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Chapter 1

BRIEFCASE

Managing Risk

As global financial institutions grapple with evolving challenges, the importance of Chief Risk Officers has never been more apparent. For insight into this essential role, PQR asked Carol Sergeant, Chief Risk Director of Lloyds TSB in London, about her strategic approach.

"I'm on the Group Executive Committee, where I am expected to wear two hats-corporate and risk. My general responsibility is to contribute to the strategy and the development of the company, while ensuring that the risks we take support that strategy. I'm also responsible for ensuring that we have the appropriate risk policy, risk appetite, infrastructure, people, and everything else that goes along with delivering on what we've chosen.

CROs need to understand risk technicalities, but at this level you cannot be an expert down to the nth degree in risk analytics. Risk officers throughout the organization report to me, even in areas like Human Resources, where there are potential problems if you don't have the right people, training, and compensation in place.

I have a broad business background and have operated at the board level before. I report directly to the CEO and also have access to the Chairman whenever I need it. I wouldn't have taken this job four years ago without a seat at the top table because I believe that this is essential in order for risk to be a significant part of the senior decision making process.

By and large, I look at risk as failing to meet stakeholder expectations. Your shareholders have expectations, your customers have expectations, your staff has expectations, the regulators have expectations, and so

forth. Companies need to deliver on those expectations. You can change those expectations but you need to do that prior to delivery. They do not appreciate surprises. The CRO job is about understanding stakeholder expectations and ensuring that the right people and processes are in place to deliver consistently against those expectations, through the economic cycle. In short: no surprises."

Best Practices on Risk

As market events have emphasized, Chief Risk Officers shoulder critical responsibilities as they direct risk assessment practices company-wide, set the corporate tone for attention to risk, and keep boards and C-Suite teams apprised of the company's current capital position and potential future developments.

Effective risk management systems are also essential, asserts Phillip Straley, Partner and Far East Area Leader for Financial Services Risk Management with Ernst & Young Advisory Services in Hong Kong. "In addition to corporate risk assessment, it is extremely important to have risk managers embedded into the businesses who understand that business," he advises. "These individuals must have input and be heard when business managers make decisions."

Such comprehensive systems can pay off. As Mr. Straley concludes, "Regular communication about risk across, up, and down the organization is vital. This is a distinguishing factor for the firms that currently are performing best."

Q. What Makes a Great CRO?

Burke St. John, Vice Chairman, CTPartners:

"From an organizational perspective, it's clear that this is an executive role that must report directly to the CEO. Contrary to what many companies believed in the past, it's also clear that there's a strong proactive element to the job, requiring tremendous business acumen.

We're seeing that a company's success in risk management strongly impacts its share price. That trend will continue. At CTPartners, we believe that the CEO and the CRO must be strongly aligned in their priorities as well as their expertise levels in order to achieve real success in risk management."

Hugh Pye, Partner, CTPartners:

"What's required is a truly broad and deep understanding of risk in its widest sense. This means not just understanding credit, market, and operational risk but, also, risk at the strategic level. Strong CROs are also skilled at leading and delegating.

This mix of personal and business skills is not easy to find. People who are analytical by nature are not always great leaders and communicators. That's one reason why great CROs are rare individuals."

360 | WHAT'S THE BEST WAY TO CONDUCT A GLOBAL SEARCH?

When businesses seek to hire the right global executive for a key management position, the stakes are high and the recruitment process is complex. Yet time is often of the essence, whether because of pressing corporate goals or inevitable competition for the best candidates. Recently involved together in a successful global search, three leading executives offer guidance to companies and candidates alike.

Hedwig "Hedy" Whitney, Senior Vice President, Human Resources, AspenTech in Burlington, MA

"Success starts right at the beginning, with a clear definition of what type of person the company is seeking in terms of prior experience and capabilities. There needs to be consensus about the 'must have' vs. 'nice to have' attributes that are key for success in the position. That might seem simple, but it is amazing how often companies don't pin this down or get agreement from relevant stakeholders before going to the market.

AspenTech is a leading provider of process optimization software and services, which enable manufacturers to reduce costs, increase capacity, and optimize operational performance. As head of HR, it is my goal to help the company recruit and retain top-quality talent. One way I do this is by clearly articulating requirements for each executive search and then getting key stakeholders to sign on. You do not want to initiate a search and then later have a disconnect about whether a particular background is needed. I also try to keep stakeholders motivated and committed to moving ahead in a timely fashion. Companies must be 'purposeful' in the search, since attractive candidates are usually very busy and time is often of the essence.

I cannot stress enough how important it is to have the right chemistry between the lead search professional and the person inside the company who is ultimately responsible for the hiring decision. When both parties share a deep understanding, confidence, and ability to communicate extremely effectively, global searches proceed more smoothly and resulting hires are more successful."

Paul Taylor, Senior Vice President, Europe, the Middle East, and Africa (EMEA), AspenTech in Reading, U.K.

"I've been involved in global searches from both perspectives-as an executive doing the hiring and as a candidate, having been hired by AspenTech earlier this year. So I understand that this is frequently, and perhaps unavoidably, a slow process.

That said, companies and candidates have two different perspectives on time. When you're doing the hiring and you're busy with other responsibilities as well, two or three weeks are over in the blink of an eye. Yet if you're the candidate, that might seem like an eternity. The right search firm can play a big role in mitigating the differences in these two perspectives.

The best search firms also work hard with both candidates and clients to establish interest, explore availabilities, set up time frames, and above all, communicate at every step. Companies need to take their time, of course, to make the right decision. But when a candidate embarks upon this process, especially for a senior executive position, there's a desire to believe that this role will be critically important. If the search drags on, seemingly indefinitely, the candidate might rightly ask: Why should I consider this position and this company?"

