

Chairman calls for a new era of leadership in Scotland

IoD Scotland Conference 2009

“It’s our time to **lead**: not to manage, not to head-up, but to lead our organisations as we look towards a post-recession business landscape”

Raymond O’Hare, IoD Scotland Chairman, addressing delegates at the opening of the conference

.... and that was the clear message resonating throughout a stimulating and generally optimistic **IoD Scotland Conference** at the Old Course Hotel, St Andrews...

The event, which attracted senior business figures from both home and further afield, included keynote addresses from respected senior executives such as John Stewart, former chairman of the National Australia Bank and now chairman of Southern Cross Stud, and Mary Grant, managing director, UK Rail, FirstGroup plc. These were combined with industry-specific presentations from the tourism and innovation sectors, informative workshops and a finishing flourish from renowned entrepreneur Chris van der Kuyl.

It created a heady mix that was informative, invigorating, thought-provoking and generally optimistic for the future, despite the continued gloomy economic outlook.

The conference had set itself a clear agenda: while remaining focused on the challenges of the recession, it’s time to get our heads over the parapet and start thinking about how our organisation will cope post-recession – and how we are going to lead our organisations in this new world.

The day was rounded off with a convivial black tie dinner that highlighted the superb hospitality on offer at the Old Course Hotel, followed by a hilarious routine from top comedian Shappi Khorsandi.

Over the course of the next few pages we hope to provide a flavour of the presentations and the messages they conveyed.



Raymond O’Hare...

... **IoD Scotland chairman, opened the conference with a question for delegates: Do we lead our businesses? Are we capable of motivating our people – and do they trust us, believe in us and want to follow us?**

Even after the ‘official’ recession has ended, Scotland will face enormous challenges, said Raymond, not least an economy that is heavily dependent on a public sector likely to face a prolonged squeeze on its finances.

But there will be opportunities, too: is your business in shape to take both the challenges and opportunities on?

To be a true leader, you must set a clear direction and purpose for your employees, he said. “You must challenge them, but you must challenge yourself, too”, he added. It was important you ‘scared’ yourself

sometimes by taking the less obvious option and looking beneath the surface on all issues.

In a recession many ‘leaders’ have reacted by cutting – product lines, offices, staff. But is this real leadership? Have you managed the process correctly? You may have temporarily eliminated costs but have you reduced efficiency and effectiveness – and your ability to handle change in the future?

In summing up, Raymond stressed how vital the role of Scotland’s leaders would be in the coming months. **“We have to ask ourselves, are we ready to step up to the challenge?”**

Conference quotes

“We have to ask ourselves, are we ready to step up to the leadership challenge”
Raymond O’Hare

Turn over for reports on keynote presentations and conference workshops, as well as other event news » » »

Former bank chief offers seven steps to business growth

John Stewart

“IT’S a hard time to be a banker...” was a suitably wry way for John Stewart, former chairman of the National Australia Bank (NAB), to open his address to conference.

With the economic picture still so cloudy, he accepted it was difficult not to view every decision through the lens of the recession but as he pointed out, it was not the depth of the recession that worried him – his major concern was our ability to recover afterwards.

He didn’t see much GDP growth in the future, agreeing with IMF predictions of one per cent in the developed economies in 2010. World economic growth would come, but led from the developing world, with China and India in the vanguard.

Developed economies would be held back by the balance sheets they carried into the recession, with both governments and businesses over leveraged and needing to pay down debt to more sensible levels before embarking on real growth.

Ironically, this new-found economic prudence would slow down our escape from recession, with cuts in spending by both the state and consumer stifling growth.

He praised the Government’s measures to both support the banking industry and provide the fiscal stimulus which followed.

Both measures, he believed, had been vital to avoid a prolonged and damaging collapse in the economy. However, the financial sector had been permanently scarred by the experience and banking in the future would look very different. He saw a continuation of the current trend for stricter regulations and higher charges for loans.

So how should business gear up for the future? John said all leaders should be asking themselves seven questions:

- Are you flexible enough?

