Contents

Dean's Message .............................................................. 3

THE COLLEGE COMMUNITY
Letters and News ........................................................... 4
The Business of Art ......................................................... 7

VISIONS: ETHICS AND SOCIAL RESPONSIBILITY
Environment and Business in the 21st Century ............. 8
The Green Giant ............................................................ 10

SPECTRUM: BUSINESS AND MANAGEMENT
The Chains that Bind ..................................................... 12

Interview with Mike Dudley ........................................... 14

PROSPECTS: SOCIETY
Beyond the Self – Transparency is the Key
for Tomorrow’s Leaders ................................................. 16

HORIZONS: THE GLOBAL SCENE
Sinners can be Winners ................................................. 18
New Kids on the Block .................................................. 20

INSIGHTS: SCIENCE AND TECHNOLOGY
Networks Under Threat ................................................ 22

The College Bookshelf .................................................. 23
Hague at Eighty ............................................................ 24
Farewell to Keith Blois ................................................... 26
Mrs Evelyne Barclay ....................................................... 27

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Dean’s Message

One of the best things about being a graduate college specialising in management is that almost all of our students come to us having had plenty of interesting experiences in the world outside the university. Our Fellows, too, have not all followed the traditional path from undergraduate to academic, but often have taken the scenic route, taking in a couple of career changes along the way. So when I say that this issue of Templeton Views has a strong college and student focus, I do not mean that it is devoted only to student life. Far from it. Max Rutten, one of our EMBA students, writes about his art business in New York City. Peter Snow discovers that there is more to College Bursar Mike Dudley than pound signs and spreadsheets. And we look back at the career of Honorary Fellow and ‘knowledge angel’ Sir Douglas Hague.

Other sections of the magazine reflect the College’s developing mission of leadership in a sustainable world. On page 8 we feature the Barclay Foundation Lecture, which was delivered by Tom Burke, Visiting Professor at Imperial College and University College, London, and Environmental Adviser to the Rio Tinto Company. Associate Fellow Paula Payton analyses Wal-Mart’s new-found green credentials. And Advanced Management Programme alumnus Andry Rakotovololona looks at how emerging markets are learning to manage risk.

I hope that you enjoy reading the magazine, and that it introduces you to a few new ideas. We are always interested in hearing your views, and welcome contributions from all our readers, whether student, Fellow, member of staff, alumnus, associate or other friend of Templeton.

Professor Michael Earl
Siva Sundaram, GCR President 2005–06, writes:

The College Community

A year ago, I was entrusted with the responsibility of running the GCR. Templeton was undergoing a major change – which still continues. We had a responsibility therefore not only to identify and address students’ immediate needs but help the College transform itself for the future.

We focused first on the issue of transportation between the College and the Said Business School – an issue of particular importance for the MFE and MBA students as they have very intense programmes. The College issued travel grants to help students use public transport. It also increased the number of trips between the College and the School and hopes to increase it again for the next academic year. Students, both at Egrove and outside, found this very helpful.

Accommodation was the most important issue. During our academic year, many students did not have college accommodation. Rewley Abbey Court (RAC) has now become part of the college, and this issue has to an extent been resolved. Considering the high number of our students attending classes at the School, they can have no better and cheaper accommodation than RAC.

Due to the distance and students’ hectic schedule, the majority of students made little use of the common room at Egrove. To help those students, the RAC common room has been refurbished (see next page).

The huge success of Templeton parties speaks for itself. Templeton guest dinners have undoubtedly been some of the best parties in Oxford. We hope to see these continue next year, as one of the key organisers, Nicoletta Occhiocupo, is progressing with her studies at Templeton.

The number of College scholarships and grants will increase during the next and subsequent academic years. The College is actively involved in raising more funds, specifically through the Nautilus Fund. Thanks are due to all the students who voted to donate £4,000 to the Nautilus Fund. The votes clearly demonstrate that everyone saw the importance of giving back to the College – and the establishment of this habit is probably more important than the sum raised.

On the sports front, the Boat Club has made significant progress (see next page). To encourage students to go to MBAT, the ‘MBA Olympics’ (see also next page), the College has instituted a £50 travel grant per person for the next academic year. I think Templeton is the only college to have done this.

The student community gained a lot from the changes that took place during this academic year. This progress could not have been achieved without strong support from the College, the Dean’s Office and a dedicated Governing Body. I am happy that we have strengthened the triangular partnership between the College, the student community and Governing Body.

The MBA programme was an exciting roller coaster ride. So too was being a student representative and GCR President. Nothing can beat the thrill of being on two roller coasters at the same time and walking away with no debts! Even with all the progress achieved and parties held, we are still left with some £7,500, £4,000 of which have gone with strong student support to the Nautilus Fund and £400 to the Induction Day party, with the balance pending future decisions.

Given the chance I would do it one more time. Thank you to all Templeton students for giving me the wonderful opportunity to serve you. I wish everyone a wonderful future.
New Student Officers

109 new students were admitted at the College’s Induction Day on 4 October, bringing the total number of graduate students at Templeton to 129. We are pleased to introduce the new student officers:

Maja Korica, Junior Dean
DPhil Programme
‘I see my role as a unique opportunity to encourage and streamline dialogue between our students and the College to the benefit of both.’

Anuj Jhunjhunwala, GCR President
MBA
‘As President of Templeton College GCR, I aim to increase Templeton’s activities in various spheres across Oxford and make it a force to reckon with.’

Selina Kaing, GCR Vice-President
MBA
‘I have a keen interest in diversity issues and am very involved in community service organisations.’

Perla Sudheer, GCR Treasurer
MBA
‘Before Oxford I worked as the Commercial Controller for Bangalore International Airport, the first “green field” airport project in India built under public-private partnership. My leisure interests include dance, theatre, trekking, travel, and playing volleyball.’

Shan Zhao, GCR Sports Officer
MSc in Management Research
‘Having worked for a provincial radio station, a national financial newspaper and a marketing company has helped me develop an open mind and the ability to learn quickly.’

Michael Smets, GCR Boat Club President
DPhil Programme
‘I play all kinds of sports but am a passionate rower and interested in using rowing as a means to teach team-building and leadership skills.’

Judith kleine Holthaus, GCR Boat Club Captain
DPhil Programme
‘Templeton not only allowed me to advance academically and meet some of my best friends here, but also introduced me to one of my great passions: rowing. I hope to be able to give back and help other people appreciate the pleasures of rowing.’

Ekaterina Kharitonova, GCR Social Secretary & Guest Dinner Officer
MSc in Management Research
‘I won the “Best Presentation” award from Bank Société Générale for my reports on the “New Planning Cycle” and “Selling Brands to the 20-Something Generation”. My leisure interests include sports, music, theatre – and partying.’

Veronika Pashonina, GCR Social Secretary & Guest Dinner Officer
MSc Management Research
‘I am keen on everything to do with the arts – music, painting, theatre. If I have free time I like dancing, clubbing, cinemas and other forms of entertainment.’

Terence Heng, GCR Student Webmaster
DPhil Programme
‘My career decisions have always been described as eclectic or schizophrenic. I taught cultural studies at Republic Polytechnic in Singapore, at the same time acting as editor for the Polytechnic’s corporate website and computer games reviewer for CNetAsia. When I can spare the time, I still design websites and photograph weddings – as long as I’m not lost in the Cotswolds searching for a good cream tea!’

The new common room at Rewley Abbey Court opened on 19 October

When the College invited me to become Student Editor, I was not only honoured but also happy that a new impetus would be given to the communication and promotion of our student activities. I also thought that this position would be an excellent way to create more links between current students and the Templeton College alumni community.

Student contributors to this issue include the departing GCR president, Siva Sundaram, who reflects on the passionate, thoughtful, socially constructive and vibrant 2005–2006 student community. But you will also discover that the new 2006–2007 class is no less dedicated and committed to the advancement of the College life and community. Take a look at the profiles of the new GCR board and the Boat Club report from Michael Smets.

We also feature articles written by two recent alumni. Max Rutten takes us into the fascinating world of the global art management industry and explains how the executive MBA he just completed has helped him shape a revolutionary professional project. Alina Kudina reports on her most recent research which uncovers the drivers of British firms’ international competitiveness.

A project close to my heart is to bring you a flavour of what our student research community is working on right now. In the next issue, I plan to present a synopsis of the map of research issues which will make an impact on thinking and practice in the future.

I hope you enjoy reading this issue of Templeton Views.

