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Introduction

The fourth edition of Core arrives at a time of great change with globalisation under attack and slow growth testing the boundaries of economics – see Has the QE experiment worked? (p12). It may well see some companies go under, others being swallowed up, and some industries disappearing, while others flourish and create new markets with new technology. The end of capitalism? (p58) looks at how these new markets are being established through digital technology, with companies like Uber and Airbnb challenging not only whole industries but creating a new sharing economy. Such disruption could see some companies acquired or merge, but in Dealing with destruction (p22) we find that is rarely a value-boosting exercise.

In such turbulent times The skill of using luck (p19) is an intriguing concept, is success more about being in the right place at the right time and realising it? It is debatable that Volkswagen being embroiled in an emissions scandal was down to bad luck, but we use the German carmaker’s troubles to examine how to re-build a brand in When the smoke clears (p30). And it is not only companies that need to look after their brand, but countries too as revealed in Re-building Africa’s brand (p34).

Volkswagen’s diesel emissions are contributing to climate change, but in Moody models (p56) we look at how assumptions have a powerful influence over how those in power tackle it. As well as affecting the climate, exhaust fumes are an obvious health concern, but in Health stuck in the slow lane (p64) we investigate why innovations can take years to trickle down into frontline practice, while Can SMS save the NHS? (p60) reveals the art of nudging people to make better decisions regarding their own health.

Nudging, based on behavioural sciences insights, is cost-effective and highly innovative, something all companies crave, so dip into Five steps to make firms more creative (p29) for inspiration. Fintech is one of the most creative emerging sectors and is hinting at a cashless society, read more on it in Cash reaches vanishing point (p56). While many entrepreneurs in the sector are Putting data to good use (p30), Pingit is a prime example of an innovative fintech idea and how Barlays produced it is explored, and much more in Design enters the C-suite (p24).

The tech sector has seen a whole host of entrepreneurs, but what is the right stuff when it comes to making an entrepreneur? The genetic makeup of an entrepreneur (p8) may have some clues. Of course everything going digital is not without its security issues and that is about to become even more complicated with the advent of the Internet of Things, which we explore in the Wild West of the internet (p66).

A different approach to investment strategies could emerge from Game Theory as explored in It’s more than just a game (p38). While in Millennials tip the scales (p42) we investigate how a new generation want more from work.

For career aspiration there is the journey of Wasiem Khan, CEO of Leicestershire County Cricket Club, in Trailblazer Khan takes his chance (p50). While fellow WBS alumnus Hugh Thomas, of Ugly Drinks, discusses Why I love my job (p54).

On the theme of self-development, we also look at how drama and behavioural science have been combined to create a new you in Making sense of ourselves (p62). If all that is not enough, city guides on Washington DC (p46) and Beijing (p48) offer some places to see and stay and A book that inspired me... (p44) gives you some more reading material.
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The Santander ‘Innovators of the Year’ at The Guardian and Europe edition

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entrepreneurship is accounted for by genetic factors,” he says. However, we won’t be seeing a world where would-be businessmen and women undergo genetic screening before being granted a bank loan. ‘It’s important to clarify what that means,” says Nicolaou. ‘That does not mean that genes determine who becomes an entrepreneur. We’re only talking here about probabilities and likelihoods, nothing else – this is not determinism.’

In any case, people looking for a specific ‘entrepreneurship gene’ will be disappointed – the genetic tendency to start a business is likely to be due to a large number of genes that manifest themselves in many ways, including through a complex dance with the environmental influences that each individual meets in their life. Perhaps the most straightforward way genes influence our entrepreneurial tendencies is through personality. People with inherited traits like extroversion, creativity or an openness to new experiences, for example, are more likely to go into business for themselves.

Environmental factors might also interact with genetics to influence whether someone becomes an entrepreneur – so a person with a certain combination of genes may react more strongly to an environmental stimulus, such as a better access to finance. And on a more complex level, genes may lead people to seek out environments that may in turn make them more likely to become an entrepreneur. For example, people who are genetically predisposed to embrace new experiences may choose to follow an adventurous career path where they are exposed to a richer seam of potential business opportunities.

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What makes us healthy? How will large crowds behave? Who’s got ‘flu at the moment? What will stock markets do next?

Scientists are only just beginning to decipher secrets offered up by huge masses of information left behind of Behavioural Science and Finance.

Moat adds: “This provides an example of the sort of statistics revealing about themselves every day. There are many ethical questions society needs to ask about what use we'd like to see made of all this data, and what safeguards we need to protect privacy,” she says. “The more information we’re given away, the more informed decisions we can make.

The team largely work with publicly available data – from the likes of photo sharing website Flickr or social networks such as Twitter. In fact, they were able to map movements of people around the world by analysing millions of photos uploaded to Flickr between 2008 and 2013.

By trawling through these geotagged photos, Moat, Preis, postdoctoral researcher Daniele Barchers and other collaborators at UCL, showed that they could estimate which country tourists to the UK had spent the last 12 months in.

Such data is traditionally gleaned by members of the Office for National Statistics poised at UK airports to the UK had spent the last 12 months in. As an alternative, they could also determine where you are while these interactions fall to human judgement.

Data is available, such estimates of crowd size would usually cost considerable time and money. “We get a glimpse into movements of crowds over time,” says Preis. “If we compare our own estimates of visitors to the UK from crowdsourced data to those from the official counts from the UK census and more than 1.5 million votes from an online game ScenicOrNot, in which players rate photographs taken from different parts of our world that previously escaped measurement.

Research suggesting that more beautiful environments might make people’s health to be better. “These results provide initial evidence that constant adaptation and updating their use of various data sources. We can't assume everything will stay the same.”

Making sense of this information has renewed interest across commercial and government parties – from investment banks interested in understanding how markets might behave, to policymakers interested in crowd behaviour, to retailers keen to understand how individuals engage with targeted adverts.

Not only can online data offer practical help for policymakers and businesses by cutting delay and expense in comparison to costly surveys, but Moat says it can also help us measure parts of our world that previously escaped measurement.

She points to their new research with another doctoral researcher in the WBS Data Science Lab, Charulika Seresinhe, which suggests that more beautiful environments might be good for our health. Drawing on health ratings from the UK census and more than 1.5 million Facebook votes from an online game ScenicOrNot, in which players rate photographs taken across the UK depending on how “scenic” they are, the team find that people who live in more scenic environments report their health to be better than those who live in less scenic places.

Although some of these results provide initial evidence that aesthetically appealing environments might not only be nice to have, but may impact on something as important as our health and well-being, Moat says the results provide initial evidence that aesthetically appealing environments might not only be nice to have, but may impact on something as important as our health and well-being, Moat says. Being able to uncover such relationships could lead to better use of resources and more informed policies.

“Something has changed over the past few years, and won’t change back again,” she says. “The world is now a different place in the face of all this data. In support of African American rights, police said just 400,000 demonstrators took part. Organisers pored over photos of the march to refute these claims, information from internet and phone usage might have given an immediate and more accurate picture.

And for these new forms of data to remain reliable, models of analysing it need constant recalibrations, says Preis. Take Google Flu Trends – once the shining example of the power of big data. From the numbers of people searching for flu and related symptoms online, researchers estimated how many people were actually suffering – a couple of weeks ahead of official figures released by the US Centers for Disease Control and Prevention in Atlanta. But at some point, online data on flu-related symptoms appeared to lose reliability – in one winter pointing to double the number of flu cases actually recorded by doctors. Analyses suggested that internet users had started to search for flu-related terms because they were concerned about the risk of contracting the disease, rather than because they had already been infected.

The practice of using online data to measure real-world quantities in this fashion was subsequently questioned...
Has the QE experiment worked?

The financial crisis plunged central banks into a new sphere of monetary policy with the deployment of quantitative easing. Brian Groom investigates its impact.

1 is more than seven years since the term ‘quantitative easing’ leapt from the dry world of monetary economics and into public consciousness. This unconventional tool for increasing the money supply is widely credited with helping to save the world from a deflationary spiral after the financial crisis of 2007–08.

Central banks insist that this policy, coupled with ultra-low interest rates, has brought stability to the financial system and created a stimulus to economic growth that debt-constrained governments were unwilling or unable to provide.

Critics, on the other hand, accuse it of promoting a range of ill-effects including overvaluation of asset prices, inducement to risk-taking behaviour, misallocation of resources, wealth inequality, penalising of savers and currency wars.

Perhaps it is not clear to the general public that monetary policy is not as powerful as we would expect,” says Lei Mao, Assistant Professor of Finance at Warwick Business School. “If you think about the economy as a tree, monetary policy can fertilise it, but the tree has to grow by itself. Monetary policy sometimes will be effective in the short run, but in the long run it is not effective at all.”

Kebin Ma, another Assistant Professor of Finance at WBS says, “One mistake the US Federal Reserve made then was to contract the money supply instead of expanding it. If you compare the last subprime crisis to the banking crisis in the 1930s and compare the rate of recovery, I think we are certainly doing better than that.”

Under quantitative easing a central bank uses money it has “printed” – or, more accurately, created electronically – to buy assets, typically government bonds, from commercial banks and other financial institutions. This raises the price of those assets and lowers their yield, thus pushing long-term interest rates down across the economy. A more debated question is whether the extra money available encourages banks to lend more, allowing businesses to invest and consumers to spend.

QE was in effect born in Japan, a country plagued with deflation, in 2001. The Bank of Japan injected money into the banking system for five years, but commercial banks held on to it rather than lending it to consumers, while everybody waited for economic conditions to improve. This undermined its effectiveness.

Helicopter Ben


As the economy improved, bond-buying gradually slowed from $85 billion a month to $15 billion. By the time the programme ended in 2014 the Fed had added $3.7 trillion worth of assets to its holdings, an eightfold increase.

The UK created £375 billion of new money in its QE programme between 2009 and 2017. Debate has raged ever since as to whether the policy was the best and fairest way to get out of the credit crunch. The Bank of England itself said wealthy families had been the biggest beneficiaries, thanks to the resulting rise in value of shares and bonds, but argued that everyone had benefited from the boost to the overall economy and jobs.

The European Central Bank (ECB) began its QE programme in January 2015: recently it expanded it from €60 billion to €80 billion a month to €15 billion. By the time the programme ended in 2018 the ECB had added €2.6 trillion worth of assets to its holdings, an eightfold increase.

The ECB president, has argued that half the eurozone’s recovery in the past two years could be ascribed to monetary policy.

Since April 2013 Japan has also embarked on a further large-scale QE programme as part of expansionary policies known as Abenomics, pursued by prime minister Shinzo Abe. The amount injected was raised in 2014 from 60–70 trillion yen to 80 trillion yen a year, though the jury remains out on how far this has helped to lift the economy from its torpor.

Negative rates

In the absence of fiscal stimulus from governments, central banks in Sweden, Switzerland, Denmark, the eurozone and Japan have dipped deeper into the box of unconventional tools by introducing negative interest rates in an attempt to stimulate growth. This means they charge commercial banks to deposit money with them.

This policy has proved even more controversial in financial markets than QE, prompting fears of a new banking crisis because it hampers commercial banks’ ability to make a profit. However, some economists believe even more radical policies could be adopted in future – such as ‘helicopter money’, coined by Milton Friedman in 1969, whereby central banks disburse cash directly to households.

Mao believes QE has helped to avert problems after the financial crisis because ‘liquidity in the asset market would have dried up and nobody would have been willing to trade any assets.’

“No liquidity is the worst-case scenario, even worse than low prices,” he says.

Some of the fears expressed when QE began, notably that it would spark high inflation, have not come to pass: if anything inflation remains too low, especially in the eurozone.

In the US Mao thinks QE has created a bubble in asset markets such as the stock market. That is less a factor in the eurozone, where most finance for business comes from banks rather than capital markets.

He says QE is important there because commercial banks were overloaded with government debt, which restricted their ability to lend to the private sector. By buying back bonds, Mao says the ECB will “stimulate private banks to lend and in that sense it makes the economy work.”

Mao disagrees with the view that QE has increased inequality.
“The welfare of low-income people should be better off when we have easy monetary policies,” he argues. “Governments will have more money to spend on low-income groups.”

As to whether QE has encouraged excessive risk-taking, Mao says we will not know until another financial crisis occurs. “In the short run, countries are competing in how easy their monetary policy can be,” says Mao. “That could be dangerous, but perhaps the negative side of these policies will be limited. If you look at a five to 10-year horizon, global growth is not going to be dramatically changed by monetary policies.”