Debra Germaine, Partner, Technology, Media and Telecom Practice, CTPartners in Boston, MA

"One reason why the search to fill AspenTech's Senior Vice President EMEA position was so successful was that the company was adept at working with us as a true business partner. Given the clarity that Hedy Whitney and her colleagues brought to this search, and the level of communication between AspenTech and CTPartners, we were able to achieve the ultimate goal in any global search: to enter the marketplace as the company's representative, understanding exactly what kind of person was needed.

But, stepping back a moment, it's worth pointing out that there's an interesting dichotomy in any global recruitment effort. Search firms must have one foot planted in the door of their client company and one with the candidate, performing multiple roles that keep this process moving along.

Communication is a good example. A search consultant should keep a company current on real-time marketplace examples that are relevant to the search by industry, region, or function. Surprises can slow down decision making. Likewise, consultants should keep candidates informed about developments on the client's end. I'll report on new customer relationships, product developments, charitable commitments, and more. That information helps keep candidates motivated."

PROFILE | ROBERTO QUARTA & CHRISTIAN ROCHAT

A Value-Building Model for All Seasons

In an extraordinarily challenging, complex, and unpredictable international economy, it seems likely that at least some solutions to current business problems will arise from within the private equity community. Roberto Quarta, Chairman Europe and Operating Partner for the leading global private equity firm Clayton, Dubilier & Rice, and Christian Rochat, a London-based Financial Partner of CD&R, recently met with the PQR team to discuss the worldwide situation, as well as their firm's strategic approach to transforming underperforming businesses in good times and in bad.

PQR

Global economic challenges have led recently to some extraordinary developments throughout the financial sector. Are major changes likely within CD&R?

Roberto Quarta

The basic premise upon which Joe Rice founded our firm 30 years ago is still very much with us. He had the foresight to realize that when financial experts work closely with seasoned operating professionals to strengthen companies that are underperforming, they create more value together than on their own.

That's how our firm began, and we have maintained this model. The foundation of our investment return lies in building better businesses. We estimate that about 90% of the value that we have created over the past three decades comes from improving the operations and profitability of the businesses in which we invest.

PQR

It's become more common in recent years for private equity firms to utilize operating partners in pursuing their objectives. Does your approach differ?

Roberto Quarta

I'm convinced that it does. I came to Clayton, Dubilier & Rice eight years ago, after working in a number of global leadership roles, including serving as CEO and Chairman of BBA Group plc.

I was drawn to CD&R's truly distinctive approach, in which operating partners and the firm's investment professionals are fully integrated throughout the investment cycle. That includes sourcing, structuring the investment case and executing sustainable value-creation initiatives at our portfolio companies, and ultimately working together to position our companies for rewarding exits. Our operating partners bring a wealth of international business experience to every single aspect of CD&R's activities, while working closely with two or three of our portfolio companies. That just isn't the case elsewhere.

PQR

How does this approach work, more specifically, in a tough economic climate like this one?

Christian Rochat

We invest in businesses that would benefit from strategic and operational transformations. This might involve new approaches to sourcing, supply chain management, research and development, manufacturing, marketing, product mix, customer "share of wallet," pricing, sales, or service. This kind of investment does not go out of style. In fact, we believe it is sustainable and potentially more valuable in difficult times.

Roberto Quarta

It is true that we currently are experiencing an economic tsunami, which may have started in the U.S. but has now moved to Europe. Virtually all industries have been affected. It is a broad downturn.

Yet our operating partners-people like Jack Welch, Charles Banks, Fred Kindle, George Tamke, and James Berges-bring exceptional experience and insight to the challenges that our portfolio companies may be facing. As a result, not only are our companies ready for the downturn, they are well positioned to capitalize on it by taking market share,

making acquisitions, hiring talent from weaker competitors, and strengthening customer relationships. We've worked with our portfolio company management teams for 18 months or longer, since we first saw signs of weakness in the U.S., and have started planning and budgeting accordingly.

Christian Rochat

We are very close to our management teams. We are not simply reacting to the current economic climate. We regularly conduct operating reviews in which portfolio company management teams sit down with our entire operating group to discuss what's going on within the company and the marketplace, what's working, and to look at what could be done differently, more effectively. The transformation process is an ongoing effort regardless of the state of the economy.

PQR

What's the overall objective for CD&R? Has this changed, given the magnitude of what's been taking place in the global arena?

Roberto Quarta

We are investors and business builders, not asset gatherers. That's always been the case. We aim to do two or three investments a year, with the goal of doubling the profits of acquired businesses and tripling the fund's investment.

In any economic climate, there's one big issue that is often raised about private equity: Does it create long-term value and, if so, how should that be measured? At Clayton, Dubilier & Rice, one way we answer that question is by focusing on the quality of the businesses that we leave behind, after we exit an investment. We believe that, by strengthening the operations and fundamentals of our portfolio companies, we are making it possible for them to continue to grow and thrive in the years to come.

PQR

Mr. Rochat, you are responsible for identifying and analyzing investment opportunities in European and global companies. So it makes sense to ask you: Do economic problems within the U.S. and Europe make it more-or less-likely that the firm will look elsewhere for business opportunities?

Christian Rochat

We view our opportunities in two ways. Mature markets such as the U.S. and Europe present many attractive prospects for us, particularly in times of economic stress. In terms of sourcing new investments, we expect corporate divestitures, the primary source of our deal flow, to increase from these regions as CEOs and boards constantly reexamine corporate strategies, set priorities, and invest only behind core competencies.