Stéphane J G Girod
Student Editor
Rowing News

On Saturday of第十 Week, reports Michael Smets, the President of Templeton College Boat Club (TCBC), some 40 Templeton freshers gathered at the Boat House to get a first feel for boats and oars. Apart from good fun, the day produced some stunning performances by our novices, some of whom looked far from first-timers on the rowing machines. Accordingly, in addition to the all-Templeton Men’s Eight preparing for Christ Church Regatta, the club celebrates a record number of five Templeton women training for the Regatta in composite crews with Hertford College.

Since 10 November TCBC also has a new home on the internet at www.templeton.ox.ac.uk/boatclub which will keep alumni updated about the latest developments. If you remember crews, captains, crabs and cold weather, please visit our forum to share your story or contact me at TCBCpresident@templeton.ox.ac.uk.

Meanwhile, TCBC continues to expand its fleet. To build on the success of the 2005/06 rowing squad, the College has underwritten a new eight. The new eight, a Stampfli shell built for crews of 80–85kg average weight, is a high quality vessel raced by top crews at college and university level but is also sufficiently robust and repairable (come Bumps) to serve our novices. Together with ‘David’ and ‘Diana’, the Boat Club’s coxed Four and Pair purchased with a generous donation by former Templeton President Sir David Rowland upon his retirement, the new eight provides Templeton rowers with a high-quality fleet for training and competition.

Obviously the ‘New Eight’ is anything but a flattering name for Templeton’s new flagship. Therefore, the club is looking for a boat patron to end its days of anonymity on the Isis. If you are interested in becoming a boat patron of our club or in supporting our growth as a corporate partner, please get in touch with me at the above email address.

Nautilus Awards 2006

The 2006 Academic Nautilus Awards for outstanding achievement were announced by the Dean Professor Michael Earl at the first College Dinner of the Autumn Term on 19 October:

- Kerstin Helmlinger, MSc
- Maja Korica, MSc
- Boyan Stefov, MBA
- Serge Mayaka, MBA
- Samantha Fairclough, DPhil.

Business Project Awards

Five Templeton MBA students were among those honoured at the Said Business School’s Student Business Project Awards Ceremony on the evening of 14 September, where College students featured in four of the six project teams short-listed for the Electro-Components Prize for Best Strategic Consultancy. Victor Zhiltsov was a member of the prize-winning team, which worked closely with the London Stock Exchange to find out why so few Russian mid-caps are members of the AIM market. Ilya Pribylov participated in another short-listed project team that looked at ways in which Williams Grand Prix Engineering might diversify its income streams by offering high tech consultancy to other companies. Daban Chakraborty took part in a short-listed team working with internet giant Yahoo to help strengthen its marketing use of customer data. Alasdair Easterbrook and Karl Whitlock worked in another short-listed team on an assignment called ‘Mind the Gap’, exploring the future UK utilities markets for the Roland Berger consultancy.

MBA Olympics

Twenty-three Templeton graduate students took part in MBAT or the ‘MBA Olympics’ – the 16th MBA tournament organised by French business school HEC in Paris on 25–28 May. Overall, some 2,200 business students from the top 12 business schools in Europe took part, including 150 representing Oxford Said Business School, which came top of the medium-sized schools. ‘Four memorable days at MBAT, away from the busy MBA life gave us an opportunity to interact with our peers at other business schools,’ comments Siva Sundaram.
The Business of Art

Max Rutten, EMBA

In 1992 I opened an art gallery in New York City specialising in musical instruments, objets d'art and paintings. The enterprise succeeded, partly because of a unique marketing approach: instead of catering to private individuals we sought business from interior designers and architects. These would regularly bring in clients who had commissioned them to design their homes and interiors. By focusing on interior designers and architects, repeat business was almost guaranteed.

I met the most amazing individuals: quiet, 'old money' families, the sometimes brazen self-made individuals from Wall Street, Hollywood celebrities, politicians, royalty and top CEOs. Inspired by this, I started working as an art consultant and often focused on return on investment. After years of advising individuals on art collecting, I realised that a new direction in my interests had emerged: the crossover between cultural enterprise and financial management.

Several trends pushed me in this direction. There had been much publicity about so-called art investment funds which acquire portfolios of art on behalf of their investors. I was intrigued to learn how these funds overcame the hurdles relating to art as investment: a notorious lack of liquidity in a highly inefficient market, a near-suspicious lack of market transparency in a non-regulated industry, and a general lack of valuation methods to value art.

Another trend also impelled me. One of the big questions in recent years has been whether large institutional investors will start investing in art. Their desire to diversify their portfolios and hedge against inflation and stock market volatility appears near-in satiable, and with it their appetite for investments in alternative asset classes. So why not art? For years the Mei-Moses Index, had offered a convincing argument that art could provide an efficient hedge against portfolio volatility because of the virtual non-existence of any correlation with the securities markets. However, the Basel II Accord had eliminated art as an investment vehicle for banks because they are required to value their portfolio on a daily basis, market-to-market, which does not correspond to the way art is traded today.

These and other art-related financial matters were sufficient motivation to undertake the Oxford Executive MBA and deepen my understanding of finance. My business in Manhattan was one of the first in a trend in which art galleries are 'taken private' without the encumbrances of running an open gallery. However, we kept our activities in the limelight by participating in high-profile art and antique shows like The European Fine Art Fair (TEFAF) in Maastricht (rightly considered the foremost art fair in the world) and art fairs in New York, Palm Beach and Chicago.

The new business model freed up time and energy to dedicate myself fully to the Oxford MBA. By comparison with other executive MBAs, Oxford’s offers considerable freedom in pursuing one’s own interests in its entrepreneurial and core projects. Through these I started defining and analysing the issues related to art as investment vehicle, identifying commercially viable solutions to overcome some of the most serious hurdles keeping institutional investors out of the art market.

One should be careful what one wishes for! I may have had the ambition to shift my professional focus when I started, but the programme pushed me to the far end of the spectrum. Towards the end of my MBA it became apparent that my career would take a different turn. Rather than running my existing art and consulting business more efficiently with my newly acquired knowledge, I felt I now had the tools to do much more. On graduating, I accepted a position with a mid-sized interim bank which secures the financial assets of cultural venues and non-for-profit organisations.

My new position allows me to combine my background in cultural enterprise with my newly acquired knowledge of financial analysis and management. The creativity of the world’s capital markets cannot overlook the $30bn art industry. I now feel I am in a strong position to promote and encourage the convergence of those two worlds.
Environment and Business in the Twenty-First Century

Radically new attitudes will be needed, argues Tom Burke, Visiting Professor at Imperial College and University College, London, and Environmental Advisor to the Rio Tinto Company

The twenty-first century will pose environmental challenges to the business community of a different order to those in the twentieth century. If the challenges of the twentieth century required a tactical response from business, those of the twenty-first century will require a strategic response.

Much of the cost of the extraordinary economic growth over the past 50 years has fallen on the environment. Not until the end of the ’60s did the world begin to tackle this with any conviction. Since then we have been dealing with the easy politics of the environment: air and water quality, noise, toxic chemicals, radioactivity, wastes and recycling. In much of the world we have done well on this agenda. Furthermore, the cost of dealing with these issues has turned out to be much less than thought.

We now face the hard politics of the environment: climate change, deforestation, water availability, biodiversity loss, fisheries collapse, soil loss. The agenda is now the sustainable development agenda: finding the ways to provide rising real incomes to some eight billion people without collapsing the ecological foundations of the economy.

In the nineteenth century rapid economic growth created rapid social change and growing political instability. The beneficiaries of industrialisation realised that they had to share their advantages. But too late. Their failure to do so let loose the massive tide of social tensions that swept through Europe at the end of the nineteenth century.

After the Second World War the world entered an era of very rapid economic development. But as air and water quality deteriorated, wastes accumulated, the deserts spread, cities sprawled and natural habitats and the plants and animals that lived in them began to disappear, doubts emerged as to whether the planet could continue to provide the resources necessary to maintain the momentum of development.

We can see very clearly where we have got to in the current debate by looking at Britain’s budget. In 2004, we spent some £245 billion on health, education and social security. We spent about £54 billion on internal and external security and about £7.5 billion on the environment. I wonder if these are really the right priorities to ensure security and prosperity for our children as the twenty-first century progresses.

If we are to meet successfully the challenge of maintaining the environmental conditions for prosperity and security we must focus on the four resource pillars of prosperity: food, water, energy and climate security. The rising affluence of a growing population in an increasingly interdependent world is stressing all four pillars. Each of these pressures would be significant, but the nexus of interactions between them poses the more serious problem.