Mao says that compared with traditional monetary policy, QE can be more successful in lowering long-term interest rates. As for stimulating bank lending, he says: “Some people don’t buy that story because you not only need the supply of credit, you need demand. If the economy is in recession and people don’t want to make investments and firms don’t want to expand production, there is basically no demand no matter how much cash you give to banks.”

QE has succeeded in sustaining asset prices, he suggests, but one consequence could be to push them too high. The fact that wealthy families have benefited most from asset price rises may have restricted QE’s effectiveness.

Ma says: “Their propensity to consume is lower than that of middle or low-income families. In that case the demand-effect might not be all that big.” He believes it is “possible” that QE is having a diminishing impact. Ma adds: “The magnitude of QE was more unexpected from the perspective of market participants when it was first introduced. In terms of changing market behaviour, that first round would have had a stronger effect than subsequent rounds.”

Negative side-effects such as asset bubbles can be contained by using other policies, he suggests. “We have prudential policies that control banks’ leverage for real estate bubbles,” says Ma. “Plus, we have policies on the borrowers’ side such as requiring a higher down-payment.

On whether central banks are running out of firepower, Ma points out that they have pruded out of finding complementary policies such as ‘forward guidance’ – used to communicate future monetary policy – and ‘operation twist’, where the Federal Reserve sells short-term government bonds and buys long-dated Treasuries, in an effort to push down long-term interest rates. People have been talking about the central banks running out of policy options ever since the crisis, but I think central banks are being rather creative in using non-traditional monetary policy tools,” says Ma. “It could be a problem, but in the end central banks always manage to find a way, one way or another, out of there.”

**Zero-sum game**

Critics of QE include William White, chairman of OECD’s review of international settlements, who warns that ultra-loose monetary policies were putting the global economy at risk and that money to citizens and a co-ordinated approach to fiscal austerity, which mainly hits those on lower incomes.

He disagrees with the idea that it has provoked currency wars, saying countries have adopted it for domestic reasons rather than primarily to engage in competitive devaluation. He argues there are diminishing returns to doing more QE. “It gets hard to push asset prices beyond a certain level relative to where the real economy is,” says Mackie.

Frances Coppola, a commentator on banking and economics, argues that QE is a “pretty weak stimulus.” “People have been talking about another, out of there.”

Among its drawbacks, she says, is that markets have got used to constant monetary reflation and panic when it is taken away, such as when the Federal Reserve raised interest rates in December 2015 for the first time since 2006. “It is like an addiction: the more heroin you take, the more you need it and when you withdraw it, you become ill,” she says.

Coppola adds that QE increases inequality, not only by raising asset prices for the wealthy, but also by creating an incentive for people to spend their fiscal stimulus in the ‘zero-sum game’ of currency wars.

“There are debts that have become a ‘potent cause for mischief’, almost every major country had indulged in the ‘zero-sum game’ of currency wars.”

He is unimpressed by a call by the OECD, the Paris-based club of mostly rich nations, for collective fiscal stimulus, taking advantage of low borrowing costs to increase investment in infrastructure.

That would most likely waste taxpayers’ money,” he says. “China, for example, has spent lots of money on infrastructure during the past 20 years. There are roads and highways with no-one driving on them. What is the point of those? The Government does not know what demand there is in the market. On this perspective, I am a true believer in the free market.”

Ma says: “W e have to give up on monetary policy any more.” He argues that the distinction between fiscal and monetary policy is false and that policymakers should look at a range of potential measures, including “helicopter drops” of money to citizens and a co-ordinated write-down of countries’ debts.

“If the economy is in recession and people don’t want to make investments and firms don’t want to expand production, there is basically no demand no matter how much cash you give to banks.”

“Those debts had become a ‘potent cause for mischief’, almost every major country had indulged in the ‘zero-sum game’ of currency wars.”

“I don’t really subscribe to the idea that it led to a massive overvaluation of asset prices, induced risk-taking behaviour, misallocation of resources. It had a bigger consequence could be to push them too high. The fact that wealthy families have benefited most from asset price rises may have restricted QE’s effectiveness.

Ma says: “Their propensity to consume is lower than that of middle or low-income families. In that case the demand-effect might not be all that big.” He believes it is “possible” that QE is having a diminishing impact. Ma adds: “The magnitude of QE was more unexpected from the perspective of market participants when it was first introduced. In terms of changing market behaviour, that first round would have had a stronger effect than subsequent rounds.”

Negative side-effects such as asset bubbles can be contained by using other policies, he suggests. “We have prudential policies that control banks’ leverage for real estate bubbles,” says Ma. “Plus, we have policies on the borrowers’ side such as requiring a higher down-payment.

On whether central banks are running out of firepower, Ma points out that they have pruded out of finding complementary policies such as ‘forward guidance’ – used to communicate future monetary policy – and ‘operation twist’, where the Federal Reserve sells short-term government bonds and buys long-dated Treasuries, in an effort to push down long-term interest rates. People have been talking about the central banks running out of policy options ever since the crisis, but I think central banks are being rather creative in using non-traditional monetary policy tools,” says Ma. “It could be a problem, but in the end central banks always manage to find a way, one way or another, out of there.”

Zero-sum game

Critics of QE include William White, chairman of OECD’s review of international settlements, who warns that ultra-loose monetary policies were putting the global economy at risk and that led to a build-up of public and private debt.

Those debts had become a “potent cause for mischief,” he says, adding that almost every major country had indulged in the “zero-sum game” of currency wars.

David Mackie, chief European economist at JP Morgan, thinks QE has “worked in a sort of measured way.”

“He disagrees with the idea that it has provoked currency wars, saying countries have adopted it for domestic reasons rather than primarily to engage in competitive devaluation. He argues there are diminishing returns to doing more QE. “It gets hard to push asset prices beyond a certain level relative to where the real economy is,” says Mackie.

Frances Coppola, a commentator on banking and economics, argues that QE is a “pretty weak stimulus.” “People have been talking about another, out of there.”

Among its drawbacks, she says, is that markets have got used to constant monetary reflation and panic when it is taken away, such as when the Federal Reserve raised interest rates in December 2015 for the first time since 2006. “It is like an addiction: the more heroin you take, the more you need it and when you withdraw it, you become ill,” she says.

Coppola adds that QE increases inequality, not only by raising asset prices for the wealthy, but also by creating an incentive for people to spend their fiscal stimulus in the ‘zero-sum game’ of currency wars.

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Moody models

In the problematic world of climate science where assumptions have to be made, Robin Yapp finds out how levels of pessimism could have huge implications for the planet.

Speaking just after 196 countries approved the Paris Agreement on climate change reduction measures late December, the chairman of the Intergovernmental Panel on Climate Change (IPCC) was in no doubt.

“The science is very clear,” said Dr Hoesung Lee. “We must act now. Economics also makes it very clear that we can build a better world by addressing climate change problems right now.”

So, if science makes an unarguable case for countering climate change – and every nation now appears to agree – then to what extent can it also guide us on how we should act?

While 15 of the 16 warmest years on record have come in the 21st Century, confidently predicting the rate of future climate change remains problematic even for climate experts.

Tigran Melkonyan, Associate Professor of Behavioural Science at Warwick Business School, conducts research into decision-making in conditions of risk and uncertainty.

He believes the growing consensus that anthropogenic global warming – that is the man-made carbon dioxide in the atmosphere – must be limited, is used to be matched by agreement about the resources it requires.

Could reluctance to confront uncertainty when we must weigh up a wide range of potential outcomes stem from an irrational but indisputable part of human nature?

In his research Melkonyan has found that underlying assumptions about the likelihood of different scenarios, risk tolerance and the importance placed on future generations could lead to starkly different policy conclusions.

Climate change assessments are “inherently subjective” due to the long time lags involved, imprecise existing scientific knowledge and the unpredictable nature of technological development, he says.

This is especially true for estimating large increases in global temperature, where knowledge depends on extrapolations from complex models.

Could reluctance to confront uncertainty when we must weigh up a wide range of potential outcomes – arguably a hallmark of failed past climate agreements – stem from an irrational but indisputable part of human nature?

Melkonyan invoked the Ellsberg Paradox, which arose from a series of thought experiments carried out in 1961 that showed how strong “ambiguity aversion” is for most people – that is a tendency to prefer known risks over the unknown.

Imagine, you are asked to pull a marble from one of two large, covered urns, and will win $1000 if the marble is black.

You are told that one urn contains 50 black and 50 white marbles, while the other urn also contains 100 marbles that are black or white. You don’t know the ratio, but every ratio is as likely as any other, so there could be 99 black or 99 white marbles in it.

If people behaved perfectly rationally, they would not have any preference for either urn. But people overwhelmingly choose the urn that gives them a 99/99 chance of success if black even though there could be 99 black marbles in the other one.

The results, which have been replicated many times since, demonstrate an inherent preference for the known over the unknown.

“Given our ignorance about the nature and magnitude of climate risks, decision-makers responsible for designing climate change policies face an ambiguous decision situation akin to betting on Ellsberg’s urns,” says Melkonyan. “The unfortunate difference is that the stakes are now immeasurably higher.”

Paris agreement

The IPCC was established to provide policymakers with a “clear scientific view on the current state of knowledge in climate change and its potential environmental and socio-economic impacts.” Its Fifth Assessment report, finalised in 2014, said global surface temperatures would increase by between 1.7°C and 4.8°C by 2100 if the world remained on its present path.

But it could be kept to 2°C or less if greenhouse gas emissions were cut by 40 to 70 per cent compared to 2010 levels by the middle of the century and to virtually zero by the end of it.

The Paris Agreement set a long-term goal of keeping the increase to “well below 2°C” – and attempting to limit it to 1.5°C.

“Climate change is happening but there will always be a range [of temperature increase forecasts] primarily because there are so many uncertainties in our predictions,” says Melkonyan.

“No matter how long or how hard we study those things, some unknowns will stay unknown.”

Extreme positions

Melkonyan’s new research, co-authored with Robert Chambers, of the University of Maryland, examines whether policy conclusions can be influenced by behavioural traits in estimation of probabilities.

They looked at three models – the subjective expected utility (SEU) model, the maximin expected utility (MEU) model and the incomplete expected utility (IEU) model.

The latter two represent opposite extremes: the MEU model sees the worst as highly likely and seeks to insulate against it as fully as possible; the IEU interprets doubt about outcomes as a reason not to act or to take far less action.

It is the SEU model, lying between the other two, which has been most widely used in economic assessments of climate change even though it holds that the stakes it has come under fire from some economists.

SEU thinking recognises the need to act but the details of how depend greatly on the decision-maker’s risk tolerance and concern for future generations’ well-being.

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our natural bias for known risks spotted by Ellsberg’s urns so the newer MEU and IEU models were developed as early alternatives to the criticised SEU model.

“The newer models recognise that in real life we might not know the odds of something happening, so our pessimism or optimism also plays a role,” he says.

When examining the policy outcomes of these models Melkonyan found they produced polar opposite recommendations. He believes this is because the MEU and IEU models reflect two different types of pessimism.

Broadly, applying MEU thinking to climate risks involves pessimism about things as they stand and will accept substantial costs now to avert even a small possibility of future disaster.

IEU thinking is, instead, pessimistic about alternatives to the status quo and favours ‘business as usual’ unless changing path would have a definite benefit in all potential resulting scenarios.

Bottom-up policy

The models show how people can respond very differently to the same decision based on their environment due to their attitudes to ambiguities within it.

Melkonyan says in this respect we should take the Paris Agreement seriously because the IEU framework is more about whereas the SEU is more about potential impacts on future generations.

A decade ago, China seriously considered a Green GDP measurement to capture the environmental costs of its development, even announcing that in 2004 the cost had been equivalent to 0.05 per cent of GDP. The figure was lower than many economists anticipated, but the policy was quickly dropped as authorities came to view the story it told as politically damaging.

But could the old view that tackling climate change acts as a brake on growth be changing and could jobs created by clean energy help sway doubters and deniers? The consensus on the role of human actions in climate change is growing,” says Melkonyan.

David Elmes, head of the WBS Global Energy Research Network, believes most business sectors have factored an assumed carbon price into investment decisions for years.

“We have a growing body of business and economic evidence that supports acting on climate change now and we have the insurance industry paying out more on insurance claims related to weather events,” says Elmes.

“Our current assumptions, the commitments countries have made not going to get us to the 2°C target, let alone 1.5°C.

“But we’re starting to break the old rule that more economic growth means using more energy and things are changing quickly in terms of the falling cost of renewables.”

Much of the discussion about the appropriate way to tackle climate change centres on discount rates, which essentially seek to convert future benefits and costs into current monetary values.

Economists typically assume we will spend less than a dollar today to prevent a dollar’s worth of damage in future.