- Do you have contingency plans in place for all eventualities?

- Do you know your cash position? Cash, he said, is king now more than ever

- Are you close to your customers? Do you know what their market position is, and how will their movements affect you?

- Look for opportunities as rivals struggle to emerge from recession;

- Communicate to all levels of your business. Keeping staff informed of where you are will sustain morale and ensure a motivated and committed workforce.

Now’s the time to stamp your leadership on the organisation: lead your people, and they’ll run through brick walls for you.

- Finally, are your employees good enough. Identify your A-list players, motivate them and mentor them for future advancement. At the same time, identify your troublemakers, the doom merchants that bring down morale and

inhibit change: work them out of your business as now, more than ever, you need committed, focused staff who will go the extra mile for you.

One of the most accurate business comments was ‘don’t waste a recession’. Don’t just sit there vacillating: act. Strip your organisation back to its basics, look at every aspect of the business plan and identify all the product lines that do well – and those that don’t. Keep the business’s liquidity at the forefront of all decisions, and keep your credit lines tight.

And when you do act, act decisively. As John pointed out, even acting incorrectly is better than doing nothing: at least by making a mistake you’ve eliminated that option from future decision making.

Conference quotes

“ The finance sector has been scarred by recent experiences... banking in the future will be very different from the past ”
John Stewart



Everybody’s talking....
Delegates pictured deep in discussion during one of the many informal networking sessions



Mary Grant

THE conference morning session created an ideal partnership, with John Stewart providing the theory for how to drive your organisation forward in a post-recession Scotland, and Mary Grant, managing director of UKRail FirstGroup plc, delivering a fascinating account of how she is putting those same business principles into practice to drive growth through her company.

The recession has affected the rail industry as it has any sector, Mary said. Overall UK passenger numbers were down, particularly in London and the south east as prime commuter markets contract as unemployment rises. However, more optimistically, the dip comes at a time when more people are using the rail than ever before, and Mary believes the industry has greater resilience than in previous recessions, with more flexibility, more creative products and better management.

FirstGroup's passenger numbers were standing up well. While industry incomes were being hit by the reduction in first-class travel, and companies who banked on premium customers were finding the going tough, First Group's more balanced portfolio of passenger and freight, commuters, long-distance travellers

and regional non-peak services had protected revenue streams.

However, implementing some key business principles was difficult: too many of Mary's costs were fixed and outside her control, such as lease charges for the rail network and trains, and fuel.

However, where Mary has greater control is over the quality of her staff, and improving them had been the key driver behind the group's improved business performance.

In 2004, just 70 per cent of trains arrived on time; now this figure is over 90 per cent. Delays had been reduced by 55 per cent. The improvements had been driven by front-line management and staff thinking creatively to solve problems allied to flexible working practices, helping the company deliver its services to its customers.

Steps had been made to reduce costs but key to a recent £200 million efficiency drive had been cutting indirect costs; reducing head count was not the way Mary wanted to move forward as she feared any reductions could lead to a fall in service standards, damaging the very thing that had helped

drive passenger numbers up.

Cutting staff also threatens the career paths of future leaders in her organisation. Succession planning was factored in to all departments, with a strong policy of mentoring for the company's stars so they were groomed for more senior positions in the future.

To this end Mary saw her role as one of delivering a strong vision of where the company wanted to be in the future.

She was proud of its record on investment in services, and held a firm belief that major infrastructure plans such as high-speed rail links with England would deliver real financial benefits. She was also determined to work for the electrification of the Edinburgh to Glasgow line, with projected journey times reduced to just 35 minutes.

• Q&A: See page 20 » » »

Conference quotes

“Improving the quality of staff has been a major driver behind the group's improved business performance”
Mary Grant





Q & A with John Stewart and Mary Grant

A LIVELY question and answer session followed the conference presentations by John Stewart and Mary Grant, chaired by Raymond O'Hare, who asked John: *What was his opinion of the Governor of the Bank of England's idea to split banks into retail operations and loan operations.*

He saw the idea as very controversial, not to say confrontational. The investment side of banking was a major money-maker but you had to understand that it was a side capable of blowing up at any moment, wiping out profits as it went. Retail banking was the steady profitmaker, never spectacular but always making money. He could see the merit in the proposal, however.