Our food security is hugely dependent on cheap energy to make the chemicals and pump the water necessary to maintain agricultural productivity, the transport to get the food to ever more urbanised consumers and to run the machinery to produce and process food. We are maintaining energy security using fossil fuels for transport and electricity generation, but our use of them is destabilising the climate. An unstable climate will exacerbate water and food stress because a warmer world makes dry areas drier and also leads to lower crop yields.

It is increasingly clear that if our economies continue to grow as at present then we may degrade the pillars of prosperity to the point of collapse. Social and political stability is threatened unless we can find better ways to use resources and maintain the integrity of the pillars.

No issue more clearly illustrates this shared dilemma than climate change. Whatever we do, we are committed to a rise in temperature of 1.4°C. As we are not going to stop carbon emissions overnight we would be prudent to plan for a world in which temperatures exceed above 2.0°C.

The Stern Report is very clear. Taking effective action on climate change would reduce global GDP by about one per cent per year. Failing to take action would reduce it by between five and 20 per cent and risk ‘derailing the economy’. The eventual concentration of greenhouse gases...
gases in the atmosphere must be kept to 500–550 parts per million carbon dioxide equivalent. This is no small task. It means we have to get all of the carbon out of our energy system by about 2050 and then we must keep it out, effectively, for ever.

We will never be short of energy, but to safeguard it we must invest at least $20 trillion by 2030. With current technology, most of that investment will make the climate problem much worse. Changing the technology so that it becomes carbon-neutral is a massive opportunity for those with the foresight to seize it. But, a world in which climate change and growing food and water insecurity is intensifying social, economic and political instability is not one compellingly attractive to investors making the kind of long-run investments that energy security requires.

There are two dimensions of risk. The more familiar risks are the direct impacts of these stresses on markets and operations. The second dimension is policy risk – much less familiar ground for the business community. Business traditionally relies on government to provide the stability necessary for investment.

The scale and urgency of these challenges is such that this may no longer be wise. The most likely response by governments will be to paddle in the shallows of response – cosmetic actions that generate headlines but not much else. When the problem gets more pressing, governments will move into prevaricate mode. Finally, when the damage to the pillars begins to cause public outrage, governments will panic. At that point they are likely to implement the most costly measures to address a problem that by then may be beyond solution – not a scenario that will be good for business.

Today’s business leaders possess neither the knowledge nor the skills to think strategically about the hard politics of the environment. Governments understand the need to act decisively on these issues but are inhibited from doing so for fear of damaging the businesses on which the success of their economy depends. The result is an inadvertent conspiracy of inaction.

Governments have the problems, businesses nearly always have the solutions. This ought to be a marriage made in heaven. Instead it is a structurally dysfunctional relationship the failures of which are bad for both parties and worse for the world as a whole.

We are not fundamentally short of the resources, capital and technology to provide a higher standard of living for eight billion people. But we are woefully ill-prepared to put those resources, capital and technology together in ways that are sustainable.

The only resource we are truly short of is time. If we do not quickly build the more effective relationship between business and government needed to maintain the integrity of the resource pillars of prosperity, then we will find that governments are as increasingly unable to discharge their responsibility to their citizens as managements are to their shareholders.

This is an abridged version of Tom Burke’s Barclay Foundation Lecture delivered at Templeton College on 9 November 2006.
Visions, Ethics & Social Responsibility

The Green Giant

Caroline Scotter Mainprize asks Templeton Associate Fellow Paula Payton if there is more to Wal-Mart’s green keenness than PR.

Wal-Mart, the colossal US retailer, has announced that environmental sustainability is to be a key component in its twenty-first Century Leadership platform. It has published plans to reduce emissions and increase efficiencies throughout its store chains, with the ultimate objectives of being supplied 100 per cent by renewable energy; creating zero waste; and selling products that sustain resources and environments.
Two US pilot stores in Dallas, Texas, and Aurora, Colorado, have been developed – from inception to implementation – from environmentally responsible and renewable resources. The stories will operate 30 per cent more efficiently while producing 30 per cent fewer greenhouse gas emissions.

It all sounds very worthy, but is this just another example of a large corporation jumping onto the environmental bandwagon for some easy PR and to divert attention away from some other, less-than-desirable business practices? Paula Payton, from the Oxford Institute of Retail Management, thinks not.

'I think it is fair to say that Wal-Mart is working to regain the high ground from a public perception point of view,' she said, 'but this has most to do with business interests. You could say that Wal-Mart is doing “the right thing” because it is the most profitable thing.'

Wal-Mart CEO Lee Scott said, ‘Ecologically responsible business practices result in significant gains for our customers, associates, and shareholders. For example, by inventing trucks that get twice the mileage of our current vehicles, we will radically reduce emissions and fossil fuels, but we’ll also save millions of dollars at the pump.’

“We’re sharing technology and encouraging innovations with our supplier partners to help them optimise their systems and reduce packaging and together we are discovering that these innovations help their bottom line. The advantages of sustainability are synergistic.”

Of course, reduced costs are not the only benefit that environmental awareness could bring to Wal-Mart. The retailer could also enjoy an enhanced reputation and brand value, an increased ability to attract and retain a higher quality workforce, improved employee morale and productivity, better community and stakeholder relations, and access to new markets – potentially a perfect storm that combines to yield enhanced profitability, market-share, and competitive position.”

Bryan Gildenberg of retail analyst firm Management Ventures Inc. also relays the point back to investor perception: “There is clearly a need to clear a perception that this company has been targeted by interest groups as a symbol of everything wrong with American capitalism. Once a company gets in cross-hairs like this, it usually faces significant financial exposure and risk. Investors do so hate risk, especially from a company whose economics are fairly stable.”

Adopting a leadership position on environmental matters may also be a smart move when it comes to Wal-Mart’s ‘upmarket’ positioning. It has for some time been talking about attracting a more ‘upmarket’ customer in the USA; concern for the environment could it them more attractive to that demographic.

Conversely, but perhaps more laudably, it could play a role in making products such as organic foods more affordable to everyone. Currently, the ‘greenest’ (i.e. healthiest, most sustainable) products in grocery stores are too expensive for the majority of families. Much as Wal-Mart helped to make flat-screen TV technology affordable for the masses, it could now do the same for healthy eating. Natural/organic food is expected to be a major marketing initiative for Wal-Mart in coming years.

In addition to the simple reduction of waste objectives, Wal-Mart is working with suppliers on product composition objectives, such as the use of organic cotton, and is getting much stricter in ensuring that supplier factory standards are acceptable. By pushing organic cotton and increasingly requiring suppliers to have a third-party sustainability certificate, Wal-Mart is combining care for the planet with strengthening its own competitive position,” said Paula.

Wal-Mart has always pioneered new approaches to business, often going against conventional wisdom. It has done this in supply chain, logistics, and serving rural areas. ‘All these problems, at their core, have pragmatic operational solutions, that Wal-Mart executes with world-class efficiency and intensity,’ said Paula. ‘Similarly, the environment lends itself to detailed, operational solutions. It plays right to Wal-Mart’s strengths and I am convinced that, far from just paying lip-service to a politically correct idea, it has the capability to achieve its ambitious targets.’

Given Wal-Mart’s size, and its reluctant role as whipping-boy for the anti-capitalists, its announcement has inevitably been received with some cynicism, but Paula feels that criticism so far has been one-sided. ‘Wal-Mart’s size is definitely an issue, and its sins and omissions are probably true of many other firms that size. Notwithstanding Enron-like cases, I think for the most part you have well-intentioned business leaders trying to do the right thing in a system that often compels them to do the wrong thing. No CEO wants to leave a legacy of environmental destruction, but to date, no public company is measured or rewarded for environmental stewardship.’

Indeed, most companies that have explored environmental sustainability in the past 20 years have only increased their costs, and thus weakened their competitive position, giving rise to the question if it is possible for a corporation to be fully responsible and sustainable, and to continue in business. Where Paula feels that Wal-Mart might succeed is through its recognition of the importance of pursuing regulatory and policy changes that promote energy efficiency and renewable energy – something that perhaps only a company of its size has the clout to achieve.

One innovative aspect of its approach is the establishment of networks in several areas, including energy and climate, fleet, packaging, seafood, electronics, wood products, and apparel. The goal of these networks is to work with suppliers and other stakeholders to drive substantial improvements in sustainability performance. Within these business networks, Wal-Mart and other network partners look at systemic barriers to sustainability and then develop practical ways of addressing them. For example, they have established a programme that gives preference to suppliers who aggressively reduce fleet emissions, and another in China that gives preference to environmentally responsible suppliers.