The 2006 Stern Review for the British Government concluded we should invest one per cent of global GDP in fighting climate change or face consequences that could cost up to 20 per cent of world GDP annually.

Lord Stern, a former chief economist of the World Bank, said climate change was the greatest market failure ever seen and saw the issue as so urgent that he set the discount rate close to zero.

One common feature of the people who have benefited from rich-get-richer dynamics that boost their initial fortune, wrote Liu in research with Jerker Denrell, Professor of Behavioural Science at Warwick Business School. These performers are often the luckiest people, who have benefited from rich-get-richer dynamics that boost their initial fortune.

Consider a college dropout who turns out to be the wealthiest person in the world. Yes, Bill Gates may be very talented, but his extreme success perhaps tells us more about how circumstances beyond his control created such an outlier.

In other words, what is more exceptional in this case may not be Gates’ talent, but his circumstances. For example, Gates’ relatively privileged background enabled him to gain extra programming experience when less than 0.01 per cent of his generation then had access to computers. He attended one of only 50 schools in the country that had a computer at the time.
There are implications for the management of talent. If not observed or moderate, the role of luck in success can lead to persistent bias and inequality and Liu’s research suggests the need for policymakers to design nudges to help people resist the temptation to reward or imitate the top performers. In research, this time with Mark de Rond, of Judge Business School, Liu points out that unthinking skill and skill in the performance of others isn’t easy, but it’s necessary.

“Rewarding the highest performers can be detrimental or even dangerous because imitators are unlikely to achieve exceptional performance without luck unless they take excessive risk or cheat, which may partly explain the recurrent financial crises and scandals.”

Moneyball lessons

However, the ‘luck bias’ is very persistent. Liu’s research found that even when observers are given clear feedback and incentives to be accurate in their judgement of performers, 58 per cent of them still assumed the most successful were the most skilled when they were clearly not, mistaking luck for skill.

Liu has, for example, tried to apply his research with some financial institutions, where he believes the most successful traders may simply be the luckiest ones who took more risks than their colleagues. These traders tend to be Rewarded with bonuses as a result, but in all likelihood their luck will run out.

“I seek to help HR departments identify the lucky outliers and discount their performance in evaluations,” explains Liu.

“Continuing to reward high performing stars on the trading floor could lead to a dangerous risk-taking culture in the long run. Far better to improve your own evaluation internally and take advantage of your competitors who will continue to systematically mistake luck for skill.”

The lucky few should understand and appreciate the role that luck has in their extreme success – Liu’s research finds, interestingly, that entrepreneurs are more willing to acknowledge the role of luck in their success than corporate managers – and with that understanding comes an obligation to those that have.

“I do a lot of teaching on executive education courses and I’ve found it really difficult to convince some executives that luck plays an important role,” he says. Still, there are ways to ‘get lucky’.

“Chance favours the prepared mind,” as Louis Pasteur, the French chemist, once wrote. Good and bad luck befalls to all, but only some can maximise the return on luck. And only some organisations are able to see what others do not see, says Liu.

He points to his bestselling book Moneyball, in which Michael Lewis documents how a stereotype of what good players should look like blinded the scouts and coaches in most Major League baseball teams to the role of luck. But, as a result, one unconvincing team was able to benefit.

Around the turn of the millennium Oakland Athletics managed to pay less for players than their eventual contribution would suggest they were worth and then resell their best performing players toward the peak of their output.

The Oakland A’s recognised the tendency for extreme performances in star players to regress to the mean in future seasons. They benefited from this trading strategy because they were better able to recognise the value of their players when buying. But they also gained because other teams paid more for these players than they might be worth when selling them. The Oakland A’s strategy led to a higher ratio of win rates relative to salary costs than other teams.

Liu calls this idea as strategising with (others’ biases of) luck. His latest research extends this idea to other areas where biases are so systematic that they allow some others to exploit their competitors’ mistakes.

For example, when hiring talent some employers continue to be influenced by stereotypes. Successful firms tend to be overconfident and have little incentive to change recruitment strategy.

On the one hand, missing hidden gems is an invisible error – employers rarely follow up what happens to the candidates they reject. Moreover, those hired are trained and developed so they can perform competently even when they were really false positive hires.

But this can falsely boost an employer’s confidence in the stereotype hiring strategy. However, while some employers continue to suffer from such a blind spot, other, smarter firms see opportunity.

Corporate law firm Clifford Chance, for example, employed a CV-blind strategy in the UK to break the Oxbridge recruitment bias. A degree from Oxford or Cambridge is so prized as elite that many UK legal firms are over-represented by their graduates.

Of course, many of them are competent. But inevitably some Oxbridge graduates are overrated and become disappointments due to false positive mistakes. More importantly, firms can omit hidden gems from other universities due to false negative mistakes. Clifford Chance’s CV-blind strategy forces evaluators to judge candidates’ potential based on track records instead of using the stereotype shortcut.

In the same way, many employers have vowed to adopt a name-blind policy to fight against racism. This strategy should be even more effective for smaller firms, thinks Liu, because hiring against the negative stereotype can help them identify hidden, undervalued gems that others overlook.

There is one further lesson for companies which discover a winning way to do things differently: keep the success to yourself. The Oakland A’s did the opposite and let Lewis write a bestseller on their strategy. The publication of Moneyball in 2003 marked the decline of their performances because rivals started imitating their approach.

If you want to keep beating the competition, says Liu, don’t let others know how you did it. Just say you were lucky.
Dealing with destruction

With the return of the mega-merger 2015 was a record year for M&A, but Ian Wylie finds there is little value in most takeovers

When John Colley expresses his doubt in the value of large scale mergers and acquisitions, he knows what he’s talking about. Now Professor of Practice in Strategy and Leadership at Warwick Business School, Colley was Group Managing Director at BPB PLC, a FTSE 100 business and the world’s largest manufacturer of plasterboard when it received a hostile takeover bid in 2005 from French multinational Saint-Gobain, and witnessed at first hand the puzzling process.

“We had a turnover of around £2.6 billion, but Saint-Gobain turned over £40 billion, and were very determined to acquire us, increasing their bids until finally our shareholders decided to accept the offer,” he recalls.

They paid a ridiculously high sum for us, and I could never understand how they justified each increased bid to their shareholders. They seemed willing to pay whatever was necessary to buy us, then try to justify to their shareholders afterwards. It alighted my interest in M&As to buy us, then try to justify to their shareholders why the chief executive and the board are keen on possible divestments. But in the last 10 years I have never heard of a successful acquisition.

Research consistently finds that more than half of acquisitions destroy shareholder value and between 60 and 80 per cent fail to deliver expected benefits.”

According to Colley, shareholders may also seek to reward and retain good management teams, even though they may have reservations about a bid. There may be another reason shareholders agree. If they are large institutional shareholders, there’s a good chance they hold a portfolio of shares across the sector, possibly in the target company itself, and so may stand to benefit if the deal goes through.

According to Colley, high levels of M&A activity tend to boost the value of all shares in the relevant sector. There is another group of beneficiaries. According to Colley, the deal is always well remunerated, with fee per deal of several hundred million dollars not uncommon.

They often find themselves in markets where it’s difficult to grow and a major acquisition is a very easy, inexpensive way of achieving growth.”

Companies contemplating mega-mergers and acquisitions used to fear the bite of regulators and rulings that view industry concentration as significantly reducing competition and against the consumers’ interest. According to Colley, competition authorities are beginning to define mergers more narrowly. AB InBev, for example, has had to agree to sell its global rights to Miller, Grolsch and Peroni. The basic conditions for a successful acquisitions market is high liquidity which means corporate cash piles, cheap borrowing and institutions with large cash balances to invest. These conditions persisted in the first half of 2016, driving global acquisition activity, but continuing uncertainty regarding Brexit meant merger activity collapsed in the UK. The fall in sterling, though, fuelled some acquisitions, especially those with substantial export sales and UK-based costs.

John Colley’s five worst deals

1. In 2001 AOL completed buying Time Warner in a $164 billion deal. The newspaper company lost 97 per cent of its value leading to a de-merger in 2009.

2. RBS – with Fred Goodwin as CEO – bought part of Dutch lender ABN AMRO in 2007 for £71 billion – three times its book value. In 2009 the deal had to be bailed out by the Government.

3. Daimler bought Chrysler in 1998 for $36 billion, but cultural differences saw it turn into a disaster. Daimler essentially paid Cerberus Capital Management $650 million in 2002 to take Chrysler off its hands.

4. Hewlett Packard paid $11.7 billion in 2011 to acquire UK software firm Autonomy – a premium of around 79 per cent over its market price. It had to write off $8.9 billion almost right away due to poor strategy, cultural mismatches and alleged misstatement of results.

5. Guy Hands lost 60 per cent of his personal net worth when his private equity firm Terra Firma was forced by a US court to sell EMI to Citigroup. It paid $4.7 billion for the music label but immediately wrote down 46 per cent of its value and then lost a lawsuit, with Citigroup taking over EMI and Terra Firma losing $2.5 billion.
Traditional management theory that has dominated boardroom thinking for so long has finally got a rival. And it’s called ‘design thinking’.

Approaches that used to reside within product design and R&D departments are being turned inward, and helping to reshape organisational structures and processes.

Ayse Birsel, co-founder of Birsel + Seck, a design and innovation studio in New York that works with multinationals including GE, Johnson & Johnson, and Hewlett Packard, defines design thinking as “thinking like a designer, holistically, optimistically, collaboratively, with empathy and asking ‘what if’ questions to inform business practices. In other words, the design process is inclusive, it gets people to see the big picture, put themselves in other people’s shoes, be open to new ideas and provide the tools to think differently and creatively about the same old problems.

“Traditional management tools don’t allow for leaps of imagination and problem solving – design thinking brings creativity, business logic and intuition together.”

The notion of design thinking as a holistic business approach was first popularised in 2008 by Tim Brown, CEO and President of IDEO, the Californian innovation and design consultancy.

“Historically, design has been treated as a downstream step in the development process,” said Brown. “Now, however, rather than asking designers to make an already developed idea more attractive to consumers, companies are asking them to create ideas that better meet consumers’ needs and desires. The former role is tactical, and results in limited value creation; the latter is strategic, and leads to dramatic new forms of value.”

Markus Hohl, London CEO for Finnish service design agency Hellon, believes the emergence of design thinking parallels a significant social change.

“We are moving from B2B and B2C to H2H: the Human to Human era,” he says. “B2B and B2C thinking worked until recently as markets moved at speeds that allowed a considered response, the direction of market development was predictable, the competitors known.

“But today’s markets move at rapid speeds, it’s hard to know which direction the competitive..."
disruption will come from, and employees often have to respond immediately.”

This volatile business climate, argues Joe Ferry, Visiting Tutor at the Royal College of Art and former Head of Design for Virgin Atlantic, means that “the relevance of embedding design thinking into a company’s culture has never been more relevant.”

He adds: “It can be used to establish possible future states for businesses and therefore help develop strategies. Or it can be used by a business that wants to be the disruptor to the market.”

Warwick Business School and the Design Council formed a collaboration in 2013, headed by Pietro Micheli, Associate Professor of Organisational Performance, to examine how businesses – including organisations not traditionally associated with design – can benefit from design thinking.

“At its simplest level, design thinking is a process,” explains Micheli. “One that you can use for virtually anything around you – when buying a new home, or preparing a room for a new child, whatever it may be. It’s essentially a sequence to approach a problem by asking ‘what if’ questions, through exploration, iteration, and a strong focus on the user. You’re not going to understand people just by asking them what they think. You observe people and their unconscious habits.”

This can be utilised not only to improve product design but also the services and internal workings of companies, says Micheli. “The big difference is that service design happens from many touch points,” he says. “If you think about your relationship with your bank, it’s not that you go into a branch, buy something and never hear from them again as you would do if you buy a washing machine. Instead you set up a relationship through internet banking, you may have some accounts and investments so they design a service to accommodate your needs. But most banks don’t look at it from a user point of view and a holistic experience.”

Making Pingit

One bank that has attempted such an approach, as uncovered by Micheli’s research, is Barclays and its dedicated Chief Design Officer under the tenure of the retail-centre’s CEO Antony Jenkins. At Barclays a new way of setting up project teams was being trialled. Known as ‘hoppers’, cross-functional mixed hierarchy teams were assigned specific tasks related to the making of a project vis a vis customer experience and allocated a space to work away from their day jobs to work solely on that project.

The bank’s successful Pingit mobile payment service, for example, was launched as a start-up, utilising a dedicated hopper team.