But we are cognizant of the fact that more and more growth is taking place across Asia, Eastern Europe, and other emerging markets, and we devote a lot of our attention to helping our portfolio companies capitalize on those opportunities.

PQR

CD&R is often singled out for its willingness to tackle complex business situations. Do you expect this expertise to prove especially valuable in a global market like this one?

Christian Rochat

We like complexity because it can be an obstacle to many firms, and we are not afraid of tackling it. However, no one has ever made money from a deal simply because it is complicated. We aim to achieve simplicity of purpose and strategy. When we consider a potential investment, we need to get to a point at which we can see three or four key areas of improvement that are driven by factors we can control, such as productivity, cost, or capital efficiency, and that will ensure the success of the investment.

Roberto Quarta

Each of the businesses we invest in is the result of a very patient and targeted sourcing effort, often involving years of coordination and research. This keenly focused model often gives us a competitive edge in the sale process and helps us speed the transformation post-closing.

That was certainly true in the case of Hertz, where we evaluated several other car rental businesses and held meetings with the Ford and Hertz management teams three years prior to our investment. Hertz had flat to declining margins for five years preceding our investment. Since our acquisition, CD&R has driven 200 basis points of margin improvement and a 35% increase in EBITDA, versus the company's rental car competition that is on average down 10%.

PQR

Presumably, talent is an absolutely essential ingredient in making this happen. How do you evaluate whether CD&R has the right management team at any portfolio company?

Roberto Quarta

We often buy businesses with incomplete or insufficient management talent, so an in-depth evaluation of that pool is a critical part of building a transformation plan.

Our operating partners lead this effort, usually beginning long before an investment closes. We consider ourselves fortunate to have a wealth of management talent in our current portfolio, including Joe DeAngelo of HD Supply, Mark Frissora of Hertz, and Jean-Charles Pauze of Rexel, among others.

PQR

And, of course, CD&R has a world-class team of operating and financial partners. How has the firm created that team?

Roberto Quarta

We have adopted a disciplined approach to growth in terms of the size of the firm, its geographic footprint, and the number of portfolio companies that we're involved with or investigating at any time.

We take a disciplined approach to developing our financial partners internally. They typically start their careers as junior members of the team. If we exclude Christian and Huw Phillips, who came to our firm with extensive experience elsewhere as part of the building out of our European operations, our financial partners have an average tenure at the firm of nearly 14 years.

When it comes to operating partners, we are always looking for the right fit: extremely successful corporate leaders, typically former CEOs who bring decades of international business experience in areas that make sense, given our approach and priorities.

PQR

The global marketplace is unpredictable right now. But your team is about as strong and well tested as any group of business leaders could be. What next?

Christian Rochat

Environments like this one, rife with uncertainty, insecurity, and a lack of confidence, should normally favor the strong and well prepared. The companies within our portfolio are indeed strong, because we have chosen to invest in market leaders and we have already worked hard to promote their operational transformation. It is our role and our responsibility to help them to be evermore prepared for the conditions that present themselves, whatever they may be. That is a role that a more operationally focused private-equity investor is equipped to play.

Roberto Quarta

Behind the pinstripe suits, there's real talent, real commitment, real hard work: an intensity of commitment that is difficult to convey.

I worked very hard during my life as a corporate executive. But for myself and my colleagues at Clayton, Dubilier & Rice, there's no comparison to the commitment we're making today. The alignment of interests is strong, and that shared sense of purpose is true regardless of what's going on with the economy. This is the nature of private equity. It takes hard work and focus to achieve our goals.

CD&R's Fred Kindle on the Operating Partner

PQR

Mr. Kindle, you recently joined CD&R as an Operating Partner. What brought you on board?

Fred Kindle

I've spent the past 20 years working to build value in global corporations, while creating the right returns for shareholders. Most recently I served as President and Chief Executive of ABB. I fully enjoyed that but wanted to continue to push myself in new ways. CD&R offered me that opportunity within a framework that I believe in-matching financial expertise with proven operational skills.

PQR

You undoubtedly had many attractive career options. During your discussions with CD&R and its search partner, CTPartners, what intrigued you about the Operating Partner's role at Clayton, Dubilier & Rice?

Fred Kindle

This is a very attractive, emerging period for private equity investing, particularly for CD&R's approach, which is based on producing returns from operational enhancements. I was drawn to this firm because of its long-term record of success, the high caliber of the work, and the people involved. Just last year, CD&R was recognized by Private Equity International as PE firm of the year for consistently pursuing operationally oriented investments. Most of all, there's a very high level of integrity within the firm, which matters deeply to me.

PQR

Is it too soon to tell what you will be working on?

Fred Kindle

I am off to a fast start and will be the lead Operating Partner on our investment in Bodycote Testing Group, the world's leading materials testing business. This is a classic CD&R buyout of a corporate "orphan" with tremendous potential to improve operating performance. I will serve as Chairman of BTG and look forward to working with management to take the company to the next level of operational excellence. On an ongoing basis, along with other Operating Partners, I am deeply involved in the firm's investment screening process and the quarterly operating reviews of our portfolio companies.

Chapter 4

FIVE | THINGS I LOVE (BESIDES MY JOB)...

Gary Knell, President and Chief Executive Officer, Sesame Workshop

1. Movies

"I'm a real film buff. Maybe this comes from growing up in Los Angeles. I embrace movies. I'm active with the Jacob Burns Film Center, a terrific cultural arts center in New York State that teaches children by involving them in making their own movies. Throughout my career, I've been committed to the public service use of the media. Films like 'The Killing Fields,' about a journalist witnessing atrocities in Cambodia, have had an extraordinary and lasting impact on me."