Paula said: ‘Wal-Mart’s efforts to make zero waste and sell only sustainable products require huge numbers of manufacturers to cooperate. Wal-Mart has over 60,000 suppliers, many of whom are largely or completely dependent on Wal-Mart for their continued success. As a result, Wal-Mart has an unrivalled power to drive change in many industry sectors. We hope that its scale and aggressive approach will drive industry-wide commercialisation of more efficient technologies in areas including transportation, refrigeration, lighting and HVAC, climate control, and manufacturing.’
The Chains that Bind

Richard Cuthbertson and Gerd Islei look at Europe’s logistics challenges

Europe: any weekday morning. Through all the arteries of the continent a straining, squeezing, belching flux of goods: yoghurts and chemicals, white goods and brown, flatpacks and frozen foods streaming over the Malmo Bridge into Sweden; lorries ranked row on row at Slubice on the E30 into Germany; containers caught in the spiderwebs of motorways around Leuven or the endless circles of the Paris périphérique; edging towards the lorry parks of the Tunnel on the A26; or thundering down the Rhine, past the transport ganglia of Frankfurt to the St Gothard and the A2 descent to Milan.

Annually, European surface transport amounts to 2,318 tonne-kilometres – the equivalent of moving the Eiffel Tower round the equator some 16 times every day. Logistics is big business, accounting for as much as 40 per cent of the price of certain products in our shops and a possible eight per cent of all European GDP.

European surface transport grew by a third in the last decade alone, and the link between economic and transport growth seems unbreakable. But how long can this continue? As Richard Cuthbertson, Oxford Fellow in Retail Distribution asks, ‘Can we square the circle between quality of consumption and quality of life, between global economic growth on the one hand and congestion and the environment on the other?’

It was against this backdrop that the EC’s TREN Directorate last February made its single biggest research grant – over €3 million – to a group of nine European institutions, including Oxford, to undertake a four-year study known in EC nu-speak as BestLog. Aiming to identify and promote best practice in logistics, its goal is to help smooth out disparities across Europe and achieve a better fit between policy-makers and practitioners.

Currently logistics stands high on the EU agenda – identified as a priority by the Finnish Presidency and one on which the next incumbent, Germany, has vowed to keep up pressure. Transport, for the EU, binds together a sheaf of larger issues: sustainability and growth, the famous ‘Lisbon Agenda’ to turn Europe into a more effective knowledge-based global player, liberalisation, enlargement, harmonisation, etc.
Recently the EU has signalled a shift to its transport focus from compulsion to communication – to encouraging and involving business rather than telling it. But, as Oxford Fellow in Information Management Gerd Islei says, ‘inevitably the two sides have a different take. The EU sees transport from the top, business from below. Our job therefore is not only to persuade business it needs to adopt better practices but educate the policy-makers.

‘Commercial organisations have a healthy scepticism about policy-makers from previous experience,’ adds Islei, ‘But companies accept that if they do not regulate themselves, regulation might be imposed on them. More positively, they realise that something needs to be done.’ Already some very big names, including Tesco, Philips, Wincanton, IKEA and Siemens have come forward to serve on Bestlog’s advisory board.

‘[If companies] do not regulate themselves, regulation might be imposed on them’

Many businesses may still see sustainability merely in terms of their own sustainability and their chain management secrets as key to maintaining competitive advantage, but other factors encourage closer collaboration. Suppliers are drawn to the idea of increasing efficiency and cutting costs by removing bottlenecks and making better use of empty capacity. Something like the commercial equivalent of car-sharing might be one way forward.

‘Bestlog,’ says Islei, ‘is not your traditional research project’. Education, communication and dialogue will play a big part. Context is unusually important: the project will have to take into account many different industries and transport systems. Size matters too. One of the aims of the project will be to see whether any relevant lessons can be learnt from large firms like Tesco, with their highly sophisticated systems, and applied in small and medium-sized companies.

‘We need radically new solutions,’ says Cuthbertson, ‘but there may not be just one solution.’ Reflecting this, Bestlog joins together partner institutions of widely different focus, ranging from the ‘hard’ scientific expertise of the Technical University of Berlin (the project co-ordinator) and Oxford with its close connections to the ‘soft’ scientific expertise of the University of Berlin and the Technical University of Berlin.

So what has been achieved since February? The first stage – an overview of the transport and educational resources across Europe – has been completed. Not surprisingly, it found increasing flows of goods traffic, especially in central ‘corridor’ countries like Austria, reflecting the new patterns of regional trade, and the growing predominance of road over rail. Smaller countries sometimes buck this trend, perhaps because their scale allows them to make more imaginative use of ‘inter-modal’ forms of transport. But even in the West, where logistical awareness and expertise are highly developed, there are contradictions. German consumers, for instance, are very aware of green issues, but also very price-conscious and likely to resist higher environmental transport costs.

Some of the biggest problems, though, says Islei, are in the new EU countries of the East – inadequate infrastructure and wasteful distribution systems that bring heavy environmental damage in their wake. ‘There are understandable national sensitivities,’ says Islei, ‘but these must not blind us to the huge legacy problems needing to be addressed in these countries. We have to see how we can make available some of the smart practices developed in the West.’ Encouragingly, the project has identified more than 350 logistics educational courses in Europe, 36 of which already offer forms of award and certification.

Pinpointing problems and resources has been the easy part. The harder stage, says Islei and Cuthbertson, will be ‘to look for solutions – to identify and evaluate examples of best practice and map them in a framework across sectors. This is where Oxford’s business connections come in. The University has appointed a researcher to develop case studies of best practice in different countries and sectors. These will be disseminated online and through industry workshops. Longer-term, Bestlog hopes to identify a series of key capabilities available online, against which companies will be able to benchmark themselves.

Also ahead lies the intriguing possibility of developing certification – some form of environmentally-friendly transport label on products, similar to nutritional labelling. This would not be straightforward, but it might well appeal to sophisticated consumers and in turn to suppliers as a way to gain an edge in the marketplace.

Bestlog hopes to provide a model not just for Europe but the world beyond. But its organisers are under no illusions about the scale of the problem and the pace at which it is growing. Islei and Cuthbertson emphasise that, whatever happens in Europe, we can expect increasing traffic of goods from China and Asia, the new motors of global trade.

‘The challenges are formidable,’ says Cuthbertson, ‘but there is hope. Look at how many big companies have transformed their logistics in Western Europe in recent years. We can provide data, models and opportunities for benchmarking and improvement. We can get different sides into dialogue. And as such we can offer an influential model to newer economies.’ Graham Ewer, President of the European Logistics Association, a Bestlog partner, stresses the importance of its success: ‘Policies and their emphasis have to see how we can make available some of the smart practices developed in the West.’ Encouragingly, the project has identified more than 350 logistics educational courses in Europe, 36 of which already offer forms of award and certification.

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Peter Snow interviews
Templeton’s new Bursar, Mike Dudley

You read chemistry at Exeter College, Oxford, and also had a very successful sporting career at the University, I believe?

Oxford was great. Initially I played a lot of rugby but then I switched to rowing. One day I went down to the communal college baths from the rugby pitch covered in mud and blood and I saw these people come there who looked clean and not covered in blood. They said that they were rowers and that it was easy, so I took up rowing. I rowed for the College and in the Isis boat in the Boat Race, for which I got a Half-Blue, and I also represented the University at various regattas including Henley Royal Regatta and the National Championships. I also, incidentally, got a Blue for boxing, although that was something of an aberration in my sporting career. I still compete actively as a rower, winning a silver in the coxless pair in the World Masters Rowing Championships last year.

After Oxford you abandoned chemistry for accountancy: why?

As an undergraduate I read chemistry, which included a fourth year of research. During that time I discovered something, of little consequence in fact, but I was able to turn that into a BSc, which was then a minor research degree. I wasn’t good enough to stay on and make a serious academic career at Oxford and it was the time of the oil crisis when jobs in chemistry were starting to dry up. Business was becoming very conscious of financial matters and it was also the time when computing was beginning to make an impact, and I had had experience of that in my academic work. So accountancy seemed an obvious route to go. Interestingly, nearly all the chemists in my year became accountants – either then or later. I trained with KPMG and while with them spent periods living and working in Iran and continental Europe.

What was the biggest challenge in your career?