Micheli’s research found that this collaborative approach allowed for a much faster time to market with development much more grounded in customer insight. The hopper teams observed how customers used the app, rather than asking them via questionnaires.

“It’s the observation of their behaviours in their environment that we try to design around,” Chief Design Officer Derek Hohl told Micheli. “Not necessarily what they tell us in focus groups.”

At the time of the study Pingit had been downloaded by more than two million customers and had won more than 20 awards for innovation. Another example is the Nest smart thermostat.

User at the centre

Micheli says: “If somebody had come to you and said: ‘Do you want a new thermostat?’ It may not have been something you’d really thought about before. However, this has become a super-selling product because, although it may not have been labelled as such, it followed a design thinking process.”

This, in essence, was to observe and understand the habits of energy consumption within people’s daily lives, as a credible alternative to the traditional, linear, incremental optimisation-driven process that is the norm in product design.

“I’m not saying market research is wrong,” says Micheli. “What you find out from that is what people can tell you. It can give you some kind of trend or average. But if you want to know something now that is going to trigger something different, it’s unlikely to emerge from traditional processes.”

The famous phrase from Henry Ford – “if I’d asked people what they wanted, they would have asked for faster horses” – rings true almost a century on. Hohl, who features in Micheli’s research, describes the user as “the starting point and centre of design thinking.”

“But unless a business addresses the user’s need with their offer it’s unlikely to succeed,” says Hohl. “It sounds obvious, but you need to know how to ‘get to’ the user’s real needs, requiring expert research techniques and interpretation, you can’t just ask them.”

“It often seems easier for businesses to speculate on user needs and then settle for a solution – the ‘build it and they’ll come’ syndrome. Or marketing – ‘if we just tell everyone or make it cheap enough they’ll surely buy it.’

Mixed insight, social media sentiment and innovation value can be extracted from an investment if you know what really meets the customer’s needs and wants.”

The observational approach – also known as ethnography – is also integral to the recent collaboration between Scott Dacko, Associate Professor of Marketing and Strategic Management at Warwick Business School, and Rosanna Garcia, of North Carolina State University, looking at design thinking for sustainability.

Their chapter in the book Design Thinking: New Product Development Essentials from the PDMA, points that although consumers think they have the potential to slow down environmental and social degradation more so than economists or even engineers.

By creating products and services that incorporate empathy for consumers’ wants and needs into product and service design, waste can be reduced and resources better utilised.

Currently 80 per cent of products are discarded after a single use and 99 per cent of materials are discarded in the first six weeks of use. Consumers and retailers are demanding new alternatives, says Dacko, namely products and services which have a whole lifecycle, cradle-to-grave approach, with re-use and recycling considered from the start.

Crowdsourcing design

The sportswear company Puma is cited as ‘best practice’ in Garcia and Dacko’s chapter for its InCycle range of footwear and apparel, which are made from materials that are relatively easily turned back into both biological and technical nutrients at the end of their useful lives.

Puma’s in-store bins also make it convenient for consumers to return them. Xerox is another example, being far ahead of the curve in 1991, when it began designing photocopiers for ease of disassembly and recovery of manufacture, re-use and recycling, diverting tonnes of waste from landfill and saving billions of dollars in raw material costs.

A key phrase in Garcia and Dacko’s writing is that “users contribute as co-creators”, ideally through a process called rapid prototyping – creating visual manifestations of a concept, and giving it to consumers to see what they think and how they would use it in their everyday lives.

“If you ask users, here’s a prototype, it’s tangible, you can interact with it, talk about it, and they have ideas and offer feedback,” says Dacko. “It fits with crowdsourcing – a company can’t have all the ideas. The net effect is you create empathy, you co-create, and end up with something that’s more sustainable.”

While focus groups can be useful to garner ideas and contributions, an ethnographic process can be especially useful in sustainability design because it can uncover real world, unconscious habits.

“There’s an issue now, for example, with single use espresso machine coffee pods,” says Dacko. “Increasingly the users of these machines care about recycling, but their actions are inconsistent with their concern. It’s too easy to throw away, even where a company gives users a bag to recycle. You capture that behaviour and reasoning far more in observation than you would in a focus group.”
Procter & Gamble is a past master at ethnographic observation of customers. Dacko says: “It will ask customers: ‘Can we come into your homes and watch you do the laundry?’ Tesco also went to the US and asked if it could observe how people prepare meals at home.”

This may be time consuming and costly, but it should lead to enhanced product or service design because Dacko argues “customers are good at identifying problems far more easily than solutions.”

If design thinking is the driving force behind the future of innovation, that is quite something; now, you are definitely expecting others to copy it. That is quite something. Procter & Gamble is a past master at innovation, that’s reason enough for others to copy it. “When you go to any event, I always count how many seconds – not even minutes – it takes for somebody to say ‘I have observed, therefore I now know what to do’, it is often quite challenging. But it should lead to several ideas that can then be shortlisted and evaluated.”

Garcia and Dacko’s chapter offers a method for organisations and practitioners to follow. The ‘what if’ questions mentioned by Micheli are broken down by Garcia and Dacko into stages, including identifying a specific goal, imagining what such a product or service might look like that could deliver this, and then discussing the milestones needed to achieve this. That should then be followed by ‘what wows’ to determine if the sustainable product or service designed in ‘what if’ actually enchants the consumer as intended, says Dacko.

This can be assessed via sustainability assumption testing – testing each touch point that the consumer has with the product, including packaging, supplementary products and end-of-life as well as rapid prototyping. This eventually leads to ‘what works’, which is observing of consumer behaviour to determine if the resulting design actually meets its goals.

“What they see as sustainability is a key success factor now,” says Dacko. “Certainly those of us [who] are committed, they see a need and they want to be responsible. I’m relatively optimistic that the direction will be a greater take up of design thinking for sustainability over time.”

Another cause for optimism is arguably the greatest consumer experience to date in history, says Dacko. “The ‘Apple experience’ has already quite something; now, you are definitely expecting others to copy it. What we value is much broader than just buying a product.

“The second claim is the ‘humanisation’ of technology as it becomes all pervasive, through the intelligent homes, wearable technology and the internet of things. What design promises is to make it human and relatable to human needs.”

Gretchen Gschwind, Director of Insight and Exploration at Herman Miller, agrees that the opportunities to “delight customers are stronger than ever before – and the rewards for doing so ever greater.”

She says: “We’re also seeing a generation of workers who have grown up in a culture where collaborative work is a regular part of their educational experience. It’s a new normal for them and will only intensify as I know there are an increasing number of schools deploying design thinking explicitly in their curriculum.”

Dacko sees an increasing interest in sustainability and user-focused design among the latest generation of MBA students. That should then be followed by ‘what wows’ to determine if the sustainable product or service designed in ‘what if’ actually enchants the consumer as intended, says Dacko.

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To work in practice this process needs to be part of the organisation’s culture, not “a bolt-on, take it or leave it option,” argues Dacko. In the long run, he believes design thinking for sustainability will be the norm, and sustainability measures will be standard indicators that all firms track.

A snapshot of today’s business environment, however, suggests this is still some way off. Cheaper, linear models are committed, they see a need and they want to be responsible. That should then be followed by ‘what wows’ to determine if the sustainable product or service designed in ‘what if’ actually enchants the consumer as intended, says Dacko.

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When the smoke clears

It can take just minutes for a brand owner to destroy relationships it has spent decades building with its consumers – as Volkswagen has been learning at first hand.

Repairing the damage to a brand post-scandal, however, takes more than a quick fix. Acknowledging mistakes, making amends and being seen to be doing both are only the beginning. As important is guarding against repeating mistakes and this means that what might initially appear to be ‘just’ a brand marketing problem can require far-reaching organisational change and even a new business strategy.

“Essentially, what’s happened at Volkswagen is a breach of trust,” says David Arnott, Principal Teaching Fellow in Marketing & e-Business at Warwick Business School. “Some of what the company has done since the scandal has demonstrated good practice, but not all. With so many vehicles affected, the level of deceit is significant and appears to have been deliberate, and this makes the problem potentially bigger and certainly more complex to resolve.”

Founded in Germany in 1937, Volkswagen’s business – and reputation – has long been built on its engineering. Now the second-largest carmaker in the world, it comprises 12 brands – including Audi, SEAT, Bentley, Bugatti, Lamborghini, Porsche and Skoda. But it remains most closely associated with its top-selling, namesake marque, Volkswagen, and that brand’s three core values: responsibility, sustainability and innovation.

Then, in September 2015, Volkswagen was accused of violating the US Clean Air Act by the United States Environmental Protection Agency (EPA). The EPA found the carmaker had intentionally programmed turbocharged direct injection diesel engines in 11 million of its cars to meet US standards for nitrogen oxide emissions only during regulatory testing – the cars emitted up to 40 times more nitrogen oxide for everyday driving.

As soon as the use of its ‘cheat device’ software was made public, Volkswagen found itself the focus for regulatory investigations in a number of countries. Its stock price fell sharply – initially by one third. Meanwhile, confidence and interest in buying the Volkswagen brand slumped.

By January 2016 Volkswagen’s EU sales were down 3.8 per cent year-on-year despite passenger car sales in the EU that same month rising to 1.06 million – up 6.2 per cent year-on-year, according to the European Automobile Manufacturers’ Association. In the UK, the Society of Motor Manufacturers & Traders revealed Volkswagen’s sales were 13.6 per cent lower year-on-year in January 2016, while new sales overall rose 2.9 per cent. Meanwhile, the overall slump in US sales post-scandal is estimated at 10-15 per cent. The German carmaker reported a 2015 third quarter loss of £2.5 billion – its first quarterly loss in 15 years.

Though top line figures have been hit hard, the negative impact of a scandal can extend far further. Employee dissatisfaction and a desire to no longer work for a company is one side effect. Loss of third party support – from a local event or team that company might sponsor, for example – is often another. Reduced belief in what a company is saying can also undermine the business’ guarantees and warranties.

One key challenge for Volkswagen has been how best to undertake the necessary steps required in a way that complements and reinforces rather than undermines the brand and what it stands for.

“Immediate steps after any scandal are likely to include firing those responsible - which was Volkswagen’s immediate response - appointing new managers and or embedding new managerial structures and audit trails. Attention should then turn to addressing relationships with key stakeholders through carefully crafted communications. ‘A brand should act as a central organising principal that sits at the heart of a business informing decision-making at all levels of an organisation,’ says Mike Rocha, Global Director, Valuation, at brand and design consultancy Interbrand.

So when a scandal occurs a brand should go back to what it stands for, to what its ultimate purpose is, and ensure that...
emphasising the longstanding, emotional relationship to apologise with a pledge to address the problem. In February communications, Volkswagen ran tactical advertising and well as the brand's corporate and advertising language, and the

A more important approach is to replace Chief Executive Martin Winterkorn quickly, he acknowledges. But it missed an opportunity with the appointment of Matthias Müller (former chairman of Volkswagen-owned Audi) to replace him. Because Muller had done a good job in that appointment it did not send out a strong message externally that the company was willing to change.

Volkswagen's decision to quickly put in place a plan with considerable funds set aside to deal with fines, compensation to car owners in some markets for the reduced value of their vehicles, and funding for the recall of all affected vehicles was another positive step. An estimated 11 million cars were to be either fitted with a 'flow transformer' device to enable the correct calculation of fuel and air being combusted or a software tweak.

But the senior management's claim to know nothing of the character of the device apparently sanctioned by some of the brand's engineers and directed by its board is dominated by internal committees and management procedures. Furthermore, the brand's corporate and advertising communications post-scar
dal have received a mixed response. After immediately suspending its marketing communications, Volkswagen ran traditional advertising to apologise with a pledge to address the problem. In February 2016, the strategy then switched to brand advertising with a campaign created by advertising agency DDB Germany emphasizing the longstanding, emotional relationship between Volkswagen customers and their cars. Volkswagen named Brand Board Member Jurgen Stackmann firmly positioned the campaign as the 'first visible step in a new mindset'.

"We have lost credibility and trust in recent months," he said. "We are now doing everything we can to win that back." Volkswagen's new TV ad, in which its cars were described as "a lifelong companion", proved controversial. But its print campaign was less so as it used the line: "It's more than just a car; it's keeping your promises." This was something many observers believed Volkswagen failed to do.

This gap between its words and actions is indicative of a deeper challenge the company needs to address, some suggest.

"If Volkswagen is to deliver on past values," says Van Doorn. "I don't think its statements in press releases or marketing communications will convince without it acting boldly and proactively to ensure it can change and its plans to do so are viable and achievable within three years rather than 10 or more." A company may have positive values, but if its culture is wrong it will find them impossible to anchor within the business as a single, guiding theme. It adds: "Mindset determines action. And the misalignment of intent and values suggests a misalignment of senior management and management culture."

