company leaders who are suddenly faced with these ever faster changes?

Frits van Paasschen: Many senior executives who have been successfully managing businesses over the past few decades are finding that the requirements for success have changed significantly – for themselves and for their organisation. I would primarily advise them to be the guiding light for the company by creating a global mind-set, understanding what is happening outside the company and translating that into necessary changes. Especially public companies are too focused on KPIs, hitting quarterly earnings and meeting the parameters of success that have been defined. As a result, it is very easy to miss the forest for the trees. CEOs and leaders constantly need to ask themselves: are the measures that define the success of our company still relevant, or are we optimising ourselves for a world that is increasingly obsolete? That is why the outside perspective is so important – not just with regard to technology, but also to other cultures and markets around the world.

How do you best obtain that outside perspective?

By installing an advisory board of "Millennials", for example, consisting of people from both within and outside the organisation. Or by having conversations and close relationships with venture capitalists who know a lot about the start-up businesses that could become relevant. "Hackathons" can also be quite successful – putting together a contest among teams to come up with new digital solutions within a 24-hour period of time. These are all very useful ways to get an outside perspective and create a different way of thinking.

You obtained that outside perspective by e.g. relocating the corporate HQ of the hotel group Starwood to China and Dubai for a certain time. How did you sell that idea to your staff?

By asking them if there was any reason why we should not do it. That was the beginning of a real dialogue around creating a global mind-set and understanding that instead of enforcing structures from the centre, we needed to serve our regional executives if we wanted to be successful in new markets.

Being successful in new markets to some extent also depends on political developments – some of which seem to go rather backwards today.

Many recent political results – for example the US presidential election or Brexit – were surprising and troubling to us. But we should learn to expect to be surprised when complicated systems are changing rapidly.

The rise of populism that we've seen in many European countries in the last year is another example. And that is actually very much connected with the topic of disruption: the driving force behind it is an increasing number of disenfranchised voters, whose jobs and livelihoods are either being threatened or taken away by globalisation and the spread of technology.

Are there people at the losing end of a rapidly changing global economy?

There are always winners and losers in times of change and disruption. The competitive environment for labour has become a global one, jobs can easily be moved somewhere else. And the pace of change by far exceeds the capacity of labour forces to retrain and redeploy. Unfortunately, people have a strong tendency to look for someone to blame, and it is much easier to blame somebody on the other side of the border than to look at your own nation or your own lack of relevant skills for a changing marketplace.

Have these changes in the global supply of labour led to a new "war for talent" among employers?

I think the "war for talent" has existed for some time, but it is only intensified by what is happening. Across every industry, companies are looking for people who are digitally savvy, understand social media and are able to integrate technology into existing ways of doing business. Having a global perspective and seeing across functions has become more important in today's strongly connected world. Traditionally, companies used to recruit people with specific skills or a specific industry background. Today, companies are increasingly looking for the same kind of people that incorporate the above mentioned skills.

What would organisations need to do differently today in order to successfully seek top talent around the world?

In the past, companies spent more time recruiting talent to where they were located. Now they have to see talent as a resource that has localisation: they have to look at dynamic cities, places that are hot-beds for the creative class – places where people with the type of profile described above are much more likely to be found. Those locations – whether that is in Brooklyn, Berlin, London or Amsterdam – need to be used to recruit and retain people who live in an environment where they feel comfortable.

How do top executive search firms around the world have to adapt to these changes in order to stay relevant for their clients?

With the emergence of LinkedIn and other networks, the executive search business is experiencing its own form of digital disruption. With these advancing abilities to recruit, more and more companies are moving in-house with their talent management. But many companies are still defining the profile of their new senior executives narrowly and in traditional terms – and often not realizing that their need for new personnel might result from the need for different skills. As an advisor, you have to challenge the ideas of your clients and draw their attention to these new needs. Senior executives might be from outside the industry, but they might be the right person for the job if they are able to ask uncomfortable questions that prepare the company for a disruptive future, like: What do you believe are the biggest threats to your company today? What do you think digital disruption will look like? How do you plan on coping with that? How is your team set up to lead change? Do you have someone who can be an advocate for making changes that go from central planning and skilled manufacturing to personalisation and consumer dialogue?