From the floor, it was pointed out that both speakers had raised the subject of splitting the workforce by abilities into As, Bs and Cs, and looking to mentor As for future promotion and improving Bs. Surely a sound business should be looking at developing all staff, including the Cs?

Not possible, was the view of both John and Mary. Mary had introduced performance management into every area of her business and was keen to use this data to identify staff members who were not delivering her

'Scotland needs a new mindset'

standards of service, while John gave a brutal assessment of the damage C-list staffers could have on a company's morale.

John was questioned over Sir Richard Branson's recent remarks that further regulation would not stop the banking crisis from re-occurring – and in particular, the large bonuses – as both were symptoms of human behaviour and basic greed.

John thought banking supervisors had to be tougher: when he had taken over at NAB his first moves had been to eradicate a greed culture within it.

Bonuses were not the disease in the finance industry: they were a symptom. Mary added that even in a heavily regulated industry such as her own you need to breed the right kind of behaviour at every level.

Did the pair think the underperformance of the Scottish economy would continue and did we have enough leaders of quality in the country?

John thought it vital that we change the mindset in the country. Leaders needed to set

clear goals, define performance and create a sound culture within the organisation. "I only employ people who are smarter than me," he added.

Mary thought there was too much acceptance of mediocrity, of the average in Scotland. Success has to be seen as the norm, she said, and the attitude that being 'average' was a good enough standard had to be eradicated.

On the subject of future development of the rail network, if the banking industry was shrinking and the public sector shying away from costly programmes, where was the money coming from to finance projects such as the high-speed rail link?

Mary agreed it would be a difficult balancing act but despite their critics there was scope to utilise public/private partnerships.

To the future, and both were asked where Scotland's successes would come from.

John was unhesitant: education and IT, he said, two areas where the country could rightly say it led the world.

Conference highlights

IoD Scotland is an enthusiastic supporter of Young Enterprise Scotland (YES), and helps judge the fledgling businesses at the YES national awards, including selecting the Director of the Year.

For 2009 the award went to Grant Finlay, MD of student business Spotlight Enterprises, who delivered a short presentation of his time as a director to Conference.

The experience had opened his eyes to the complexities of business, he said, particularly in dealing with the many personnel issues which arose.

His business had developed a new range of educational study aids, though his

company's student notes on core subjects had an edge over their rivals by being written for students by students.

The authors of the notes were the team itself – all A-grade scholars – but they liaised closely with teachers and lecturers in developing them. Users were near universal in their praise for the products.

Spotlight Enterprises took an innovative approach to the task: by putting the notes on USB sticks they eliminated the cost of printing, and all editorial and design work was undertaken in house, allowing the team to seriously undercut its rivals.

Not everything was a success: an advertising message on local radio didn't work as they hoped and there were

issues over copyrighting the notes which a future business would have to resolve.

But overall the business was a major success. As all team members have now scattered to various universities the business has been mothballed, though it's ready to be picked up and developed in the future, as there was clearly a demand for the product.

More importantly, the team has developed a taste for business and entrepreneurship: Grant himself has taken a business course at university, and an internship at Morgan Stanley. He learnt that business can be fun, that pulling a team together to develop a product was challenging but rewarding – and that attention to detail and costs was vital.





Down to business....
From far left, John Stewart and Mary Grant take part in a Q & A session with delegates, chaired by Raymond O'Hare; a question from the floor; taking time to talk during a break; and Scottish Director Development Centre programme director Michael Fass highlights courses on offer to an IoD member

Conference **workshops**

Determined to Succeed

Sandra Bell from the Scottish Government's Enterprise & Employability for Young People Division delivered an engaging presentation on **Determined to Succeed**, an innovative programme it has developed with Scotland's employers which not only helps create a new generation of work-ready young people, but could be used as a training and motivating tool for your staff, too.