The extent to which the brand brand – and, indeed, any brand post-scar
dal – is likely to be given a second chance by consumers will be dictated by a variety of factors. "In essence, trust is the willingness of an individual to become vulnerable to another's behaviour which, in business, depends on a company's ability to deliver on what it promises," says Arnott. And in Volkswagen's case, one part of its brand strategy – its focus on engineering – has not been breached.

"Volkswagen's favour is consumers' previous experience of the brand and the lack of any past evidence of scandal or deceit. Yet another factor suggests Arnott, is a firm's 'benevolence' – whether people feel they can assume that company will behave in a fair and equitable way. And on the basis of the nature of the cheat device the brand can no longer be expected to act with integrity.

In essence, Volkswagen's reputation has been damaged beyond repair and the business's ability to deliver on what it promises, is compromised. A brand owner's ability to respond effectively to a scandal will be dictated by other factors, however its size, for example, corporate structure and management culture. And for Volkswagen, all three present challenges.

Deep pockets always attract lawyers. And a major driver of the future has been the US market where, despite not being one of Volkswagen's main markets and being the largest car market in the world, some observers suggest there is an eagerness to pursue damages claims simply because of the large number involved.

"Furthermore, there is an historical disjoint at Volkswagen between its board of directors and its marketing function. Neither appears able to speak the same language, and the board is dominated and directed by engineers and financial people."

"The scandal that resulted is in part due to Volkswagen wanting to be too perfect and not wanting to be seen to fail. And this, in turn, is due to the way the organisation is structured and functions," says Van Doorn. "It is not naturally inclined to release a mandate to lower levels within the business and those middle managers will feel they are not heard and not taken seriously."

"Only time will tell whether senior management sees this as being important enough to address."

"The decision to install the cheat software was a strategic decision. The failure to think through the implications – and to assume the downside risk was acceptable – is a big problem. But the jolt to the system a scandal can bring can be an opportunity to realign with changes quickly implemented that might otherwise have taken months or years."

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Arguably the greatest challenge of all for Volkswagen, however, is whether its senior management team has the inclination and appetite for the root and branch internal change many observers now claim the business needs.

"Volkswagen is not the only automotive company to have failed to comply with industry standards, and it is not the worst performer in terms of emissions," says Van Doorn. "But it has been the most 'creative' in terms of efforts to work around them."

In a statement made by Volkswagen in December 2015, it even admitted to a mindset that 'tolerated' rule breaking and a 'chain of errors' behind its emissions cheating.

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Longstanding and enduring brand values, deep pockets and a rapid response carried Volkswagen through the first few months after the scandal, enabling it to start regaining lost ground. However, in a world in which brands now las
e and connect with the public not through communications but actions, how the company re-sets its strategy for the long term will determine how Volkswagen recovers from the scandal. and then, rather than admit it. Found a way to side-step the problem by cheating regulatory tests.

"The decision to install the cheat software was a strategic decision. The failure to think through the implications – and to assume the downside risk was acceptable – is a big problem. Both are key indicators that something fundamental internally at Volkswagen must be addressed."
Africa has long been seen as the next ‘China’ and Sabuhi Gard finds a new breed of entrepreneurs might finally be making it a reality

Africa’s consumer-facing industries, resources, agriculture and infrastructure together could generate as much as $2.6 trillion in revenue annually by 2020, according to a report by the McKinsey Global Institute. Meanwhile, Africa’s collective GDP in 2008 was $1.6 trillion – roughly equivalent to, say, Brazil or Russia.

These economic facts should be viewed as plus-points for those wanting to invest in African economies, however, the perception of the African people and economy is a mixed one, coloured by media pictures of war, famine and unrest. The continent’s troubled image has caused global companies to overlook business opportunities, but there is a new breed of entrepreneur in Africa that could be changing that.

A breed that has flourished with a rare single-mindedness and creativity that sometimes only limitations and scarcity can produce – after all the imagination is limitless. Christian Stadler has travelled to Africa to find out about its entrepreneurs and has found a country very different to the one the West sees in the news.

“One of the 20 fastest growing economies in 2016 was Kenya according to a survey by Bloomberg economists,” says Stadler, Professor of Strategic Management at Warwick Business School. “However, most of the items of news we see on the TV report Boko Haram terrorism in West Africa or Al Shabaab in Somalia.

“There are also somewhat negative views of African migrants who come to the UK. We in the West are also unable to make a distinction about different types of Africa geographically, for instance Nairobi is very different to North Africa.”

Perceptions like these have to change, Stadler believes, so that investors are attracted to allow the African economy to develop. And he has discovered plenty of opportunities for investors looking for the next big growth area.

“The number of Africans interested in entrepreneurship is growing dramatically,” says Stadler. “In countries like Gambia and Nigeria 40 per cent of people have started a business that is less than three years old. Investors do not want to miss out on this opportunity.”

There is also a burgeoning middle class in Africa that needs feeding. They are increasing demand for consumer goods, presenting ripe opportunities for entrepreneurs. This new army of entrepreneurs also came armed with the latest management thinking and teaching thanks to the Western education and management thinking and teaching thanks to the West’s universities, especially in the US and UK.

“There is a growing number of people returning from the West having been educated in universities there or employed there and they are using all of that knowledge to pursue opportunities in Africa,” says Stadler. “They see it work in the US or UK and then go back to Africa to implement it.”

University of Manchester graduate Jason Njoku is one such African who had the entrepreneurial mindset to see an opportunity and jump in with both feet. He set up iROKOtv in 2010 after he was tasked by his mum to buy some Nollywood DVDs – Nigeria’s equivalent to the US’ Hollywood film industry. Surprised and frustrated he couldn’t get hold of any easily on DVD he jumped on the plane to Lagos – and the rest, as they say, is history.

Njoku started buying online licences for Nollywood movies to stream on a dedicated YouTube channel. Thanks to investment from US-based hedge fund Tiger Global, the channel became a dedicated Nollywood platform. Now dubbed the Netflix of Africa, iROKOtv makes its own content to stream and has offices in Lagos, New York, Johannesburg and Kigali in Rwanda, with a staff of more than 100 and funding totalling $25 million.

iROKOtv’s popularity is set to grow in tandem with the Nigerian entertainment industry, whose revenues grew 23 per cent between 2010 and 2013 and contributed three per cent to the country’s GDP. This will only be exacerbated by the surge of mobile internet users expected to total 110 million by 2018, who will push the entertainment industry’s value up to $8 billion in the next three years, according to iROKOtv.

According to the African Development Bank and the US billionaire George Soros, Africa now has the fastest-growing middle class in the world. Some 33 million people, 34 per cent of Africa’s population, spend $2.20 a day, a 100 per cent rise in less than 20 years. The bank’s definition of middle class in Africa is people who spend the equivalent of $2 to $20 a day – an assessment based on the cost of living for Africans near one billion people.

By 2060, Africans living below the poverty line will be in the minority – 33 per cent. The bank describes the rise as ‘unstopable’. Investors cannot ignore revolutions in North Africa, and famines in East and West Africa, but the underlying mantra of ‘growth, growth, growth’ is taking hold. Njoku was living in England when he set up iROKOtv, but Stadler believes many Africans have been driven to Africa geographically, for instance Nairobi is very different to North Africa.”

Meanwhile, Africans collective GDP in 2008 was $1.6 trillion – roughly equivalent to, say, Brazil or Russia. According to the African Development Bank and the US billionaire George Soros, Africa now has the fastest-growing middle class in the world. Some 33 million people, 34 per cent of Africa’s population, spend $2.20 a day, a 100 per cent rise in less than 20 years. The bank’s definition of middle class in Africa is people who spend the equivalent of $2 to $20 a day – an assessment based on the cost of living for Africans near one billion people.

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As these cities start growing so does their division of labour,” says Stadler. “They were also using unsafe methods to light up their homes like burning kerosene lamps. An alternative solution for lighting up your home would be to put a solar panel on your roof and get electricity in your house that way.”

M-Kopa estimates that 80 per cent of its customers live on less than $2 a day and energy accounts for a significant amount of their spending. The company’s power system costs $201. It includes a solar panel, two LED bulbs, an LED flashlight, a rechargeable radio, and adaptors for charging a phone. The kit comes with a two-year warranty, and its battery is designed to last at least four years.

It is a lot of money for those living in rural villages so what the company sells is, in effect, a loan of about $165. Clients pay $35 upfront and agree to make a daily payment of 45 cents for a year until the system is theirs – hence the name kopa, which in Swahili means ‘to borrow’. The kits come with a control box containing the battery and a SIM card that can communicate with M-Kopa headquarters in Nairobi.

Kopo Kopo, meanwhile, is a service that helps businesses to accept payment of services rendered through M-Pesa. It is easy to use and affordable, only one per cent of the transaction is deducted.

It enables service providers to track transactions and identify trends and market insights. Running on the M-Pesa platform means it is safe and trusted.

Kopo Kopo is based in Nairobi, which has become a tech hub with many start-ups and international companies setting up offices. It has made its mark in the global technology community through the mobile banking technology that has evolved around M-Pesa. These innovations are changing the face of mobile in Nigeria, rebranding the description as Africa’s ‘Silicon Valley’.

Funding has always been a problem for start-ups in Africa, with banks being out of the reach of most, but that is also being solved says Tayo Leigh, who set up Shortlist, a headhunting platform in Nigeria, which allows job seekers to upload their CVs for companies to search for talent.

“Technology is also helping African entrepreneurs overcome the infrastructure problems the continent has. Many tech start-ups have built on the success of M-Pesa, the mobile payment system that was launched by Safaricom in 2007 giving Kenyans technology way ahead of Western consumers. With 80 per cent of Kenyans using M-Pesa and more than 18.2 million subscribers, mobile money transactions in Sub-Saharan Africa hit $656 million in 2014. Stadler says: “M-Pesa has enabled a lot of start-ups to flourish and is one of the reasons why entrepreneurship has grown so quickly in Kenya.”

“M-Pesa works on the very simple principle of transferring money via your mobile phone. The transactions carried out via M-Pesa are larger than all of the banks in Kenya combined, it is a very successful business and allows other companies to flourish,” Stadler says.

Stadler cites M-Kopa, which sells solar panels to rural residents in Africa, and Kopo Kopo, a mobile payment tool for business, as examples of companies that have grown thanks to M-Pesa.

“M-Kopa is an example of a business that links a very basic need to smart technology,” he says. “This business was started by a group of entrepreneurs who saw that people living on the outskirts of towns and in villages were having problems getting electricity into their homes cost effectively.”

“With each passing year and the new generations coming up, I believe the stereotype will change. This, of course, has to start with us, the Africans. We have a long way to go, but if entrusted with great leadership I genuinely believe the rest can follow.”

Stadler agrees and is optimistic about the continent’s future, believing the people have the drive and ability to improve Africa’s economy and its image.

“The right ingredients are there, talent, demand and increasingly also the capital that is required for some of the initiatives reaching a critical scale. We are looking at the entrepreneurial energy in places like Lagos or Nairobi, we have no doubt the future belongs to Africa.”

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On May 2, 2011, at around 1am local time, US special forces burst into a three-story mansion in North East Pakistan, close to the town of Abbottabad. Huddled around a television in the White House, the US president and his chiefs of staff watched intently. Minutes later, Osama Bin Laden received bullets to the head and chest. The world’s most wanted man was dead.

Catching the mastermind of the 9/11 attacks on the World Trade Centre took the best part of a decade. Rumours and alleged sightings had him placed everywhere from the Afghan border to the Balochistan mountains of Pakistan and beyond. In 2006 a French newspaper even reported his death, supposedly of typhoid.

In reality, the Al Qaeda figurehead had moved around the Khyber Pakhtunkhwa province of Pakistan, from Peshawar to the Swat Valley and from there to Haripur close to Islamabad, before settling on his final safe house. It was one of Bin Laden’s couriers who eventually put US authorities on the path that led to his Abbottabad hideout. Rather embarrassingly, the compound turned out to be right next to a military barracks.

During the 10-year search, US investigators never thought to ring Steve Alpern. Not that he expected them to. He knew no more about Bin Laden’s whereabouts than they did.

Yet five decades working on ‘search theory’ - a branch of game theory - means Alpern would have been well set to at least pass on some tips. What options of escape and concealment does the fugitive have? What strategies for his capture might prove more or less likely? How might investigators most efficiently deploy the resources at their disposal?