Many of our clients are family-owned companies. Are they facing the same challenges as public companies in disruptive times?

Successful organisations have to be able to understand as quickly as possible what is changing – and be a force for change, not only reacting to what is happening. In comparison to family companies, public companies are much more responsive to an investor community, strongly focused on short-term earnings and therefore sometimes blind for the nuances of change. The dynamic in family companies can cut both ways: focusing on tradition and continuity can be a barrier for change, but it can also be a way of staying focused on stewardship and sustainability in the future by investing in long-term capabilities to prevent disruption.

What about the values that are so important for the DNA of a family company – are they still an advantage, or can they become a hindering block?

Values can translate into a sense of mission and purpose for the company. Instead of focusing on a revenue target, the goal embedded in values is to meet a specific consumer need. Thinking about new ways to meet that goal can be a catalyst for innovation and positive change. And for consumers today, it is increasingly important that the values of the company they buy from resonate with their own values. In the transparency of a digitally connected world, companies without a strong moral purpose are more easily outed. Therefore, the right values are perhaps even more an advantage in a changing world, not less.

Frits van Paasschen, thank you very much for your insights!

*For further reading: "The Disruptors' Feast" by Frits van Paasschen, available on Amazon.
<http://fritsvanpaasschen.com/>*



Adapting to adversity

How to evolve your leadership style and engage fit-for-purpose executives

by Carolyn Lutz and Nick Harris

Einstein famously said that “education is what remains after one has forgotten what one has learned in school”.

The requirements for success in today’s digital and disrupted business environment are increasingly different to those elements of success which many of the Baby Boomer and Generation X age groups took for granted. Reflecting on the dialogue with Frits van Paasschen, as well as the hundreds of conversations with business owners and leaders we have conducted over the past five years, we offer a collection of checklist ideas on how leaders can remain effective (and grounded) – as well as find their place – amid the apparent chaos.

Alleviate the negative influences and harness the positive effects

- Embrace the challenge: accept that being a leader will stretch and challenge you, and that you will grow as a result.
- Overcome your biases: question long-held assumptions, get the facts, seek out new information, get fresh perspectives.
- Look outside: reach beyond your normal circle of acquaintances, reach across borders and be a citizen of the world; this is a chance to build new partnerships (and perhaps even friendships).
- Change is natural: understand and accept that your behaviour and viewpoints may change, and that this behavioural shift is a natural response that does not have to be negative.
- Mindfulness not mindlessness: be mindful of your situation and the world around you, focus on the essentials and prioritise your actions. Don’t succumb to analysis-paralysis; make a decision and move forward.
- Harness the “power of failure”: recognise that mistakes are inevitable and, rather than regard them as failures, view them as necessary, evolutionary steps along the road to success. Learn and re-learn.
- “Don’t waste a good crisis”: recognise that challenges are also opportunities (for career steps, personal development, step changes in performance), and change management may be easier to initiate and drive through in bad times than in good.

- Agility, agility, agility: fast-moving and unpredictable times require different individual and organisational qualities such as the ability to generate new knowledge and codify that learning, to be flexible and adaptable.
- Mission critical: discover – and communicate – your own personal sense of mission; use it to foster not just a culture of performance but a culture of purpose in your team.
- Share the burden: “command-and-control” leadership is increasingly unfit for purpose. Consciously strive against a tendency to want to micro-manage; empower your team and practice collective decision-making instead.
- Complement one another: build teams which are complementary – in terms of diversity of thinking as well as background – not identikit. Break down silos and “not-made-here” thinking. Raise functional leaders (such as the CHRO) onto the ExCom and develop them as true business partners to the commercial managers.

Hire for new skill-sets (but old-school values)

When hiring or promoting, leaders need to assess candidates’ skillsets, experiences and competencies, not just against existing requirements but also evolving trends and future goals. They also need to look deeper at the individual – gauge how they perceive and cope with change, understand their mind-set, uncover their inherent traits and drivers.