Determined to Succeed creates links between business and education, allowing a two-way passage of ideas and benefits to flow between the two.

Companies are matched up with local educational establishments to help the students develop a greater understanding of the business world and its needs: they become 'work ready' in a way that traditional education cannot achieve.

But the plan doesn't just develop the young students: the experiences of the businesses taking part speak volumes of the benefits they themselves derive.

Working with enthusiastic young people is a great energiser, and boosts morale, Sandra said. The programme allows employees to develop their 'soft' skills – interviewing, presentational skills, etc – in a positive and challenging environment. Indeed, it acts like a free training course, said Sandra.

Sandra was joined by representatives of companies who had linked up with the scheme. Lisa Craig from Scottish Business in the Community said that when they first become involved many businesses see it purely in terms of corporate social responsibility, providing links to the labour market for students and getting involved in the community, but it is far more than that. Working with the students is excellent continuing professional development, improving employees' social skills. But there are other benefits, she said: for some, the higher

profile in the community can be unbeatable PR.

For others, the work they do fits in with their business agenda as well as their social one. BT, as an example, became involved in a project to reduce the digital divide – something that was good for the community but which also clearly fits in with its own business plan.

Scottish Power is another enthusiastic supporter: over 16,000 students have gone through its own programme since its inception.

But Determined to Succeed is not just for larger corporations: it can be structured to suit the needs of businesses of all sizes and allow them to both contribute to the wider Scottish community and develop their own skills and performance – a win-win situation for all.

• For more details on Determined to Succeed and the Scottish Government's Enterprise & Employability for Young People Division, see www.determinedtosucceed.co.uk and refer to page 29 of this issue of *IoD Scotland*.

Innovation... with Scottish Enterprise

Growing the economy through innovation was the driving principle behind **Scottish Enterprise's** workshop. Carole McCarthy and Ian McCoull explored how a culture of innovation, creativity and exploiting new ideas can equip

businesses with the ability to spot opportunities and grow – despite the recession.

They were keen to stress that innovation doesn't just mean new products and services or major investment in R&D: innovation in the way you handle old product lines or services can make just as big an impact on your business's performance as the latest IT breakthrough. Innovation is simply the exploitation of new ideas, and increasing customer value.

The Scottish Government's economic strategy places a great emphasis on innovation, and sees it as a key driver of competitiveness and economic growth.

In a recession the knee-jerk reaction is to reduce spend on research and innovation, yet the proven better option is to increase revenue.

The National Endowment for Science, Technology and the Arts (NESTA) pointed out, "During economic downturns innovation is the single most important condition for transforming the crisis into an opportunity", while the renowned economist and political

scientist Joseph Schumpeter said: "Recessions provide a platform for innovation and economic growth"

But where should this innovation come from? Ian stressed that it takes bravery and passion to create an innovation culture in your organisation, but that it doesn't necessarily have to come from within.

US giant Proctor & Gamble asserts that half of its new products are inspired from outside the business and are reactions to market conditions.

The danger many businesses face is that the people who can make decisions – those at the top – often become comfortable and reluctant to take risks. They also tend to surround themselves with like-minded people who are less likely therefore to think 'outside the box'. That's why the best innovation often comes from people who think differently to ourselves.

Scottish Enterprise is on a mission to stimulate innovation but Ian wondered if it was time to benchmark our prowess as innovators and highlight best practice.

A scheme similar to the highly successful Investors in People standard could be used to identify those employers who take innovation seriously, in the same way as IiP identifies those businesses with the highest standards in people development.



Conference workshops

Mike Fiszler, Edinburgh
Napier University

MIKE FISZLER of Edinburgh Napier University made his workshop **stand up and make a difference** in a vibrant session that emphasised the importance of body language, emotional awareness and empathy to stimulate your workforce and be a true leader.

There is a huge difference, Mike said, between heading-up your organisation and leading it.