2. Travel

"I travel a lot, for pleasure as well as for work, and I truly enjoy it. I have a strong desire to explore different cultures and environments. I think that this enhances my skills on the job, because I can relate to people whether they're Arab, Israeli, Chinese, Latin American-wherever they come from. I aim to cross our 'boundaries' as seamlessly as possible. My recent travel included a trip to the Persian Gulf, another to the Netherlands, and, of course, a great deal of travel across the U.S. For me, that's meaningful and memorable."

3. Music

"I'm a big fan of the singer/songwriter movement, and this adds pleasure to my life. One of my most important commitments is to WFUV, a public radio station connected with Fordham University. In a world in which so much of commercial music is standardized, WFUV is among those radio stations that are committed to connecting listeners to exciting new music."

4. Soccer

"Talk about being a huge fan. It's the way that I cool out on weekends. I played it as a kid, when I was probably the only member of my team with English as a first language. And it's still so much fun for me to play and to watch it. As someone who values different cultures, I view soccer as a great connector of countries."

5. Family

"My wife and four children are a huge source of joy and inspiration. I also find ways to connect, through them, to the other things that matter most to me. For example, my interest in new music is an important way for me to relate to my children. And I love to travel with my family, to discover and share different places with them."

Chapter 5

MOMENTUM | CAREER INSIGHTS FROM FIVE TOP GLOBAL EXECUTIVES

Jean-Herve Jenn, President International, Convergys in Paris

"When I look back, I see two things that really influenced me—sports and my education. As a young man, I raced motocross bikes, which can be dangerous. I've broken a lot of bones, torn ligaments. But I believe that no matter what you do in life, racing teaches you many lessons. It builds your endurance and gives you a passion to win. Being No. 2 is not good enough. I started racing at age 16 and raced until 22, when I got married and my wife gave me a choice of her or my bike.

As for education, I was trained as a civil engineer in France. Engineering teaches you to be analytical and make decisions based on facts. But what's not useful about an engineering education is that it presents the world as black and white, right or wrong. Life is more complex, and in my business career, I needed to undo that aspect of my education.

Today, I view a big part of my leadership role as being an effective coach and helping others achieve their goals. With my direct reports, I try to be more of a coach than a manager. That isn't easy, since my direct reports are in all different parts of the world. But, at the end of the day, a company can be only as good as its network of people. That's what I work to achieve."

Lisanne Morales, Chief Financial Officer, Cooley Godward Kronish LLP in Reston, VA

"One key to my success has been my ability to communicate, with honesty and fairness, in all directions. Communicating credibly and effectively is especially important when a firm is in a period of growth, as this one is. Over the past decade, Cooley has expanded beyond its Silicon Valley roots and is now a major national law firm with 650 attorneys,

with plans to further expand to meet clients' increasingly complex legal needs in the U.S. and abroad. It's exciting to be part of this transformation.

I joined Cooley earlier this year. There's a challenge in getting to know a new firm, new colleagues, a new culture. Before this, I worked at the same firm for 19 years, moving up from an entry-level accounting position to the top financial post. It's easy to take for granted the institutional knowledge that you accumulate. When I came here, my first priority was to spend time in all the different offices, meet the staff and partners, and really get to know each practice. We need to understand and trust each other.

I have an 11-year-old daughter, and she's the reason for all the things I've accomplished. I travel a lot, and I'm a single mother, so I'll take a red-eye flight home in order to make it to one of her soccer games. I talk to her, in general terms, about what a CFO does, why my job is important, and how I can make a difference."

Kathleen Murphy, Chief Executive Officer, ING U.S. Wealth Management in Hartford, CT

"The way that I grew up defines how I do my job and how I view my job. I'm one of six kids, and the family had some core principles: Work hard, do the right thing, and have some fun. We might go toe-to-toe among ourselves, but when we walked out of the house, we supported each other because we were a family. That's what I expect within the workplace. You need good candid conversation, but in the end, you need to be an absolute team in order to win.

And, yes, I love winning. That comes from my background in sports. While growing up, I was a competitive swimmer and would wake up at 4:30 in the morning so that I could swim before school as well as after school, and enjoy other activities.

Now, my job offers big challenges and opportunities. The U.S. Wealth Management division is one of the growth engines of ING's worldwide operations, and we are constantly challenging ourselves to continue to provide that strong growth to outperform our industry. To me, it's all about creating the right team, understanding and motivating people, staying focused on winning, and always doing right by the customer."

Shane Tedjarati, President, Honeywell China and India in Shanghai

"The greatest professional challenge I face today is in helping Honeywell become what I call an east-to-west company. What I mean by that is to become truly global by incorporating China, India, and all of the emerging marketplaces into the forefront of Honeywell's strategy so that the company will be relevant to the whole world as opposed to just the developed world. Every major corporation faces this challenge. Honeywell recognizes the challenge and is leading the innovations needed to create the new paradigm.

This objective plays to my life experience and my strength as someone who has lived and worked throughout the world. I was raised from early childhood with the fundamental principle of oneness of mankind- that above all, we are members of one human family, that our diversity is our very strength, and that we must strive to bring about the unity of all humanity in a spirit of dedicated service.

I feel at home in most cultures and am privileged to be able to speak six languages. I often interact with people of tremendous diversity. If there is a theme, a brush stroke in the painting of my life, it is the consciousness of unity in diversity-helping people understand each other better and work together more effectively. That's so exciting."