- Character: look for “strength of character”; a good work ethic, determination, grit, resilience (both physical and mental); emotional maturity; and (last but not least) a sense of humour.
- Values: what are their intrinsic values; from what do they derive purpose; what do they hold true to from their family and upbringing; how do they behave in moments of adversity.
- Intellectual curiosity: this is a critical determinant of future potential; look for a sincere belief in (lifelong) learning and sharing of knowledge, a willingness to make mistakes as part of an improvement process, an ability to see the big picture and connect the dots.
- Agility: probe for evidence of adaptability, flexibility, and comfort with ambiguity. Ask what they have done in their career that was truly new, ground-breaking or entrepreneurial.
- Results orientation: inner drive and a “restlessness for results”; individuals who challenge themselves to do more and do it better.
- Breadth: assess an individual’s range of experience and diversity of exposure: e.g. digital and traditional channels, mature and developing markets, existing and emerging product categories. Monochrome careers are a red flag.
- Internationality: interconnected businesses require well connected and networked ‘citizens of the world’ who bring internationality of experience, take a global perspective and can demonstrate the ability to leverage geographically dispersed teams.

Find your fit

For senior executives contemplating the next step on their career and development journey, it is also more important than ever to find the right corporate home. When assessing the merits and challenges of joining a new company or business, leaders should seek to understand not just where but also how they will fit into the organisation. Critical questions to pose include:

- Is there an alignment of mission and values between you and the Board / owner?
- What is the company ethos and the purpose beyond 'just' making money? If the company is a family business, does the next generation share the same sense of purpose?
- Do they have the necessary long-term thinking – and funding – to support new ventures?
- Entrepreneurial spirit: what is their appetite for risk? How quickly can they move? How much freedom and autonomy do they give to their managers?
- Perspectives on change: how are decisions made? How comfortable is the organisation when “sacred cows” are challenged, or existing business processes and models questioned? How have previous change management programmes fared?
- Will you be given the necessary time (and help) to integrate into, and learn about, the new organisation?
- What (realistically) are your chances to succeed?
- Last but not least, what will you learn with this organisation that you wouldn't learn anywhere else?

And to quote Einstein again: “The important thing is not to stop questioning. Curiosity has its own reason for existing.”



AvS News

Recent news and developments at AvS – International Trusted Advisors

The past months were marked not only by interesting client projects, but also by exciting developments within our firm that we are delighted to share with you in this edition of THE TRUSTED ADVISOR.

New Consultant in our Geneva office

Born in California of Swiss parents, Carolyn Lutz grew up in France, Germany, and the UK. Carolyn began her business career in marketing with Procter & Gamble in Geneva and later as Director of International with La Prairie in Zurich. For over 20 years, Carolyn has been active in executive search; in 1998 she was the founding Partner of Heidrick & Struggles' Geneva office. Afterwards, Carolyn founded and ran her own Geneva based executive search firm. Carolyn has broad experience in international executive search, for both multinationals and family-owned businesses. A particular area of focus is diversity, including board searches and women's leadership. Carolyn serves on the Geneva Board of the Swiss-American Chamber of Commerce, and is an Advisory Board Member of W.I.N., the Women's International Networking Forum.

Andreas von Specht at "EY Global Family Business Summit" in Monte Carlo

Andreas von Specht has been invited to participate as a Speaker and Presenter of a panel discussion at the "EY Global Entrepreneur of the Year" event on the 7th/8th June 2017 in Monte Carlo. Every year, more than 1,000 entrepreneurs, CEOs and journalists from all over the world participate in this conference.

New edition of the successful book by Dr. Christian Bühring-Uhle

In January, the publishing house C.H. Beck released the second edition of the book "Negotiation Management", written by Dr. Christian Bühring-Uhle together with his co-authors Horst Eidenmüller of the University of Oxford and Andreas Nelle of the Humboldt University. The book is regarded as the "standard work of negotiation literacy".

News from our Latin American practice

In its edition of the 17th March 2017, the Colombian economic magazine "Dinero" (the local counterpart to the Financial Times) deals with the professionalization of Supervisory Boards in Colombia. Dr. Christian Bühring-Uhle was interviewed as one of the leading experts in the country on this topic and he was prominently cited with his views on the role of the Chairman of the Supervisory Board.

Please feel free to share any articles or entire editions you feel may be relevant with your colleagues or clients. All articles and editions can be found here:

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