The mood of the leaders of an organisation can have a dramatic effect on it, and it's important that the way you communicate, both with speech and body language, is positive rather than negative.

As Mike pointed out, if the CEO turns up to work in a bad mood, no matter how big the organisation, the factory floor knows all about it by lunchtime the same day.

The psychology of management was a complex area but all leaders had to be aware of it. "Tell a member of staff one bad thing," he said, "and you'll have to give them at least three pieces of positive news to compensate."

Too many appraisal systems emphasise the negatives for employees: how about identifying their strengths and putting them in positions where they use them? Try finding five strengths in everyone and then pull them together based on that.

He cited Aviva, the insurance giant, as a company which had altered its appraisal system to reflect employees' positives rather than negatives. No doubt it has found solace in research which showed that people who enjoyed their work were 30 per cent more productive.

Mike believes there has to be a radical sea-change in the way Scotland deals with its emotions and personality traits. "We need to celebrate our heroes, not break them down," he said, with a warning to avoid those toxic individuals who are narrow-minded and angry.

It was ironic, he thought, that in a recent survey, 41 per cent of respondents said that showing anger at work was acceptable, yet only 17 per cent thought the same about happiness.

He recalled a story of a senior executive escorting a customer around a factory, when their conversation was broken by a gale of laughter from behind a work station. "Just a minute," said the executive, "I'll just go and deal with that."

Clearly, happiness can be a sacking offence.

So what do the leaders need to do? They need to be aware they are mood engineers, said Mike, whose whole demeanour can lift a business – or drag it down. They need to spot the strengths of their team – and utilise them. And finally, let's all be positive.

Scotland sets a tough tourism target

Guy Crawford

Guy Crawford's presentation to conference opened with a stunning VT from the Jumeriah Group which perfectly showcased its position as the world's most exclusive hotel group.

The growth of both the Group and Dubai itself is staggering. In 1990, Dubai attracted 60,000 visitors: in 2008, there was six million.

And these figures won't dip because of the 2009 recession: in a poll, 84 per cent of Guy's customers said they were likely to carry on spending. Cuts had been made – the luxury goods market worldwide was down 55 per cent – but luxury holidays had only dropped by 20 per cent. It was a surprisingly resilient market.

At the heart of the company's success is its people and their drive to deliver a 100 per cent customer satisfaction rating. Training lies at the heart of all the company does: no member of staff in Dubai meets a single customer until they have completed a rigorous three-month training programme, and even in the West, where salaries and training are more expensive, training lasts a full month. When available training resources were not up to its expected level, the Jumeriah Group built its own university in Dubai; it's a group that is only too aware of the value of its people.

To his company, cash is king – a neat connection with the earlier comments from Mary Grant and John Stewart – and this liquidity has given them the flexibility to react to changing market circumstances.

However, sometimes the challenges presented him were tough. A 12-month timeline to build a hotel from scratch in the middle of the Dubai desert – the proposed site had no road linking it to the rest of the city-state – was arduous but with the full might of the group behind it, completed and opened on time and budget.

The project was completed because the group ensured all its stakeholders were on board, the strategy was communicated fully and everyone knew the goals.

Away from his group, Guy saw the luxury market improving in the middle of 2010, though there was more potential for shocks. The potential of China and India could not be overestimated, he said, which was why Jumeriah was sourcing new hotel sites in both countries, as well as the other two 'BRICs', Brazil and Russia.

But once we have cleared the current crisis, new challenges will task us. The demographics of western nations demands immigration of younger people, Guy said: how will this be handled? And the issues of climate change and water supply will become increasing causes of concern in the future – indeed, his company is even now tackling the problems of desalination plants and their long-term viability.

As for Scotland, he was delighted to see the Government has set an ambitious target of 15 million visitors but two things concerned him. First, he could see no steps being put in place to transfer them out of the central belt – where was the infrastructure away from Edinburgh and Glasgow? – and second, setting a target was one thing but putting the funding in place to ensure you hit it was another factor completely.