David Jana, Chief Executive Officer, Banco Calyon Brasil in São Paulo

"To build my career, I took several important steps. First, I made sure I had the experience of working abroad. I am a native of Chile, which is a very traditional country. Most Chilean executives choose to stay in Chile and enjoy its good lifestyle, but I worked in banking in both Boston and São Paulo. My second step was to have the experience of being a client as well as a banker. From 2003 until 2006, I served as CFO of Empresa Nacional Del Petróleo, Chile's state-owned oil and gas company. That client role has been infinitely valuable to me. I gained insights about the timing of decisions and the depth of dialogue that is necessary to best serve a client.

Third, I worked in the public sector. As the CFO of a nationally owned company, you have tremendous exposure to the media, to public

criticism, which forces you to enhance your communication capabilities. All of these experiences guide me in my current position.

When I was 17, I came close to becoming a professional soccer player, but chose to attend university instead. Yet I still see many lessons of the sport in my corporate life. Individuals certainly matter and are key, but teamwork is even more important. You have a set time to do things: You have 90 minutes, not 100 minutes. Almost scoring a goal means nothing. And you must develop people to be part of the team, not just the 11 players, but other players who are ready to take the field. The same is true in business. You have a team, a set time, and you must make goals."

Chapter 6

MANAGEMENT | BRIC BUILDING

CREATING THE BEST TALENT TEAMS IN BRAZIL, RUSSIA, INDIA, CHINA AND OTHER EMERGING MARKETS

In today's global marketplace, it's difficult to imagine a corporate growth strategy that doesn't involve one or more of the so-called BRIC nations in a major way. With large, expanding economies, Brazil, Russia, India, and China offer extraordinary opportunities to those who understand and respect the intricacies of their cultures and business communities.

Of course, even the BRIC and other emerging markets are not immune to global economic pressures. And almost by definition, short-term political, infrastructure, or other challenges may cause the engines of these fast-growing economies to sputter. Yet few markets offer businesses greater growth opportunities over time than do the BRIC nations.

For global executives, these four countries offer something else as well: Time-tested lessons about team building and talent management in developing markets. Here's why that's valuable: The complexities and challenges posed by any vibrant, emerging market make it highly desirable for businesses to rely upon local talent. Yet, as the BRIC nations illustrate, this may be hard to accomplish, for when such countries enter periods of accelerated expansion, local talent is seldom sufficient to meet escalating demand.

Given this dynamic, the emerging-market talent equation can be tough to solve. When regional and international corporations race to capitalize on new opportunities, they compete fiercely for leaders and skilled professionals. The most successful corporations will be those that know how

to create and maintain collaborative teams within these markets-teams that consist of both local and global talent.

This talent mix will inevitably shift over time. BRIC and other developing countries are already producing greater supplies of skilled and experienced local managers and professionals. But one point is clear: Throughout the talent evolution stage in any emerging market, savvy corporations will make team building and management as much of a priority as executive recruitment. With mutual respect, cooperation, and a commitment to a corporation's overall objectives, leadership teams can combine local expertise and insights with global best practices.

The talent dynamic

Let's start with the basics. In BRIC and other fast-growing, emerging markets, the ideal leadership profile is a local professional with world-class expertise. That makes good sense, since such individuals have all the right skills and they're also way ahead on the learning curve when it comes to work cultures and communities, which can be difficult for outsiders to penetrate. Adding a "homegrown" professional to a company's leadership team in the BRICs or elsewhere reduces the potential for cultural problems.

So it's fair to say that, given the current business expansion by local, regional, and global companies within emerging markets, there's a nearly insatiable appetite for skilled nationals who have spent their careers within these business communities and for current expatriates who are willing to bring home their global careers and educations.

Consider Russia. "The country today is practically a one way street," comments Martin Mendelsohn, a Washington, D.C.-based Partner of CTPartners. "Professionals of Russian origin, wherever they were working-Israel, London, the U.S., or someplace else-want to go back to Russia now, because the economic and professional opportunities there are significant and there's demand for talent."

In contrast to the stark career prospects they once faced at home, BRIC émigrés now find themselves with a range of extraordinary career prospects in the countries they know and love. "One professional who I recently placed told me, 'I could have stayed where I was and kept moving

up the ladder. But by going back to Russia, I'll be able to pay off my mortgage in two years," recalls Mendelsohn.

Zhang Yanmei, the Shanghai-based Senior Vice President of SNDA, China's leading Internet gaming company, returned to China 15 years ago, after studying and working in the U.S. "When I made the decision, it was a personal and emotional one, as well as a career decision," she emphasizes.

"I didn't want to be a foreigner any longer. I wanted to be home on Chinese New Year. Looking back, that's a decision that I'm very proud of. I've been fortunate to be here during an extraordinary period of change and growth for the country. I've grown, too."

Yet, with all the personal stories like these, there are simply not enough locals or expatriate nationals to satisfy the demand for BRIC talent. Consider the situation in Brazil. "The competition for talent resources is wild," notes João Steinle, Human Resources Director for the Engineering and Construction Division of Camargo Corrêa, a São Paulo-based conglomerate. He adds, "The demand for capable people at all levels, from new entrants to junior employees, middle managers, and senior executives, is very high, sky high. Companies need to reinvent themselves in regard to management in order to compete and survive within this environment."

A similar dynamic is in place in other fast-growing emerging markets throughout Latin America, Central Europe, the Middle East, and Asia. Domestic and international companies have no choice but to recruit some-and sometimes, many-managers and skilled professionals from the larger pool of global talent.