Unfortunately, a lot of my work has involved restructuring or selling off businesses. It was a challenge to do that and still find a way not to ruin a lot of people’s lives or careers. I learnt that there is a disproportionate payback to being as considerate, kind and informative as possible to the people involved. I remember one occasion when the personnel director called in the staff of a regional office on a Friday afternoon and told them they were being made redundant immediately. There was uproar – people hurling equipment out of windows, wrecking the computers, etc. What we learnt was to treat people as well as possible. The next time we had to sell a business we kept everyone well informed in advance, gave them plenty of time and opportunity to find other jobs or market themselves to the buyers. The result was that they helped us sell their business and in the process sold themselves to the owners.

I understand that you still keep up with a broad range of interests, including music?

Yes, I did study Spanish and classical guitar, but I’ve played in many fields of music from rock groups to chamber music. I am particularly keen on American guitar blues. Currently I’m also playing a lot of South American music and also old standards – which are a lot harder to play than you would think! Popular music used to be technically more complex than today’s rock and pop.
New Fellowship Strengths

The College has announced the election of:

- **Dr Mirela Predescu**, Fellow and University Lecturer in Finance.
- **Dr Paul Montgomery**, Fellow and Lecturer in the Department of Social Policy and Social Work in Evidence-Based Intervention.
- **Dr Linda M Scott**, Fellow and University Reader in Marketing.
- **Dr Catherine Dolan**, Fellow and University Lecturer in Marketing.

These Fellowships bring the number of specialists in global marketing, retailing and consumption at the College to six, creating a particular concentration here in these areas. Dr Montgomery’s Fellowship is also notable for being the first at the College outside its mainstream areas of business and management. ‘We welcome our four new Fellows,’ says Professor Michael Earl, Dean of the College, ‘who join us at an exciting time as we plot the next several years of the College’s future.’
Prospects: Society

Beyond the Self — Transparency is the Key for Tomorrow’s Leaders

Templeton Views talks to the winner of this year’s Oxford Leadership Prize

Last year, Rowenna Davis spoke about invisible leaders; this year, Sam Longair’s subject was transparent leadership. The winners of the Oxford Leadership Prize seem to be suggesting that tomorrow’s leaders will be less than corporeal. Does this mean the end for the traditional, calorie-laden board room lunch?

Well, perhaps not, but in the second year of the Oxford Leadership Prize it was possible to see some common themes emerging. The rapid growth of the Internet looks likely to have as great an impact on organisations and individuals – and thus on the people who lead them – as the industrial revolution in the nineteenth century. No longer bound by geography, we are forming networks with others based on shared interests and ideas. Armed with more knowledge and easier horizontal communication, we are becoming more demanding of our leaders. We are not content with just being told what to do: we want to know why, we want to know what their qualifications are for leading us, and, frankly, many of us want a piece of the action ourselves.

The Oxford Leadership Prize was established in 2005 by Templeton Vice-President Marshall Young, who is also the Director of the Oxford Strategic Leadership Programme at the Saïd Business School. The impetus came from the senior executives attending the programme, who wanted to discover what today’s youth, and tomorrow’s leaders, were thinking.

The 2006 Prize was open to anyone under the age of 30 and connected to the University of Oxford. Entries came in from undergraduates, postgraduates, alumni and staff from a myriad of different fields and nationalities.

Entrants were asked to address the question:

“What new ideas and perspectives will characterise the successful leaders of tomorrow?”

Submissions were allowed in any medium as long as they were capable of being judged remotely by somebody with access to a multi-media PC, and entrants used a variety of formats from Podcast and videos to puzzle books and poetry.

Six finalists were invited to interview by the panel of judges, who included Metropolitan Police Commissioner Sir Ian Blair, the director-general of the BBC, Mark Thompson, and The Vice-Chancellor of the University of Oxford, Dr John Hood. A winner and two runners-up were announced.

The winner, Sam Longair, then an undergraduate in the last year of a Modern History degree, says that he decided to enter the Prize as an antidote to Finals. ‘I wanted to be doing something completely different,’ he said. ‘It is one reason that I chose to submit an audio presentation, as I felt that I was already writing quite enough in the way of essays.’

Sam had been very taken with Rowenna’s presentation last year, but noted that she had chosen to focus on deliberately self-effacing types, who were in quite obscure fields or organisations. He wondered whether her conclusions would still hold if applied to people in more high-profile leadership positions. Knowing that this would probably be his last chance to take advantage of the Oxford name to gain access to some normally closely-guarded people, he wrote to a variety of people who, he thought, would have something interesting to say — and he was very pleased when they agreed to take part.

‘Leaders... must be able to contain their vision without obscuring it’

‘Politics was an obvious field to tackle,’ he said, ‘and Michael Howard [the former leader of the Conservative Party] was a very helpful and thoughtful interviewee.’ Professor Sir Brian Harrison, who saw the Oxford Dictionary of National Biography through to completion in 2004, was perhaps a less obvious choice, although there is no doubt that the ODNB
was a high-profile and complex project. ‘I knew Sir Brian because he had tutored me for a while,’ said Sam. ‘One reason I chose him was that, although he is a leading historian and a big “name” in the academic community, he is not overtly charismatic. I thought he might be to some extent an atypical leader.’

Sam had heard of the communication plans of Michael Fuller, the Chief Constable of Kent Police, and wrote to him hopefully, but with little expectation that he would actually agree to take part. But both he and Sir Peter Stothard, former Editor of The Times, were interviewed for his presentation. He also spoke to William Fittall, Secretary General to the General Synod of the Church of England.

At the heart of his presentation is a fairly straightforward model of leadership: that it is about identifying an opportunity, project, or service – or, in the case of business, a gap in the market – and motivating a team of people to deliver or achieve it. Sam asked his interviewees how they developed their idea of purpose, and how they went about inspiring people to achieve it.

Certainly it was not by being shrinking violets. These leaders had to adopt a high personal profile. Sir Brian Harrison, for example, wrote monthly messages on the ODNB website; Michael Fuller has a monthly radio slot. But of equal importance was the project or vision on which they were engaged. Michael Howard explained that, during the last election, his task was to convince the electorate to vote for his party’s policies – but he also had to convince them that he could deliver those policies.

As the public become ever more sceptical of individuals, fed-up with the personal attacks and back-biting evident in politics and other areas of public life, Sam believes that the most successful leaders will be those who can go beyond the idea of focusing on themselves as individuals, and direct attention towards their objectives. This does not mean that they have to be weak individuals, or fade into the background, but they must be able to contain their vision without obscuring it. They need to be able to adopt a high profile, both internally and externally, and be skilled at managing the various means of communication – the media and the internet. ‘Attempts to avoid this will just breed animosity and suspicions. But it will also demand ever higher levels of integrity, of openness and accountability. These are … the demands which will be placed on the leaders of tomorrow. And only those who can develop the skills to deal with this will ultimately be successful.’
Horizons: The Global Scene

Sinners Can Be Winners

Templeton Alumnus Alina Kudina asks why some British companies are more successful internationally than others

In which industries are British companies most successful internationally? Why do some large British firms, such as BP in the energy sector and GlaxoSmithKline in the pharmaceutical industry, have extensive international activities while others like Barclays in banking and Tesco in retailing have relatively limited ones? In 2003 BP derived 83 per cent of its revenues from outside the UK and GSK 67 per cent. By contrast, Barclays had 17 per cent foreign revenues and Tesco 20 per cent.

We embarked on this study because previous work had only examined national competitiveness from the viewpoint of the economy, especially the export performance of British companies. We have focused, instead, on the international success of individual companies based on their worldwide activities. In addition, we believe that judging the international success of companies needs to take account of the entire worldwide activities of the company and not just its exports from its home country.

Clearly there is a strong industry effect. The industries in which British firms have the largest global market share are, surprisingly, mining (a 57 per cent global share on average in 2001–2003) and the casino and gaming industry (a 33 per cent share). These rankings look quite different compared with other countries. If we compare other European economies of similar size, German firms have their largest global market shares in air freight, advanced industrial equipment, and automobiles, and French firms in water utilities, cosmetics, and food retailing. South Korea differs even more: its largest global market shares are in shipbuilding, semiconductors, speciality conductors and consumer electronics.

On the other hand, we do recognise that there are strong country effects, especially as these determine in which industries a country’s companies are more likely to be internationally successful. Industries can be divided into those in which a country’s companies can be winners, challengers, or losers in terms of global market shares. However, the international success of companies is best measured by the combination of global market share and international share of revenues. Neither is sufficient on its own.

The matrix we have developed, combining these two measures, provides a new way to think about how to compare companies and industries in terms of international success.