Around the world Guy sees governments pumping billions into the tourism sector, incentivising hotel building and improving airports and transport infrastructures. Are the same steps being taken in Scotland?

Yet this is a vital part of the economy; globally tourism is 10 per cent of GDP, and employs seven per cent of the workforce. Will Scotland invest to make sure it keeps its share?



In demand: IoD Scotland Executive Director David Watt delivers a workshop at the conference on the role and recruitment of non-executive directors, in conjunction with Coppertop and experienced non-executive Ian Ritchie

Question time: Guy Crawford (left) and Crawford Gillies (right) listen to points from the floor. The session was efficiently chaired by IoD Fife's Shona Mitchell (right)



Crawford Gillies

Crawford Gillies, the head of Scottish Enterprise, admitted that it was tempting to be downbeat about the economy, but instead he was going to throw his support behind earlier speakers' views that the current economic picture was an opportunity to revitalise your business.

The modern business climate shows how fluid the situation is. A snapshot of the top 50 Scottish businesses from 10 years ago throws up a wholly different list from today: successful businesses have come in, developed new products and grown, while established players have let their standards slip and fallen down the pecking order.

The economy presents businesses with a dilemma: invest or sit tight? Yet the experience

of the early '90s recession gives us powerful reasons to invest. As an example, Intel and AMD entered the period rivals in the semi-conductor market. But when the recession hit AMD, by its own admission, sat on its products, scaled back on investment and was cautious. In contrast, Intel followed a bolder strategy, investing heavily and putting it in prime position for the upturn, coming out of recession stronger and grabbing market share and sales. It reaped the benefit and today, Intel ships around six times as many semi-conductors as its once rival.

But it won't just be companies who prepare for the return of growth who will do well. Success will also come to those with real leaders at the helms of their businesses. Your staff will be nervous and uncertain: after all, homes, lives, depend on the jobs they hold. Talk to them of

the problems you face. Challenge them to be innovative. Take every aspect of your business to pieces and reconstruct the model to see if it can work better.

There is help out there for business. Scottish Enterprise has just helped Fujifilm locate to a new facility in Grangemouth with a £2.5m grant, a move which will bring jobs to the area as it develops new film coating products.

Help could also mean looking overseas: with Sterling low, talk to Scottish Enterprise about plans for exporting.

The success of Scotland is dependent on it developing strong, skilled businesses. It's time its business leaders raised their sights and took advantage of the downturn – and, he stressed, if they do, his organisation will be behind you all the way.

Chris van der Kuyl

The conference ended on a real high note with an effervescent presentation by entrepreneur Chris van der Kuyl of brightsolid.

To Chris, the key to being a successful business is to never stop moving and to never cease innovating.

In his view, all businesses must lose momentum at some point; it's how they innovate once they lose that impetus that matters, and he gave several pertinent examples of traditional companies who had lost the ability to innovate, had become stagnant and eventually overtaken by smaller, hungrier and more ambitious rivals.

His current company, brightsolid was a clear

example of how a traditional company can rediscover its momentum. The online publisher with a keen interest in genealogy and social websites is owned by one of the UK's oldest media companies, Dundee-based publisher DC Thomson, the firm behind the *Beano* and other comics. But its board didn't let it's deep roots and established products stop it from broadening its portfolio, and it is now the owner of a varied and rapidly expanding online presence – innovation in action.

He urged delegates to embed a similar desire for innovation in their own businesses. If people aren't innovating, he said, demand to know why. It is every employees' responsibility to innovate: he has no truck with employees who say "it's not my job to think of new ideas...": it is their job.

Coming from an online business, he accepted that many delegates listening would be uncertain about whether innovation was 'hi-tech'.

But forget the technology, he said: that's what you employ the 'techies' for. What businesses have to do is think of how the technology can link in with your business: that's where the innovation comes from.

It's a crucial message: for Scotland to be successful in the future, it has to have innovation stamped on its core.



Conference quotes

“Innovation is the lifeblood of business... if you don't innovate, you're dead”
Chris van der Kuyl