"In the Middle East, where there has been a lot of growth in recent years, companies tried at first to either hire locals or attract qualified nationals who were living abroad. But the supply was limited," says Florence Magne, a Paris-based Partner with CTPartners. "Now companies are broadening their reach to look for top-quality Europeans and other professionals who will be drawn to the region because of its exciting economic activity. There's a sense that the right mix of leadership talent would be about half locals or former expatriates who have come back to

the country, with the other half of the team consisting of global professionals."

Creating the best teams

In the BRICs and elsewhere, executive searches most frequently turn to global candidates when the local and expatriate pool of talent cannot fulfill a company's needs.

Global competitive forces often play a major role in raising the bar for qualified candidates, while also setting the timetable for leadership hires.

"When talking about China, for example, it's important to remember that the landscape has changed a great deal here, as the country has become an integral part of the global economy more quickly than people could have imagined possible," says Kenneth Xu, a Shanghai-based Partner at CTPartners. "This creates many challenges for executives managing businesses in China. Whether the company is global or regional, it must survive and succeed within a global context, in a market that has become international. To create the right leadership team within this environment, companies must consider the broadest pool of candidates, including local talent, Chinese expatriates, Americans, Europeans, and expatriates from other Asian countries as well."

Throughout the BRICs, the same pattern has emerged. Greater opportunities place greater demands on senior managers and skilled professionals, leading companies to set and meet high standards, often relying on global search partners to help them cope with the talent supply-and demand imbalance.

"The CEO of a large Indian life sciences company recently described to me the leadership skills that he considers to be lacking in the country's managerial population," says Chris Seabourne, a London-based Partner of CTPartners. "First was the shortage of leadership skills to effectively manage within a complex organization of the type typically owned by North American or European companies."

The second shortage, according to Mr. Seabourne, was of "people capable of running more dynamic, less traditional, less hierarchical businesses. Demand for these leadership skills is growing exponentially, but it will be some time before a new generation of Indian leaders can fulfill the demand. In the past, Indian managers haven't needed to possess

these skills. Until enough local executives develop them, companies must look elsewhere."

Leading with teamwork

Magui Castro, a São Paulo-based Partner with CTPartners, knows firsthand what it's like to be part of an emerging market leadership team composed of local and global executives. "I've been in both positions," she recalls, explaining, "I served as the president of Kodak in Chile, which has a totally different business culture from my native Brazil, where there is more informality, less hierarchy. I could have imposed my cultural norms on the people who worked with me, but that would have been negative, counterproductive. When you are sent to another country, you must respect its culture, try to adjust, adapt."

Cynthia Gordon, Chief Marketing Officer for Moscow-based Mobile TeleSystems OJSC, is a good example of a global executive who knows how to collaborate with local professionals. A British national, she arrived in Moscow nearly two years ago, after having worked in Eastern and Western Europe, the U.S., and Japan. "I don't speak Russian," she comments, "which means that I have to work even harder in terms of communicating and understanding. I can't let anything get lost in translation."

Speaking with tremendous respect for the "talented and diverse group of professionals" that she works with, Ms. Gordon recognizes the importance of her role on the team. "I bring to the job a wealth of global business experience. That is valuable to a company like this one, which has the goal of creating and maintaining a top-quality marketing operation. I've also got a lot of perseverance and resilience, which is really necessary in a market like this one, where change happens so quickly, there's so much competition, and the scale of what's happening is so extraordinary."

Mutual respect is an essential ingredient in any well functioning team of global and local professionals. When executives in emerging markets fail to appreciate that, the team and the corporation both suffer. During Ms. Castro's career as a senior executive in Brazil and Chile, she saw teamwork difficulties as well as successes. "Some professionals come to another country and they're really just looking for their own homes, the business world they've always known. These professionals fail within a

year or so, because they aren't prepared to behave with respect and to make the necessary adjustments."

Problems sometimes surface from local professionals as well. "In every place, there is always someone who thinks, 'Why did they need to bring in someone from the outside? Why not me?' In order for the team to work together well and for people to overcome these obstacles, the global executive must really be talented, as well as culturally sensitive and respectful," Ms. Castro emphasizes.

Guidance can, and should, come from the top, she adds. "The company's leaders must convey to local professionals that the global executive is here because there wasn't anyone at this time who had this expertise and experience. People need to believe that there will be opportunities for them in the future, even if they aren't ready for the opportunity right now."

Indeed, in the BRICs and elsewhere, successful team building and management depends on providing meaningful opportunities and rewards to local talent, since such professionals are, inevitably, the company's future. This is especially important, and challenging, in business communities experiencing talent shortages. "Here in China, where the market is growing so fast and demand is so high, the up-and-comers have a temptation to jump, to job-hop from one company to another," notes SNDA's Zhang Yanmei. "Companies need to work hard to hold on to their best people." Compensation strategies are a very important element in responding to the talent imbalance. This is an area in which the right search partner can provide marketplace intelligence and advice.

Savvy corporations also need to recognize that they must market themselves to desirable employees as desirable employers. "Top candidates at the senior level in China are looking for an opportunity, a platform, to achieve significant business goals as well as career goals," comments CTPartners' Kenneth Xu. "They're looking for companies with established, successful cultures that offer enough space for candidates to grow and develop within the organization."

It takes hard work, resources, and a corporate commitment to build the right leadership team in any emerging market-and more of the same to maintain that team. But at a time when many developed nations are

struggling to regain their economic footing, there are few challenges more rewarding than those that emerging markets have to offer.