Countries clearly differ as to the mix of industries in which their companies excel. We believe that the home country effect comprises a mix of factors. These include the nature of domestic demand (the British love of gambling may be a factor here!), supply (workforce abilities, as in creative industries) and history (British firms following the Empire were the first to internationalise in a number of industries). There may even be a ‘country management effect’: through training, experience and preference British managers may be more effective, for instance, in finance-based industries or in creative ones. So the first step is to identify those industries in which British companies excel, in order to provide a starting point and provide some guidance to managers as to where to look for competitive advantage.

The importance of industry effects has been strongly supported by international business researchers. However, in assessing international competitiveness, country, as well as industry, effects must be taken into account, since country conditions inherently favour some industries rather than others. Certainly, there is a very strong industry effect for Britain. Its large companies appear to be concentrated in a small number of sectors. Of the 37 British companies on the Fortune magazine ‘Global 500’ list for 2003, 12 are in financial services, seven in retailing or distribution, three in other consumer services, five in utilities, three in natural resources, two in pharmaceuticals, three in consumer packaged goods.
goods, and two in other manufacturing. In total, 27 (73 per cent) of the 37 companies operate in service sectors. But is this picture true for all British firms? The answer is ‘no’. Combining global market share and international revenues of the leading UK companies, we have identified those industry segments in which British companies are most successful internationally (see Figure 1). The industries with the largest global market shares for British companies are mining, casinos and gaming, major oil companies, distillers and brewers, and water utilities. Interestingly, four of the top ten might be considered to be ‘sin’ industries! The industries with the highest international revenues are precious metals, pharmaceuticals, diversified industrial companies, secondary oil companies and mining.

Virtually all of the largest British firms in the ‘British Winners’ segment of our matrix average over ten per cent global market share. However, in addition to market performance, a second measure, the degree of internationalisation of an industry, also needs to be taken into account. Product-based manufacturing firms tend to be highly internationalised, as they compete globally, but the largest British services firms (financials, retailers) tend to have low internationalisation, and appear to rely on a still somewhat regulated home market. However, in another area – higher growth industries – British companies appear to have done a good job of building up global market share.

Our study is the first to calculate global market share based on worldwide revenues including subsidiary sales instead of exports as a basis for identifying the international competitiveness of British companies. We have, uniquely, combined this on the other axis with the dimension of the international share of revenues. Our findings, we believe, provide new insights into the international success of British companies and have clear implications for international strategy.

Alina received her doctorate at Templeton in 2006 and is now a lecturer at Warwick Business School. A fuller account of the results of this research project (in which she worked with George Yip and Templeton Associate Fellow Alan Rugman) will be published shortly in Long Range Planning.
New Kids on the Block

Emerging markets have truly emerged – together with ways to deal with their risks, says Andry Rakotovololona

In 2005 the combined production of emerging markets economies accounted for more than half of world GDP measured at purchasing power parity. Pick whatever benchmark you want, emerging economies are now key players in the global economy. Their participation in world exports has jumped from 20 per cent in the 1970s to 43 per cent today. In recent years they have consumed more than 50 per cent of the world’s energy and represent 80 per cent of the growth in oil demand. Very significantly, they now hold about 70 per cent of global foreign exchange reserves.

Jim O’Neill, head of global economic research for Goldman Sachs, believes the opportunities from investing in emerging markets and particularly in the so-called ‘BRIC economies’ (Brazil, Russia, India and China) are the best strategic investment of our time by some distance. And he adds that, according to Goldman Sachs projections, combined BRIC influence on world growth will exceed that of the USA from the mid-point of 2006 onwards.

But is the world responding appropriately to the rise of emerging markets economies and ensuring their financial sustainability?

‘wealth of opportunity... comes with an equal potential for risk’

Most of the international financing for the emerging markets economies comes in the form of credit as opposed to equity financing. In this context, measuring the credit risk pertaining to a financial institution portfolio and examining the regulatory restrictions relating to the mitigation of such risk before any default have become key aspects of modern investment management.

In 2005 EMTA, the Emerging Markets Trading Association, announced that emerging markets trading volumes had risen to $5.49 trillion – an 18 per cent increase over 2004 trading. EMTA also
announced that Emerging Markets debt transactions aggregated $1.38 trillion in the fourth quarter of 2005 — a nine per cent increase compared to the fourth quarter of 2004. Of these, Eurobonds accounted for 48 per cent of volumes at $2.64 trillion and rose 25 per cent compared to 2004. The most frequently traded Eurobonds were those issued by Brazil, Russia, Mexico, Argentina and Turkey. In addition, about $2.59 trillion of market participants trading involved local instruments — a whacking 24 per cent increase on 2004. The most frequently traded local instruments were those issued by Mexico, Brazil, Turkey, Poland and South Africa.

These figures show a growing appetite for emerging markets debt instruments, but it is important to emphasise that credit risk affects virtually every financial contract. The crisis in Argentina in 2002 attested that any form of default is an ever-lasting risk. Therefore, the management of credit risk receives regular attention from investment managers who have a strong interest in accurately pricing this kind of risk.

The phenomenal growth of cross-border capital flows has placed a premium on understanding risk assessment. Risk management has undergone an enormous change in the last 30 years. So far, it has been compartmentalised into narrowly defined areas: first, market risk focused on defined set of instruments, whose prices are observable in financial markets, and secondly credit or default risk, which encompassed decisions on debt origination and portfolio evaluation. New hedging approaches, such as the use of complex credit derivatives products to mitigate credit risk, are now prevalent among the emerging markets financial community. These are reassuring instruments, which certainly enhance the existing framework and help make foreign direct investment a more comfortable initiative.

Banks operating in emerging markets economies have faced political risks that sometimes deterred them from expanding their business or getting adequate long-term funding to support growth. But the past decade has seen a transformation of the role of international banks in emerging markets. They have become key vehicles in the global integration of emerging markets actors. Their entry has often aroused considerable debate but it can enhance financial stability by permitting greater diversification of exposures and by making more capital or liquidity available when needed.

As globalisation advances, financial institutions are moving to integrate new technologies. Financial services providers realise that, the wealth of opportunity that new technology provides comes with an equal potential for risk: skills and knowledge management.

Funding development can be achieved in different ways – through inflation, aid, taxation or capital markets — but in the long-term the existence of domestic financial markets and healthy financial institutions is particularly crucial for economic growth. A well-functioning financial sector is the sine qua non of economic growth. In a market economy, it is through capital markets and financial institutions that economic development is facilitated. Capital is mobilised and invested in the private sector — in businesses that create jobs, increase productivity and support the growth of the economy.

Whilst sound macroeconomic policies, stable legal and political systems, and the accumulation of factors of production affect the potential for economic competitiveness, wealth is actually created at the microeconomic level. In such a context, the ways in which government and business interact in a liberal economy are important. Although the emerging economies are seeking capital and financial sector development to help build a competitive infrastructure, this vision will not come without constraints: good governance and an ever-increased transparency imposed upon the sovereign authorities.

Andry Rakotovololona

When I joined the Oxford Advanced Management Programme in June 2000, I quickly realised I had entered a supportive but very competitive forum. The post-AMP period was even more exciting: it is the time when innovative ideas crop up in the area between what you have newly learned and your previous experience. A good example is the use of technology in banking. Today we appreciate the ease with which our banking transactions are completed, be they simple account management, an equity investment or a loan application. In 2000 this retail banking processing was then only in its infancy, and as the CEO of the first investment bank in Madagascar, I decided to launch a virtual branching structure. This technology improved our credit commitment decisions in distant areas from six weeks to less than two weeks. This idea was born in Oxford.

Before creating one of the few investment banks in Africa in 1997 and convincing HSBC to join in for a 20 per cent equity stake, I had enjoyed myself restructuring $500 million of Brazilian debts for the French bank Crédit Agricole and then swapping them into the first Brady bonds. Quite naturally, when I decided to return to academic life for a PhD in Finance at the Sorbonne University in Paris, I focused my research on the impact of credit risk on banking strategy — on the technical determinants and role of responsible management in emerging markets. To complete this research I had the opportunity to be a visiting scholar at Templeton College in 2002. In the context of the implementation of the new Basel Accord and the fact that the existing credit risk modelling and mitigation techniques has proved to be immature, my study makes explicit the impediments to these quantitative approaches in emerging markets.
Networks Under Threat

Andrew White, Research Fellow in Strategic Innovation and Technology Management, explains how the rise of user-content is shaking up the media and telecommunications industries

Once the world was simple: experts produced content and consumers consumed it. The emergence of interactive services such as Wikipedia and MySpace is undermining this model. Research by the Pew Internet & American Life Project has revealed a striking statistic: no fewer than 57 per cent of US teenagers now create content for the internet. Today’s teenager is as likely to spend the evening in front of a computer as in front of a television.