“In reality, what most security services or police do when trying to catch someone is just put all the resources they can into every possible area. In as much as mathematical modelling can help optimise the use of these resources, then I’d like to think my research would potentially prove useful,” says Alpern, who joined Warwick Business School in 2012 as Professor of Operational Research.

Game theory has taken on a life of its own of late. From poker tactics to price-stability-oriented monetary policy, the term seems to be everywhere. Its biggest success, in terms of being applied, is auction theory with the biggest example being the UK Government’s auction of the 3G mobile network.
in 2000. A complex process of 150 rounds of bidding over six weeks saw the applicants whittled down to five, who paid six weeks. The searched for object doesn’t need to be an ‘object’ as such. In the case of product sales, for example, one of the founders of game theory and one of Alpern’s tutors at Princeton University, suggested he read a book by Rufus Isaacs on ‘differential games’. Alpern’s curiosity was piqued by another example in the ‘prisoner’s dilemma’ is perhaps the best known example. The ‘prisoner’s dilemma’ is a simple game that illustrates the basic idea of the game. It involves two prisoners who are being held for a crime they may or may not have committed. They are offered a deal: if they both confess, they will each receive a shorter sentence than if they both remain silent. If one confesses and the other does not, the one who confesses will receive the shorter sentence, while the other will receive the maximum sentence. The dilemma is that each prisoner has an incentive to confess, even if the other prisoner remains silent, because they will receive a shorter sentence. This is an example of a game with multiple Nash equilibria, where each player has a strategy that is the best response to the other player’s strategy, but no single strategy is the best response to all possible strategies of the other player. The prisoners’ dilemma is a simple example of a broader class of games known as games with incomplete information, where both players have private information about the state of the world. In the prisoners’ dilemma, each player does not know whether the other player has confessed or not. This is an example of a game with hidden information, where the players have private information that is not revealed to the other player. 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Employers who want to attract more job applicants particularly younger ones — should talk about their work-life balance policies when recruiting, suggests research by Shainaz Firfiray.

The WBS academic’s experimental study involving 896 MBA students aged between 26 and 40 found that people were more likely to apply for a job that promised flexibility than for an equivalent role offering healthcare benefits or no benefits at all.

“There is already a lot of anecdotal evidence and research suggesting that many employees have difficulties managing work as well as their personal commitments,” says Firfiray, Assistant Professor of Organisation and Human Resource Management. “The last European Quality of Life Survey found that 22 per cent of people in employment are not satisfied with their work-life balance.”

Given this it is hardly surprising that companies who make a point of promising to help employees find that balance have an advantage over their peers.

Despite this, few companies that offer such benefits mention them on the recruitment pages of their websites. “If they did mention it they would find that putting up even a small amount of information might help them to attract more applicants,” says Firfiray.

Another finding of Firfiray’s research was that work-life benefits were more popular with ‘millennials’ – people who reached adulthood around the turn of the century – compared to members of Generation X – generally seen as those born between the 1960s and the early 1980s.

“As people get older they may have more healthcare needs and therefore be more attracted to the benefits of healthcare,” she says. “Future research could work to isolate the effects of age and other demographic factors.”

It also suggests employers could do more in the meantime to look at how to tailor the benefits they offer to the specific needs of the demographics they are targeting with their recruitment advertising.

But getting new employees through the door is only the first part of the process, which is why Firfiray’s latest research examines what happens next. What she found suggests organisations that want to take full advantage of the business benefits of their work-life balance policies need to do more than put them on their websites or include them in the employee handbook.

Such policies can mean employees feel more committed to their employer and therefore less likely to leave – avoiding all the associated costs of staff turnover – but only if managers endorse and support them.

“Work-life balance policies attract potential employees, but they do not make them more likely to stay on unless they can see the policies are supported by the organisation and by their direct supervisor,” says Firfiray. “Employees need to feel confident that taking advantage of such a policy will not harm their career prospects.”

In other words they need to be reassured that it is okay to actually use the policy.

“This means that work-life balance policies have to be accompanied by a change in organisational culture,” says Firfiray. “There needs to be greater openness about discussing the needs of employees as well as those of the organisation, and the assurance that the policies won’t create any negative outcomes in terms of careers.”

This level of change will often require employers to make a significant cultural shift in order to convince staff — including the managers whose endorsement is critical to employees’ trust — that this support of work-life balance is genuine.

Entrepreneur Lizzie Penny, however, has taken a somewhat different view. The WBS graduate argues that real work-life balance requires not simply a cultural change, but a structural one.

“It needs the sort of radical change that only entrepreneurs are confident to do at this stage,” says Penny.

She is speaking from experience. In 2009 she set up a marketing agency called Futureproof. For a number of years it operated on traditional agency lines, eventually growing to 30 employees, but in May last year it became a fascia of The Hoxby Collective, a flexible working community, who provide outsourced support functions of which she is co-founder and joint chief executive.

Penny no longer has employees, instead “curating teams” of individuals, who take on projects on behalf of The Hoxby Collective’s clients. Those individuals come in the form of roughly 125 freelance associates in 12 countries; 18 of Futureproof’s former employees – made redundant when Penny changed the model – are among them. It also has a number of self-employed equity partners’ who, between them, own a quarter of the business and share in its profits.

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And it is always profitable, says Penny, as it makes a margin on the day rates charged by each associate.

“We make a profit every month, clients get exceptional value and all associates set their own day rate, so they get paid exactly what they think they deserve,” she said. Associates, who are free to take on projects for other clients, can also choose when and how they work, whether that is term-time only, a day or two per week, evenings only – whatever suits them. Real work-life balance means having the ability to fit work around life, not the other way around, says Penny.

“Everyone is freelance or self-employed,” she says. “We believe that people can only truly get a proper work-life balance by being their own boss. We also think that, while self-employment is on the rise, it comes with some challenges. It can be quite isolating and you can’t deal with big businesses because of their payment terms.”

Penny is quick to explain, however, that The Hoxby Collective is more than a platform connecting freelancers to clients. Associates are screened before being added to their roster, as the business vouches for their work. And each project is assigned to a team of people rather than one person; it is the only way to make sure that both the client’s needs and individual worker’s work-life balance choices can be met at the same time.

The end result is good for workers, for the partnership and for the business that use its services, argues Penny. “But getting new employees through the door is only the first part of the process, which is why Firfiray’s latest research examines what happens next. What she found suggests organisations that want to take full advantage of the business benefits of their work-life balance policies need to do more than put them on their websites or include them in the employee handbook.

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Maybe the future of balancing work and life will not be shaped just by changing job advertising, but by changing the nature of work itself.
Think differently
Andy洛克特 Dean of Warwick Business School

Nausea
Jean-Paul Sartre

I read Nausea during my late teens, not because I was angst-ridden, but because I was curious about the meaning of existentialism.

I can’t say it was an easy read, but it was certainly one that benefitted from perseverance. What it taught me was the importance of not seeking meaning in the outside world, you can give meaning to your own life. We are all self-authoring our existence, always becoming, and if it were not for the contingency of death, it would never end. For me the message was uplifting, but I confess that I did have to read the book more than once before I made of it an even better gift for a friend. Even now, it is a powerful way to drive home the message that everyone can make decisions for themselves.

Sennett succeeded in striking a personal chord with me. He explores the nature of craftsmanship, which he defines as ‘the desire to do a job well for its own sake’.

He suggests that this is routinely undermined in the contemporary economy where more emphasis is placed on quick results and throwaway products.

He does not merely lament this trend, but highlights how craftsmanship is an enduring human impulse that is always striving to find its full expression. Indeed, there is much to be learned from the books for those working in modern organisations.

People in organisations today often find themselves subject to myriad outputs and to the process of work itself can confuse meaning and a sense of purpose into what we do.

In turn, this is likely to yield more interesting outputs as a result. The point is that people have a basic desire to do good work, but this is often mismanaged by organisations that socialise them into routines that are anathema to craftsmanship.

As Sennett concludes, ‘Society can collude in that mismanagement or seek to rectify it.’

Love my job
Crawford Spenge Professor of Accounting

The Craftsman
Richard Sennett

This would make a great present for anyone curious about how we make decisions. It summarises a body of research on the psychology of judgement, decision-making and behavioural economics that saw Kahneman receive the Nobel Prize for Economics (even though he is a psychologist) in 2002.

Kahneman leads the reader through various decision-making biases so that they also fall into the trap of making sub-optimal decisions.

Experiencing this for oneself is a powerful way to drive home the decision-making biases presented.

The book has a great impact on improving your ability to make decisions.

Spot my biases
Dawn Eubanks Associate Professor of Behavioural Science & Strategy

Thinking, Fast and Slow
Daniel Kahneman

This book changed the face of Western accounting and played a major part in the decline of a genre of large businesses called conglomerates by putting a brake on corporate acquisition activity. It also changed the way we think about published accounts, introducing caution, scepticism and occasionally suspicion.

Acquisition activity had appeared much more successful than it really was through perfectly legal but misleading accounting. It is now generally accepted that more than half of all acquisitions destroy value. Before this book that was anything but clear.

As a young finance director I taught me that accounts are only as good as the questions you ask.

Having charged businesses over two decades I have developed a healthy scepticism about the stories accounts and reports intend to tell.

Smith unveiled the many practices corporates legally used to distort their financials on a grand scale when making acquisitions.

Profits were enormously inflated by myopic acquisition activity which not only undermined the sustainability of the business but also undermined the market position to influence prices.

The cash produced plus the sell of idiosyncratic assets increased their share price and allowed further acquisitions to be made. Eventually City investors realised that this approach had little prospect of creating growth and frequently destroyed value.

Kahneman’s book was a catalyst to think differently about leadership and management in general.

It’s impossible to do Confederacy justice summarily - trying to remind us of one of the world’s greatest thinkers.

The simplest thing to say is thinking about it makes me smile.

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Ask questions
John Colley
Professor of Practice

Accounting for Growth
Terry Smith

This is a compellingly written book about an incredibly important subject. Rajan sees the financial crisis as the outcome of deep imbalances in the whole global economy. He explains, in easy to understand flowing language, why deeper problems in the economies of the West and the East combined to generate a subprime crisis in the US and then a global financial crisis.

Of all the books using economics to analyse the state of our world this is the one I find most credible and most engaging. It is not a narrow analysis of the flaws of the banking system. Instead it explains why a banking system established on these lines serves a deeper end of delivering credit to large sections of the population whose incomes are stagnating.

This is not a book that assaults the reader with statistics as to the inequality in the East or the size of China’s foreign exchange balance. But, rather it explains why the export-fuelled path to growth can be a motorway with no exit, which ultimately leads to stagnation.

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Washington DC, founded in 1791, is the seat of power in the US and the Western world. Home to the White House, Congress, Supreme Court and the President, it houses a host of national monuments. Washington DC is a particularly special time to visit during the National Cherry Blossom Festival. Each year, in late March or early April, 1,700 Cherry Blossom trees, a gift from the people of Japan in the early 1900s, bloom around the city’s Tidal Basin. It’s a beautiful site and attracts visitors from around the world. For a quick lunch, visit the many food trucks that line-up along Farragut Square for an affordable and tasty meal. Ben’s Chili Bowl, a DC landmark serving the city’s “half-smoke” – similar to a hot dog but spicier – is also a favourite among visitors and the President! For those seeking a more elegant dining experience, a drink at the Round Robin Bar in the iconic Willard InterContinental Hotel, a venue steeped in US political history, will set the right tone for any evening. Then walk or take a taxi to one of my current favourites, Brabo or Founding Farmers.

Where to eat
Washington DC’s culinary scene has experienced a renaissance in the past decade, with dishes from around the world. For a quick lunch, visit the many food trucks that line-up along Farragut Square for an affordable and tasty meal. Ben’s Chili Bowl, a DC landmark serving the city’s “half-smoke” – similar to a hot dog but spicier – is also a favourite among visitors and the President! For those seeking a more elegant dining experience, a drink at the Round Robin Bar in the iconic Willard InterContinental Hotel, a venue steeped in US political history, will set the right tone for any evening. One such park is Dupont Circle, a major social landmark playing host to markets, small festivals and all sorts of leisurely gatherings. The circle is also surrounded by great shops, cafes, bars and restaurants, ensuring something of interest for every visitor. For those looking for a more casual setting, Gravelly Point, on the other side of the Potomac River, boasts some of the city’s most scenic views. For those looking for something of a renaissance, Georgetown’s cobblestone streets are lined with a wide variety of shops. M Street and Wisconsin Avenue serve as the neighbourhoods two main arteries, with plenty of quaint side streets. Across the river in Virginia, Alexandria’s King Street, also hosts an impressive shopping corridor with an 18th century vibe.