Q&A ROUNDTABLE

An Interesting Role in an Interesting Place

In 2004, Ron Machan, a longtime consultant and strategist who had worked in some 14 countries and 60 cities, was looking for a break from his intensive travel schedule. He left his job at the global consulting firm BearingPoint and returned to his native Calgary, Canada, joining a local strategy consulting group. About a year later, Mr. Machan, who is now CEO of BearingPoint China, received a telephone call from his old mentor.

Q Would you please tell us about that phone call?

Ron Machan

BearingPoint's Chairman asked, "What will it take to get you back?" I replied, "An interesting role in an interesting place." BearingPoint definitely delivered on that promise. That night, I talked with my wife and within 10 minutes of the discussion, we had decided we were moving to China. We were very excited to take the opportunity to live in China.

Q How was BearingPoint China doing at that time?

Ron Machan

BearingPoint had invested heavily in China, beginning around 2001. It was an aggressive effort to gain market share. Yet by 2004, it was clear that there was room for improvement.

While the business had grown quickly, it was not consistently leveraging BearingPoint's global footprint and expertise. Improving profitable growth became a key objective for the practice. Our mission was to improve the business fundamentals, help BearingPoint China become

profitable while growing, and make it a stronger part of BearingPoint's overall business portfolio.

Q What were some of your first steps?

Ron Machan

We addressed the firm's culture. China is such an opportunity rich environment. We needed to get rid of the internal preoccupation with rapid growth and being the biggest firm and to shift the focus to delivering quality service. Successful delivery with key clients was our utmost priority. The business had developed a deal-driven culture, so that winning deals was seen to be more valuable than profitable growth and quality service. We had to change that mind-set and start identifying how to grow long-term valuable solutions and practices.

Q Your ongoing changes drove a largescale transformation, didn't they?

Ron Machan

Yes, we reorganized the business to align to BearingPoint's global model and made shifts in the leadership team. I focused on hiring a blend of expats and local leaders, and I made international experience a requirement.

We identified the key industries, clients, and solutions where we should concentrate our efforts and added BearingPoint's multinational clients as our key account portfolio in China. At the same time, we also increased our focus on higher-valued management consulting work and reduced dependence on enterprise resource planning (ERP) projects, where fee rates are nearly commoditized.

Eleven months after I began in China and put these programs in place, the China Practice reached breakeven, with positive cash flow. Since then we have consistently posted growing sales and profits.

Q In January, you were recognized as one of the Top 10 People of the Year in the IT industry in China.

Ron Machan

That certainly was a lovely recognition. But more importantly, BearingPoint China was recognized as one of the Top 10 IT Consulting Firms by ERP world.net and the China Software Industry Association, and also as one of the Top 10 Most Trusted Management Consulting Firms in China by the China Enterprise Confederation and the International Council of Management Consulting Institutes.

China still is an emerging marketplace for consulting businesses. Other firms are doing what we did, that is, entering the marketplace and investing heavily to grab market share, even at a loss. They are offering wild salaries to grab talent. That puts tremendous pressure on those of us who are trying to be responsible about running a profitable business.

This has been the hardest job of my life on some levels, but it has also been a great experience. China is a wonderful, exciting place, and BearingPoint is an extraordinary company. I am enjoying it all.

UPDATE | NEW & NOTEWORTHY DEVELOPMENTS AT THE PERFORMANCE - DRIVEN SEARCH FIRM

Leadership Challenges for Semiconductor Companies

As global competitive challenges keep mounting, it's never been more essential for semiconductor companies to build and maintain top-quality leadership teams that are capable of developing and carrying out cutting-edge business strategies.

With more than 25 Semiconductor Practice partners and professionals worldwide, in technology hubs including Asia Pacific, Europe, and North America, CTPartners understands the industry's talent management challenges and opportunities. In the last three years, the firm has successfully placed more than 75 senior executives in major positions at corporate pacesetters such as Analog Devices, Fairchild Semiconductor, Freescale Semiconductor, MagnaChip Semiconductor, Numonyx, Qualcomm, and RF Micro Devices (RFMD), among others.

Importantly, the Semiconductor Practice has expertise in all relevant industry niches, including IDM, fab-less, capital equipment, foundry, packaging and testing, and materials. With access to top global talent, CTPartners has successfully placed directors, general managers, division presidents, and operational and functional experts in departments ranging from engineering to operations to sales, and other key positions.

Top Executives Share Career Secrets

Published on November 13, 2008 by Portfolio/Penguin Group, *There's No Elevator to the Top*, by CTPartners Vice Chairman Umesh Ramakrishnan (see <http://www.amazon.com/There-s-Elevator-Top-Headhunter-Advancement/dp/1591842255>), has received widespread

praise for its behind-the-scenes look at the advancement strategies of a number of the world's most successful executives.

The book "translates experiences from some of the best CEOs out there," emphasized William D. Perez, CEO of Wm. Wrigley Jr. Company and the former CEO of Nike. Steve Reinemund, the retired CEO of PepsiCo who currently serves as Dean of Business at Wake Forest University, praised Mr. Ramakrishnan for presenting "compelling and commonsense principles for building a successful and balanced life as a leader in business."

Additionally, in the words of Bill Nuti, Chairman and Chief Executive of NCR, "This book offers unique and rare insight... There's No Elevator to the Top is a realistic and contemporary guide that can be utilized by virtually anyone, at any level, who aspires to genuine leadership."

Latin American Expansion

As part of its continuing commitment to serving clients around the world, CTPartners recently expanded its global presence in Latin America by integrating with one of the region's leading executive search firms, Southmark. A significant expansion, this move adds new offices in Brazil and Chile, while also broadening CTPartners' coverage in Perú.