The rise of user content will require a big re-think by providers. MySpace was the most visited domain in the USA in July 2006. It has already launched the careers of numerous musicians. In the political arena, the recently launched Internet-based TV station 18DoughtyStreet is producing programmes based on blogs of people from the political world, and claimed to be breaking news more quickly than the BBC when reporting the results of the recent US election.

With convergence, user-created content, and free services transforming telecommunications and the media industries, are we experiencing a communications revolution as profound as the one created by Gutenberg’s printing press over 500 years ago?

‘Convergence’ has been kicking around for a long time but finally looks like becoming a reality. It is happening at three levels: brands, networks and products. At the brand level, Orange recently announced an initiative combining mobile phone services, broadband, Voice-Over-Internet Protocols (VoIP) and internet protocol television. Google, Microsoft and Yahoo’s development of VoIP services, Microsoft’s recent unveiling of a rival to the iPod, and Car Phone Warehouse’s offer of free broadband services are all evidence of convergence in the services offered by brands.

Networks are also under threat as circles of coverage converge. High speed wireless networks have been in use for many years, and many hotels and shops now offer them. But coverage has always been limited, usually to no more than 100 metres. However, a combination of initiatives using new technologies like WiMax is creating ‘WiFi Cities’. Plans have been announced in Bangalore, London, Manchester and Birmingham and many US centres to create city-wide coverage. The telecommunications companies that spent $100 billion on licence fees for 3G networks may find they are bearing an unnecessarily heavy burden.

Products are the final area of convergence. The distinction between phone, digital camera and music player is constantly becoming more blurred. Moreover, in South Africa, more than half a million people now use their mobile phone as a bank. An ATM in your pocket is an idea that is expected to appeal to many people without (and with) a bank account.

Convergence will also transform the ‘box’ in our home. Whoever provides this box and the content it makes available will be in a position of great power. Will it be a TV manufacturer, a telecom carrier or a content provider? Will Microsoft, Ebay, Apple, Sony or Samsung eventually dominate? The answer is unclear. But what is certain is that classic approaches to competitive analysis and blinkered views regarding which industry a company operates in and what resources it needs to compete are no longer appropriate. For example, in September 2006 Amazon, Apple, and Wal-Mart all announced services that would enable users to download films and TV shows from vast libraries of content. Anyone for shares in Blockbuster Inc.

We are undoubtedly moving towards a world of ubiquitous information. The type of network – broadband, 3G, WiFi, WiMax – will be irrelevant. What will matter is being able to access the content we want whenever we want it. We will move from passive to active consumers.

This is an updated version of an article that appeared last year in Business at Oxford.
The Long Tail: How Endless Choice is Creating Unlimited Demand
Chris Anderson
Published by Random House

Blockbusters ain’t what they used to be. Most of the top selling music albums of all time were recorded in the 1970s and 1980s; none of them was made in the last five years. The highest-rating TV show today would not have made it into the top ten in the 1970s. Even cinema attendance is down six per cent on last year.

The vast amount of choice available to consumers through the Internet has turned the mass-market into a mass of smaller niche markets. Where once we bought the recently published, bestselling title by the celebrity historian because it was the only one that our local bookshop stocked, now we can search on Amazon for the more obscure, technically out-of-print book on the same subject by the brilliant 1920s academic that we really want. And buy it. Perhaps we’ll be one of only four people this year who do buy it, but the market for the book, however small, is still there.

In The Long Tail, Chris Anderson shows how the future of business does not lie in hits – the high-volume end of a traditional demand curve – but in what used to be regarded as misses – the endlessly long tail of that same curve. With Internet businesses such as Amazon, iTunes, and even Google, it is now possible to respond economically to the demands of these smaller markets. Not only that, but all the niches, when added together, form a very significant market indeed.

Anderson, Editor-in-Chief of Wired magazine, understandably started his research in the media, but believes that the model fits other fields, from flour to kitchen appliances to LEGO. While this argument is less convincing than his analysis of the long tail effect in music and the media, it certainly provides food for thought. He concludes the book with nine ‘rules’ for successful Long Tail aggregators.

The Long Tail is an interesting and entertaining book, enlivened by plenty of anecdotes and familiar references.

The Speed of Trust: the one thing that changes everything
Stephen M R Covey with Rebecca R Merrill
Published by Simon & Schuster

‘…nothing is as fast as the speed of trust. Nothing is as fulfilling as a relationship of trust. Nothing is as inspiring as an offering of trust. Nothing has more influence than a reputation of trust.’

The Speed of Trust challenges the age-old assumption that trust is merely a soft, social virtue and instead demonstrates that trust is a hard-edged economic driver that makes organisations more profitable, people more promotable, and relationships more energising. Covey and Merrill destroy the myth that trust, once destroyed, cannot be rebuilt. And, through examining the 13 behaviours that are common to highly trusted leaders throughout the world, they show how the reader can increase and inspire trust in both personal and business relationships.

Full of personal anecdotes and dotted with pithy quotations from the great and the good (among others), this is a highly readable and almost inspiring book.

The Ambiguity Advantage: What Great Leaders are Great At
David J Wilkinson
Published by Palgrave Macmillan

‘In the end, we are … either part of a new world’s dawning or part of an old world that is dying, and the only question for most leaders is: which of the two worlds do you inhabit as an individual and as a leader? Are you part of the new world, with your dreams and inspiration, or are you part of the old world, which is, at this moment as you read this, being conquered and replaced even though you don’t see it?’

According to David Wilkinson, the ‘old world’ is about certainty: ordered processes, clear procedures, traditional hierarchies. The ‘new world’, on the other hand, is one of chaos, constant change, risk-taking and, more than anything, ambiguity. Great leaders in this new world are the people who can work with ambiguity and find the advantage in it.

While the differentiation between ‘old’ and ‘new’ is a little simplistic – surely people have been faced with and worked with ambiguity for centuries? – The Ambiguity Advantage provides an interesting and readable exploration of the nature of ambiguity and of leadership in ambiguous situations. The many intriguing examples and case histories, most of them presented without neat conclusions, lead you to ask yourself how you would have reacted in each situation, and suggest new ways of looking at the actions of your colleagues and friends. Some ideas, such as starting the book with the Conclusion, and finishing with the Foreword, are a bit too self-consciously irregular without apparently making any particular point. However, the examination of the four broad modes of leadership hangs together well. And, while you can’t help hoping that you will see yourself in the rather exciting Mode IV ‘Generational Leader’, it is clear that each mode of leadership has its own strengths and weaknesses and lends itself to dealing with different types of problems.
In contrast to a business angel, who has money to invest, Sir Douglas calls himself a ‘knowledge angel’ – one who offers entrepreneurs enthusiastic support, expertise in useful areas of specialist knowledge, and access to a range of personal contacts he has garnered over a long career.

This last he considers just as significant as his experience in applied managerial economics and finance. ‘The most important thing you can offer is knowing a lot of people.’

A distinguished university career, working with Mrs Thatcher, being on the Council of the Institute of Directors, and involvement with many companies, introduced Hague to a wide range of politicians, civil servants, academics, and business people. ‘So if an entrepreneur sought an introduction, I could almost always give one.’

Nor is it merely facilitating introductions. One essential skill for a knowledge angel is matching the person to the situation, or the adviser to the advised. His life suggests a sound ability to judge individuals, but Sir Douglas only admits, ‘As an academic you spend your life trying to spot both knowledge and potential in people.’

How did Sir Douglas embark on this career which, mixing experience in start-up companies with that in government bodies and universities, so pre-eminently qualified him for helping entrepreneurs?

‘I started with a very old-fashioned degree – a Bachelor of Commerce, from Birmingham University, where I chose all the economic options, and got very excited by economic theory. With this degree, and through an external examiner for it, came the first step in what Douglas Hague says some have perceived as the ‘random walk’ of his career. Offered a job at University College, London, he worked there for ten years, researching into applied economics and writing a book on man-made fibres. Then, in 1957, and still only 30, he became Professor of Applied Economics at Sheffield University.'
The advertisement said I’d have to run a middle management programme but I thought, once there, I could persuade them they didn’t really want that, and I could just cover applied economics.’ But Sheffield refused to drop the management course, ‘So I ran it, and got interested in it. Then Manchester University poached me, intending to build up a management school.’