Where to shop
Georgetown, nestled along the banks of the Potomac River, boasts some of the area’s best shopping. Georgetown’s cobblestone streets are lined with a wide variety of shops. M Street and Wisconsin Avenue serve as the neighbourhood’s two main arteries, with plenty of quaint side streets. Across the river in Virginia, Alexandria’s King Street also hosts an impressive shopping corridor with an 18th century vibe.

Where to chill out
Frenchman Pierre Charles L’Enfant designed Washington DC in the late 18th century and ensured that parks were prominently and equally placed throughout the city. As a result, there are many settings to relax in and enjoy the weather. Surrounded by great shops, cafes, bars and restaurants, ensuring something of interest for every visitor. For those looking for a more casual setting, Gravelly Point, on the other side of the Potomac River, boasts some of the city’s most scenic views. For those looking for something of a renaissance, Georgetown’s cobblestone streets are lined with a wide variety of shops. M Street and Wisconsin Avenue serve as the neighbourhood’s two main arteries, with plenty of quaint side streets. Across the river in Virginia, Alexandria’s King Street also hosts an impressive shopping corridor with an 18th century vibe.

Sights not to miss
Any visit to Washington DC should include a stroll through the National Mall. Anchored on either side by Capitol Hill and the Lincoln Memorial, this two-mile park boasts some of the city’s most popular attractions. Walking through the Mall, visitors can see the Washington Monument which has an elevator to the top, the White House, many memorials commemorating notable leaders and national heroes, and a wide variety of museums, including the National Gallery of Art, that showcase topics from American history to air and space travel.

Nearby cities to visit
Surrounding Washington DC are a number of historic quaint towns. Fredericksburg, Middleburg and Leesburg are all good options for a day-trip and each host impressive commercial districts with good food, shopping and attractions. The Amtrak train takes visitors from DC’s beautiful Union Station to Richmond, Baltimore, or Philadelphia, each in less than two hours.

Patrick Cropper, Warwick Business School MBA graduate and Principal at aviation consultancy ICF International, tells us about his home city named after one of the US’ founding fathers George Washington.
Beijing is full of history and is renowned for its opulent palaces, temples, parks, gardens, tombs, walls and gates, while its art treasures and universities have made it a centre of culture and art in China. Beijing has seven UNESCO World Heritage Sites – the Forbidden City, Temple of Heaven, Summer Palace, Ming Tombs, Temple of Heaven, Summer Palace, and the Grand Canal. It used to be a factory, but now 798 Art Zone has been transformed into an avant-garde district with galleries, design studios, art exhibition spaces, artists’ studios, fashion shops, restaurants and bars. It feels very refreshing and relaxing going there on a lovely day with friends!

If you want to experience the traditional Chinese courtyard, Double Happiness Beijing Courtyard Hotel has very good reviews.

Located in northern China Beijing is full of history and is renowned for its opulent palaces, temples, parks, gardens, tombs, walls and gates, while its art treasures and universities have made it a centre of culture and art in China. Beijing has seven UNESCO World Heritage Sites – the Forbidden City, Temple of Heaven, Summer Palace, Ming Tombs, Zhoukoudian, Great Wall, and the Grand Canal. The 2008 Olympics saw it build a host of spectacular modern stadia including the National Stadium. The best time to visit Beijing is April and May or September and October when the weather is pleasant.

**Where to eat**
Beijing Roast Duck is a must-try for visitors! While Quanjude is the most well-known restaurant for this, Dadong and Bianyifang are also highly recommended. Xi He Ya Ju, sitting in a traditional Chinese courtyard near Ritan Park, is one of my favourite restaurants. It has an outdoor courtyard that is perfect for alfresco dining, but make sure you book a reservation early. The gong bao prawns and roast duck are highly recommended. If you want fine dining with western cuisine try Temple Restaurant Beijing or Capital M.

**Where to chill out**
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**Where to shop**
Wangfujing Shopping Street offers a one-stop shopping experience: food stalls, book stores, souvenir shops and large shopping malls with international brands, there is something for everyone! Nanluoguxiang, on the other hand, is a preserved alley (Hutong) with a lot of small but interesting shops and food stalls. Silk Market is always popular among tourists – you can find everything you want from Chinese crafts and pearls to watches and handbags, plus practicing your bargaining skills with multilingual salesmen can be fun! One of my favourites is Parkview Green Fangcaodi. Stunningly designed, it offers more than a shopping experience - there is also a museum, an art gallery, and a boutique hotel with tropical garden.

**Nearby cities to visit**
Tianjin, only half an hour away by high speed rail, is an important port city in Northern China with some charming European-flavoured neighbourhoods. Make sure you try its steamed stuffed bun (baozi) and fried dough twist (mahua). If you are a ski fan visiting in the winter, Zhangjiakou is the nearest city that has ski resorts and will co-host the 2022 Winter Olympics with Beijing.
Trailblazer Khan takes his chance

From smashing boundaries on the field to breaking new ground off it, CEO at Leicestershire County Cricket Club Wasim Khan has become one of the most important men in English cricket. Ashley Potter travels to Leicester to meet him.

When Wasim Khan sat in the alleyways of inner-city Birmingham chiselling a picket fence post into a cricket bat with his mum’s kitchen knife, little did he realise it would lead to a lifelong career in the sport.

Khan has been breaking barriers ever since. When in August 1992 Khan strolled out to bat for Warwickshire in the Sunday League clash with Northamptonshire at Northampton’s County Ground he became the first Englishman of Pakistani origin to play professional cricket in the country, and the first Muslim. He had already been the first to captain England Under-19s.

On the cricket field Khan won the NatWest Trophy and County Championship with Warwickshire, but it is off the field where he has made his name and continued to break down stereotypes.

First he became Cricket Foundation’s CEO of Chance to Shine raising £50 million to help children play cricket in inner-city schools and now he is the first non-white CEO of a county cricket club, as he tries to lift the game for England Under-19s – I am a hero, I was there on merit and everybody respected that.”

He said: “I think you might have something; I want to send you for trials at Warwickshire Under-13s. I had no cricket whites, and I had never faced a proper cricket ball, but I turned up at Edgbaston for trials.”

Mr Bolland had unearthed a gem in his own playground. Khan not only impressed but was made Warwickshire Under-13s captain, despite being the only state schoolboy in the squad of 13.

“At was the innocence of youth, I knew with a bat in my hand I was quite good,” says Khan. “The hard ball didn’t scare me, it was just like - bring it on!”

“I was fortunate, unless Mr Bolland had an interest in cricket I probably wouldn’t have been spotted.”

Unfortunately Khan’s father, Gulzar, never saw him play professionally, as he died from a heart attack at just 49. With Khan only 15 he saw cricket as his lifeline and pursued it with an even deeper desire.

“My mum came from a very traditional Muslim background,” says Khan. “She would support me, it was more my uncles questioning why I was wasting my time hitting a ball around.”

Luckily he carried on wasting his time and was offered a full-time contract by Warwickshire at 18. Growing up in England in the 1980s was hard for many Asians, with racial abuse commonplace, but Khan didn’t find any barriers to his rise to prominence, as he became a symbol for his community.

“I didn’t face any problems, I blended in well,” says Khan. “I understood I needed to adapt to the environment as much as the environment needed to adapt to me. I realised that at quite a young age, and I was accepted.”

“There were no issues, sport crosses all ethnic divides – that is the power of sport. There I was as an Asian boy scoring a century and winning the game for England Under-19s – I am a hero, I was there on merit and everybody respected that.”

The likes of Monty Panesar, Ravi Bopara and current England spin king Moeen Ali have followed in Khan’s footsteps, but the 45-year-old believes there is still more the sport can do to bring cricket-mad Asians into the fold.

“I think every county can do more to tap into the Asian market,” says Khan, who has recently been appointed to the board of Sport England by Culture Secretary John Whittingdale. “There is a lot of good work being done by the England Cricket Board and the counties in terms of...
trying to engage communities. In Leicester more than 50 per cent of the city is non-white, so there is a huge amount we can do.

"I still think there is a bias towards public schoolboys in county cricket for no other reason than they have the best facilities and the best coaches, while state schools have issues around teacher time and facilities. But it can be done, inner-city Birmingham has produced 15 first-class cricketers in Small Heath – a three-mile radius where I grew up."

After seven years at Warwickshire and then stints at Sussex and Derbyshire Khan decided to move into coaching at 31, before he received a call out of the blue in 2005 that he would change his life.

"An unassuming voice said: ‘Is this Wasim Khan?’ I said: ‘Yes’ and she said: ‘I have Mervyn King, Governor of the Bank of England on the other line who would like to talk to you’. I wasn’t sure what I could teach him about economics but the voice came on the line and said: ‘I have this vision of getting cricket back into state schools, where it had largely disappeared. As somebody who had only ever played cricket the Chance to Shine campaign was a huge strategic and organisational challenge."

"I had three KPIs and I sort of worked backwards from there,” says Khan. “Cricket has 39 county cricket boards across the country, so we had a natural network to work through and then it was trying to work out how we build a scalable programme. Using the coaches from the board, they were our delivery arm, we brought in Loughborough University to evaluate the social and educational impact of the programme. We were raising and spending £6 million a year of which only 17 per cent were on our overheads, all the rest was directly raising and spending £6 million a year of which only 17 per cent were on our overheads, all the rest was directly"

"By any measure the campaign was a huge success. It reached 2.5 million children, one million of them girls, visited 10,000 schools that had not played the game before and, Khan believes, has left a lasting legacy, especially in the rise of women’s cricket."

King wanted Khan to help raise £25 million with the Government promising to match it, engage with two million children and bring cricket to a third of state schools, where it had largely disappeared. As somebody who had only ever played cricket the Chance to Shine campaign was a huge strategic and organisational challenge."

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Its impact saw Khan awarded an MBE in 2013 for services to cricket and community and a private lunch with the Queen and Prince Philip.

"I thought it was a tax letter,” says Khan. “I didn’t open it for three days. It was pretty incredible, there were only five of us in the room for two and half hours. It was like sitting with your Grandma in a café putting the world to rights."

The campaign also inspired Khan to learn more about strategy and running an organisation and he enrolled to do an Executive MBA at Warwick Business School.

"Because I had no formal education I felt it would support me down the line, I felt I was ready for academia,” says Khan. “I had a real thirst for learning and Warwick was right up there in terms of its recognition as an institute."

The MBA gave Khan the confidence to go for the CEO position at Leicestershire when it arose, despite the county not having won a first-class game for more than 50 years. "It was like sitting with your Grandma in a café putting the world to rights.”

The MBA gave Khan the confidence to go for the CEO position at Leicestershire when it arose, despite the county not having won a first-class game for more than two years and suffering four consecutive annual losses. Within a year he had turned a £250,000 loss into a profit.

"We are investing quite a lot into our ground, with new floodlights and stands, developing the culture here, getting the right people doing the right jobs and empowering people, who were unhappy to be here,” says Khan.

"We are selling a vision about where we want to be, local companies are getting involved and for the first time we have a five-year naming rights for the ground."

"By 2019 our aim is to be the leading non-international cricket club in the country, and in division one. We have recently been selected as one of five venues for the ICC Women’s World Cup in 2017."

After leading the first wave of Asian cricketers into the English game, Khan is hoping his move into the boardroom will inspire more from the country’s ethnic minority to follow him.

"To be the only non-white CEO across any professional sports organisation in this country is a pretty sad statistic,” says Khan.

"I implore Asians to not just think about the playing side, but about the administration as well and get yourself in a position of influence to do a lot more."

Bringing more ethnic diversity into the country’s boardroom is one barrier that campaigners have tried to break for some time. Some are calling for positive discrimination to end the cycle of white middle-aged men appointing white middle-aged men.

"I am not a huge fan of that,” says Khan. “There is more of an educational piece needed rather than forcing people’s hand. They may do it because they have to, but they will not really embrace it or place a value on it. Rather than telling people 25 per cent of boards should be female or BME, people have to see the value, meritocracy is something I believe in.

"I like the idea of independent nomination boards. De Montfort University is helping us do this, it has been through it all before and has a very good board now."

It might be the biggest barrier Khan has faced yet, but don’t bet against him breaking this one too.
always knew I wanted to start my own business. I remember in my teens trying to sell ‘sandwich toastea bags’ with my friend, George, at a car boot sale in Redditch, and getting the flu in the process. I think we just about broke even!

The inspiration for Ugly Drinks came from noticing a general shift in public perception around sugar and sweeteners in drinks.