"This expands our coverage both geographically and functionally in Latin America," notes Brian Sullivan, CTPartners' Chairman and CEO. With 17 partners and principals and offices in five major cities throughout the area, the firm's regional headquarters will continue to be in Miami.

A warm welcome to the eight, highly experienced search professionals who have joined the CTPartners' team: Eduardo Antunovic (Partner, Brazil and Chile); Magui Lins de Castro (Partner, Brazil); Arthur Vasconcellos (Partner, Brazil); Francisco García (Partner, Chile); Marta Pozo (Partner, Chile); Juan Enrique Tocornal (Partner, Chile); Susana Eléspuru (Partner, Perú); and Armando Cavero (Partner, Perú).

Chapter 9

GIVING BACK

For Africans, a unique nonprofit brings clean water and... Trickle-Down Benefits

Despite globalization, more than one billion people across the planet lack access to clean water. That's almost inconceivable. Yet the situation is so dire that unsafe water and lack of sanitation together are currently the single largest cause of illness worldwide, resulting in an estimated 6,000 deaths every day. Without intervention, this situation is likely to worsen. By 2025, as many as 2.3 billion people could be living without access to clean water, according to Dale Jones, the CEO of PlayPumps International, a Washington, D.C.-based nonprofit organization. Its mission is to bring clean drinking water to Sub-Saharan Africa, thereby enhancing public health for millions of people.

What's really unusual about PlayPumps is, quite simply, its method. The nonprofit provides communities with access to clean drinking water through a child-friendly device known as the PlayPump water system. Patented water pumps double as merry-go-rounds for youngsters whose schools often lack recreational equipment. Mr. Jones comments, "It's every child's right to have access to clean drinking water and the ability to play. It's our goal to help make that happen."

The target for Mr. Jones and PlayPumps is to install 4,000 pumps in 10 Sub-Saharan countries, which would provide clean drinking water for about 10 million people. Although rich in benefits, the pumps are priced at only \$14,000 each, which covers the cost of equipment, installation, and maintenance for 10 years. Significant progress has been made toward achieving the nonprofit's goal, with more than 1,000 pumps already installed in South Africa, Mozambique, Swaziland, and elsewhere.

PlayPumps' unusual approach has won it the support of a blue-chip list of corporate, foundation, and individual donors. These include Steve and Jean Case, who serve on PlayPumps' global advisory council; the Michael and Susan Dell Foundation; and the Coca-Cola Africa Foundation. Detroit Pistons' basketball player Theo Ratliff is also on the advisory council.

Support keeps growing. Global Ethics, a U.K.-based charity, started raising funds for PlayPumps in 2005 through the sale of its bottled One water. Its slogan? "When you drink One, Africa drinks too." Let's all drink to that.

Do You Want to Get Involved? Contact PlayPumps International at www.playpumps.org

Chapter 10

TO LEAD | BRIAN SULLIVAN

Providing Leadership in Challenging Times

Every chief executive officer has one primary responsibility: to protect and grow the assets of the business that he or she leads.

Different markets and business cycles require CEOs to focus on different aspects of this responsibility, of course. Right now, throughout the global marketplace, there are many chief executives who have no choice but to operate in what I would call "protection mode." Their goal is, quite simply, to maintain the company's core strengths and values so that its franchise won't go away during these tough times.

When the economic skies clear, as they always do, it will be the chief executive's responsibility to lead these companies back into growth mode. But the ability to move between these different leadership phases and strategies takes vision, courage, management expertise, and a great deal of flexibility.

As someone who has led executive recruitment firms for about two decades, I've been through a number of downturns. They've taught me the essential importance of good communication. That starts at the top. You've got to walk a fine line of being candid with your workforce without demoralizing people. You need to figure out how to motivate them at a time when it's normal to feel anxiety. After all, newspapers and TV shows will be full of bad news; employees will know what's going on throughout the industry; and they're probably also hearing concerns raised by family members.

But experienced CEOs realize that anxiety in a workforce can be incredibly disruptive. It can cause people to lose focus and drift because

they're so worried about what's going to happen next. You've got to prevent that.

During the current economic downturn, I have adopted a communication strategy that responds to developments inside and outside CTPartners. I tried to set the stage fairly early on by telling people that the firm was going to be fine, but that 2008 wouldn't be the kind of year that we had anticipated. Leadership was concerned because of conditions beyond our control, but we were responding.

Then, as global economic conditions worsened, I focused more and more on that response. It was a time for belt tightening, but we were going to be OK. Despite the cutbacks, I stressed, we also would take advantage of the best opportunities that the unsettled marketplace presented.

This kind of messaging must be repetitive if it's going to keep people focused, motivated, and mission-critical, while remaining realistic. I have talked about these issues month after month. And I have kept myself visible. The worst thing a CEO can do is to hunker down in the corner office. Leadership cannot go silent. If that happens, your best people are going to start thinking about bailing out.

Of course, in good times and bad, leaders must keep pushing themselves in new directions. That's the best part of the job. Recently, I relocated my family to London to be even more involved with CTPartners' European and Asian operations, which are strong and have tremendous growth potential.

Being a successful CEO requires endless energy and an accessible core of optimism. That's what keeps you-and your company-moving in the right direction, no matter what's going on in the world around you.

From the same author on Feedbacks

PQR - Fall 2007 (2007)

A timely and insightful business magazine published by CTPartners.

For its worldwide readership of corporate leaders and up-and-coming executives, PQR covers the globe, reporting on major business trends, talent management strategies, fascinating business personalities, and need-to-know developments impacting executive recruitment, retention, and human capital.

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