The move to Manchester led to what he considers the most exciting period of his working life. ‘As they appointed me, the Head of Economics there said to me, “If you come here, and we play our cards right, in 20 years’ time, we’ll have a major business school.”’ Actually, Lord Franks decided that two national business schools should be set up in 1965, one in London and one in Manchester. So we were promised our business school within two years, together with ample government and business funding, after six months! To establish such a large new institution was a rare opportunity, and the inter-disciplinary group of core professors were ‘academic entrepreneurs par excellence.’ Sir Douglas learned enormously from his colleagues, and together they developed their entrepreneurial instincts. The programmes they designed for the new business school were innovative, being rooted deeply in real-life business situations. Civil servants, local government officials, and international businesses provided real issues to report on, and offered authentic feedback.

So what about the connection between business schools and start-ups and spin-offs? Some Oxford entrepreneurs are convinced that they learn enough, and quickly, from the first few years of experience in setting up their own businesses, yet Hague considers business schools more useful to entrepreneurs than perhaps anyone else. ‘If a business school is designed properly, students have to look at everything.’ Another Manchester professor, Stafford Beer, said: ‘You have to remember that businesses don’t have economic problems, they don’t have financial problems, or human relations problems, or marketing problems. They just have problems.’ So Hague insists you have to handle businesses as a mixture – a system – and a good business school should enable you to do that. ‘That is the task of the entrepreneur, much more than the specialist big company manager.’

Concurrently with his Manchester role, Douglas Hague stayed in close touch with national life. One Cambridge student who used his textbook was Michael Spicer, later Conservative MP. In 1964, Spicer asked Sir Douglas to consider helping Shadow Cabinet members (the Conservatives had by then lost two recent elections) with speech-writing and some rigorous academic advice on current events. ‘I chose to work with Margaret Thatcher and Keith Joseph.’

So his association with Mrs Thatcher began in 1967, first as part-time personal adviser, then after the 1979 election, as a consultant to the Prime Minister’s Policy Unit at 10 Downing Street. From 1973 to 1978, he was simultaneously a member of the Price Commission, despite being ‘philosophically in disagreement with it, but they insisted I would be a useful sceptic.’

In 1981, Douglas Hague was persuaded to leave Manchester for Templeton College, Oxford, where he established its Strategic Leadership Course. By then he had been a non-executive director of one start-up company, Michael Spicer’s Economic Models – an early forecasting business – and he soon became an unpaid director of Oxford Economic Forecasting, started by John Walker. Other start-up and spin-off directorships and chairmanships followed – Metapraxis, CRT and WIRE.

‘I have been incredibly fortunate,’ he says, ‘to be offered a series of jobs in universities and business, all of which I thoroughly enjoyed. And all the start-up companies approached me from out of the blue.’

He particularly sympathises with what he calls the exploratory ‘wriggling about’ phase of a new company, when the entrepreneur’s original idea may change course. ‘You never really know how things are going to work out. Sometimes, maybe even often, the only way to find out is to start doing what you plan, see if you can get away with it and learn from that. Entrepreneurship takes courage, intelligence and originality.’

If the apparently ‘random walk’ of Sir Douglas’s career also shows evidence of these three characteristics, there is another on which he insists. ‘Luck,’ he says. ‘I was lucky. Lucky to be offered the London University job when I had hardly finished my Birmingham degree. Lucky to have been invited to Manchester just when the Business School’s time had come. Lucky that Michael Spicer had read my book and wanted me not only for advising the Conservative Party but for his own first business!’

‘And one other thing,’ he says, about his present role. ‘Being a knowledge angel is fun! Even if the financial gain is poor, you’ve been entertained. But then, most entrepreneurs also have fun!’

Published by the Council for Industry and Higher Education with support from the Said Business School’s Science Enterprise Centre and the College, Oxford Entrepreneurs is an analysis with case studies of Oxford high tech start-ups and spin-offs from 1959 to the present day. Copies can be obtained via Dorothy Cooke (dorothy.cooke@templeton.ox.ac.uk).
Farewell to Keith Blois

‘In earlier days there were several routes by which people became Templeton Fellows,’ said Emeritus Fellow Roger Undy in his warm and humorous tribute to Keith. ‘Some started out as researchers here, others were BITs (“bought-in talents”), BITs had the advantage of being cheap; you simply poach them. They generally saw their time at Oxford as another tick on the CV. Occasionally they stayed for ten years, and occasionally took root. Keith exceptionally came to occupy a central role in the College.

‘Keith played a leading role in at least three major programmes at the College, including the Advanced Management Programme (AMP) – which he was largely responsible for making work so well – and the British Council Marketing Programme, which brought very high level marketing executives from India here for ten weeks – although Keith gained a fearsome reputation with the participants as a disciplinarian in keeping everyone in line! In his work with undergraduates and postgraduates he showed immense care for the students and looked after them to a very high degree.

‘Keith has been a pillar in our activities – and in our relations with the University. He displayed enormous institutional loyalty, and his door was always open. When Management Studies started to matter in the University, Keith (together with John Purcell) played an essential role, showing himself willing to take the College through one of its most difficult times.

‘What made him so insistent in his beliefs about the College at these times? I see an analogy here with the “Old” Labour Party. His commitment sprang from his strong ethical base, his roots in his non-conformist background. There is something of the Old Testament prophet about Keith. He has always been prepared to stand up and say unpopular truths, regardless of the consequences for his own career.

Keith responded by asking: ‘What, distinctively, does Templeton bring to the University? It is something that it draws in large measure to its non-academic members – a quality and tradition of service and the care and support that we all give one another. In coming to Templeton I could not have made a better choice. I have been very happy here and a very fortunate person.’ Professor Earl concluded, paying his own tribute to ‘a multi-faceted and very committed member of the College…We recognise and thank you for all the different roles that you have played in the College and wish you – and your wife – a very happy retirement.’
Evelyne Barclay
(1912–2006)

Mrs Evelyne Barclay, wife of the College’s original benefactor, Clifford Barclay, died after a short illness in June of this year.

‘Evelyne Mordant was born in Walm Lane, into a middle-class professional family whose roots were well established in the UK;’ writes her daughter, Jill. ‘She was proud of her Englishness as well as her Jewishness. She was a strong woman with terrific guts and self-discipline which shone through till her final moments. She had made a living will making it abundantly clear that when the time came that she did not want merely to exist. Her favourite quote was from Ecclesiastes: “There is a time to live and a time to die.”

‘Gargie as she was known not only to the family, but to all family friends, also had a favourite expression: “Everyone is born holding a hand of cards. Make sure you take good care of your aces.” She herself was blessed with wonderful genes: intelligence, looks and a strong constitution.

‘She was of the generation who were brought up to “just get on and do it” but as a woman was thwarted. Although she went to South Hampstead High School and yearned to go to university, her accountant father thought otherwise and took her into his office as a secretary. She was a fervent feminist all her life, insistent that every woman had a duty to vote in elections because of the struggle the suffragettes had had to win the right to do so.

‘She met Clifford at an election party and although they had opposing views on politics as on most things, they agreed to differ and were married for over 55 years. A successful young accountant, Clifford soon became a partner in Stoy Hayward and Evelyne was launched into an extraordinarily interesting life, marred only by the trauma of World War II. She was more than his helpmate. She helped him build the practice, an untiring, gracious hostess whose incisive mind was invaluable. And she kept the family together, a loving and conscientious mother to Jill and Stephen.

‘Our mother was also an achiever in her own right’ they aver. In 1942 she found the outlet and personal fulfilment she had been looking for by joining the Honourable Fraternity of Ancient Freemasons. This, in time, became her career and in a sense her second family. Through hard work and ability she rose through the ranks to become, in 1985, their Grand Master.

‘Evelyne was, from its foundation, a staunch supporter of the Oxford Centre for Management Studies (OCMS), later Templeton College. My father Clifford had agreed to fund the original building on the site in Kennington, and Evelyne, sensing his enthusiasm to get the study of management and business under way at Oxford, gave it her full backing from the word go. She attended the ceremony in 1969 at which the Centre was opened by Prince Philip and was a regular visitor thereafter, paying her final visit to the College to hear Charles Handy give the Barclay Foundation Lecture in 2003.’
Dates for your Diary

College Dinners
8 March 2007
26 April 2007

Guest Dining Nights
1 March 2007
3 May 2007
21 June 2007

Governing Body Meetings
8 March 2007
26 April 2007
14 June 2007

Oxford Reunion Weekend
14–16 September 2007

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