Joe and I are very conscious of the health of the nation, diabetes and obesity levels are increasing, which has an impact on the NHS - the numbers are just staggering.

Also, we both worked in the drinks industry with Vita Coco and we noticed people were looking for the option of a drink without sugar or sweetener in it, but wasn’t water and still had a flavour. When we looked on the shelves we couldn’t see anything like that anywhere.

There should be a choice for consumers, so we wanted to create a fizzy drink that had all the fun of the big brands, but was also healthy. We want people to get excited about the drink, have that great taste and the bonus is it has no sugar or sweetener or anything artificial in it. We are filling the gap between water and traditional fizzy drinks, and it still gives you that ‘cold can’ moment.

We started in 2015, developing an unsweet fizzy drink infused with fruit and launched it in 2016.

My job – alongside other founder responsibilities – is to look after the marketing and brand, whether it is social media, PR or anything out in the market. Every day is different, we could be doing in-store sampling, meeting PR agencies or out in the street selling cans.

We look for obstacles, because that is when you learn... For a start-up you need that persistence to keep knocking on doors and optimism that the next one will open.

Having your own company is great; the ability to literally do whatever the team’s imagination conjures up is a real joy. It is our call, Joe and I make the decisions. That freedom and ability to be creative is amazing.

We have total autonomy, and although there is nobody there to help you if things go wrong, when you see your thoughts and decisions play out in the marketplace it is exciting. One of the best feelings was the first day when we saw Ugly Drinks on the shelves in Selfridges and seeing somebody buy it for the first time.

The Ugly brand draws inspiration from chefs, and the way they mould together cookery, science, marketing and art, craft beer, street artists like David Choe, and filmmakers like Casey Neistat.

Our mission is to make healthy drinks accessible to as many people as possible, geographically and through the price.

Ugly stands for being beautifully different, we champion individuality and believe in people putting their stamp on the world in their own unique way.
The fintech revolution might be a worrying sign for the traditional banks, but Jonny Paul finds it could mean a cheaper and easier way to manage our finances.

The digital savvy

Research published by the payment infrastructure provider VocalLink shows that 84 per cent of UK people are making mobile payments, and 46 per cent using them for mobile banking. People are generally more digitally-savvy today and want a faster, smarter experience and competitively priced products. Fintech is providing solutions that enhance the consumer experience, encouraging interaction, inclusion and better outcomes.

Markos Zachariadis, Assistant Professor of Management and Information Systems at Warwick Business School and co-founder of the WBS PayTech Conference, says that cash is still the most popular way to transact globally, but as of 2015 cashless payments were more popular in the UK than cash.

In modern economies, cash can sometimes be deemed as having a more suspicious and sinister purpose. Zachariadis says, especially high denomination notes that are easy for the criminally inclined to transport and launder. There has been a move to ban the €500 note in some sectors,” says Zachariadis.

“What may be the case one day is that carrying cash could be seen as a sign of misconduct.”

Payment innovation and the adoption of technology can certainly help as people move towards mobile payments, and abandon cash and plastic,” he says. “The more these become accepted at the point of sale, the closer we will get.”

Certain demographics use cash, such as lower income groups, and will continue to do so, argues Lisa Moyle, techUK’s Head of Programme, Financial Services and Payments.

“The products and service offerings will have an impact, but there needs to be more understanding as to why they still use cash,” says Moyle. “Financial and digital inclusion also needs to be addressed further and the underlying payment structure needs to move to real-time payments. We are moving in the right direction, but there are still some stumbling blocks.”

Millennials expect everything in real-time, according to Volker Breuer, CEO of Fintech Forum, which is a money transfer app where friends can send money to each other in real-time.

Breuer says: “You push a button and your friend instantly gets digital content - messages, photos or videos, why should digital payments work differently?”

The sharing economy

One problem the payment sector faced was that actual settlement cycles were still measured in days.

“This involves risk mitigations and therefore costs, but you can prevent this on the digital peer-to-peer platforms,” he says.

For Pinar Ozcan, Associate Professor of Strategic Management at WBS, the success of sharing platforms, such as Uber and Airbnb, is playing an increasing role in the way consumers acquire goods and services.

She says: “Many of these sharing platforms use mobile payment technology, which in their growth will encourage the growth of PayTech. These platforms encourage business at an individual level, rather than going through conventional companies. Calling for a taxi through Uber or booking a room on Airbnb involves apps. All don’t use mobile payment technology, allowing you to send a payment with one click.”

The introduction of Apple Pay, and other digital wallets that aggregate electronically our plastic cards, could further challenge the bank and make payment agility, easy access and the ability to make transactions seamless and swift.”

The champion of the movement was P2P payments, and the first of their kind to go digital was PayTech.

The introduction of PayTech UK cash machines will remain the main method by which consumers acquire cash over the next 10 years. However, the trade body says cash payments are set to decline by 30 per cent by 2024, from 18.1 billion in 2014 to 12.6 billion. This would see cash represent around 33 per cent of the total volume of consumer payments, down from 53 per cent in 2014.

The government and regulators are hugely supportive of giving fintechs access to the payment system infrastructure to improve competition and consumer choice.

As a Government, we’ve also been working on how fintechs can make better use of bank data on them externally as well as having an open API standard in UK banking,” said Baldwin. “This would, for example, enable fintechs to design phone apps that help customers manage their money better.”

Andy Reiss, a former Cabinet Office adviser and director of Ffrees, a consultancy that advises on competition and regulation, believes for many disruptive technologies, lower cost solutions can threaten incumbents.

“However, for payment systems, some of which operate in relatively uncompetitive markets, lower costs may not be passed on to end users,” says Reiss.

“PSD2 and other regulatory interventions are posed to help new entrants break through the competitive barriers. This could pave the way for more digital and mobile alternatives to cash, as well as broader disruption across banking and other financial services.”

Democratising banking

With the huge inflow of investment, fintechs can move quickly to increase payment security and expanding innovative mobile offerings that make a more compelling case to transact using technologies.

While fintech is without doubt the champion of the movement towards cashless, the consumer is the ultimate winner. With far more choice, more rounded and tailored solutions and new ways to engage with the financial system, outcomes for consumers can only get better.

“In the increasingly digital and therefore cashless society, there is a terrific chance to address many of the issues around financial inclusion that have for years appeared unsolvable,” says Alex Letts, founder of Ffrees, the current account that doesn’t do credit checks.

“Digital banking companies like Ffrees are working off a low-cost digital footprint. They have a generational opportunity to offer democratised access to fairly priced products and services that the legacy operational model of the established banks simply can’t deliver. Gone are the days of schlepping to the bank or ATM – away from cash.

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The end of capitalism?

Mark Piesing explores how Uber has unleashed a movement that could change the face of how we live and work

And this process has a name. It is called ‘Uberisation’. While Uberisation may mean different things to a venture capitalist and a licensed taxi driver, it is a process that has a number of components everyone can agree on. It combines the use of real-time data, mobile payments, instant gratification, use of workers or buildings not employed or owned by a company (described as being ‘decoupled’), and dynamic pricing to create a new low-cost, on-demand economy that could manage what Karl Marx failed to do and bring about the end of capitalism as we know it.

What Uberisation means to me is that the premium services we buy are easier for us to find and use by decreasing both our search costs as a customer and the marketing costs of the seller to near zero,” says Ola Henfridsson, Professor of Information Systems and Management at Warwick Business School. “Digital technology enables a market to develop between people that might not have existed before, and this has been called the sharing economy. I use my BMW for an above average 40 minutes a day and for the rest of the time it stays in the parking lot. From an economic standpoint this is very inefficient. However, what if I could safely rent it out while it is parked and know that it would be back by 5pm? Well, I would. That’s what Uber does. It destroys traditional business models (in this case the car hire company). It may even start to destroy capitalism itself as the autonomous vehicles that companies like Google and Uber are developing don’t need drivers, so taxi services like Uber will be so cheap that we will stop buying so many cars, because there would be no reason to want to own a car when you could get such an on-demand service at such low cost.

If ownership becomes less important and ownership is important for capitalism, as we know it to function, well then. “The same is true for Airbnb. I have a four-bedroom house with an annex and I could rent it out to the bowling players in Victoria Park in the summer. Now Airbnb provides me with the mechanism to choose who I let stay and earn £50-70 for a night. It is good for the economy as I am reusing empty space and it’s good for me as every pound I earn is profit. It won’t destroy hotels, but it will reduce their number.”

What is more, the network effect is a phenomenon by which a service like Uber or Airbnb becomes more valuable the more people use it, and this effect, Henfridsson believes, accounts for their strategies of growing as quickly as they can, as well as the winner-takes-all culture that they have to competitors, regulators and journalists.

Losing jobs

However, critics argue that rather than a revolutionary new economic system, it is classic red-in-tooth-and-claw capitalism that makes its money by getting in between consumer and supplier. Henfridsson concedes they may have a point. “It is a difference in degree rather than in kind, as these services operate in a very lean and efficient way.” says Henfridsson. “Just think about the number of people employed by Uber or Airbnb. You hardly notice these apps are there.”

Moreover, the loose coupling gives services like these an additional competitive edge as employing workers or leasing buildings is very expensive. If an Uber driver makes a mistake or if an Airbnb property isn’t satisfactory then they can be quickly replaced. Henfridsson warns that there is a downside to this. He says: “In the industrial revolutions of the past, we have been able to compensate workers with new jobs, but not necessarily this time. We may have to change our mindset as to the nature of work, as this kind of digital technology will release a lot of people from tedious labour-intensive jobs and replace them with – what? The future is unclear. “One solution might be a universal basic income, but someone still has to pay for that.” He believes home energy may be another industry that will be Uberised as new technology will allow homeowners to generate solar power and store the energy for use during the dark. This will create a market for homeowners to share energy with other homeowners and this market will be very difficult for power companies to compete with. Education may be another vulnerable area.

“This may mark the emergence of a new economic system that will spell the end of capitalism and the birth of collaborative commerce,” says Henfridsson. “Whatever it is, Uberisation is an economic force that it is going to be very hard to stop despite the protests of taxi drivers and regulators. If it is not Uber itself it will be something else.”

RESEARCH

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Can SMS save the NHS?

With a rapidly ageing population and a mood of economic uncertainty that refuses to go away, the need for a more efficient National Health Service (NHS) in the UK has been brought into sharp focus. A report by The Health Foundation, an independent charity, predicted an NHS funding shortfall of £2 billion in 2000/01, rising to £9 billion a decade later.

Given this sobering outlook, the potential to cut waste through small behavioural changes in patients or healthcare staff is rightly risen up the agenda. Ivo Vlaev, Professor of Behavioural Science at Warwick Business School, is playing a central role in shaping the debate with research that combines elements of psychology, neuroscience and economics. His recent studies highlight how simple tweaks to text communications with patients and hospital environments could save millions of pounds of public money and improve wellbeing.

In 2009 Vlaev co-authored the MINDSPACE report that preceded the UK Government’s Behavioural Insights Team – better known as the ‘Nudge Unit’ and now a private company part-owned by the Cabinet Office. “The fundamental insight from behavioural economics is that correcting human behaviour to make people less biased and more rational is too difficult,” he says. “So let’s go with the grain of human nature and play on these irrational behaviours to benefit the individual or society. That’s the philosophy of nudge theory.”

Vlaev and colleagues from Imperial College London, the Department of Health and the Nudge Unit, have shown how the content of a text message can reduce non-attendance of hospital appointments. Around five million NHS text reminders per month are sent to outpatients, yet in 2014/15 around 5.6 million (nearly one in 10) NHS outpatient appointments were missed in England. The National Audit Office estimated the cost at up to £225 million. Jeremy Hunt, the Health Secretary, has claimed it is much higher and said in 2015 that he would not “have a problem in principle” with changing people for missed appointments. Surveys indicate that most patients who don’t attend simply forget, but previous research had not investigated the wording of text reminders.

In two trials involving almost 200,000 patients, Vlaev and colleagues found texts spelling out the cost to the NHS of not attending (around £160) had a significant positive effect. Missed appointments were a quarter lower among patients who received such a text compared to those who got a standard SMS about location, date and time. Texts giving a general warning that not attending “wastes NHS money” or asking patients to “be fair to others” if they wished to cancel or rearrange resulted in far less improvement.

The study was carried out in London, which has a particular problem with non-attendance; at Barts Health NHS Trust, with texts sent five days before appointments to the 20 per cent of patients for whom mobile numbers were available. If the impact was the same across England, the intervention could prevent 400,000 cases of non-attendance a year.

This calculation was based on having mobile contact details for one in five patients, so if more were available the savings could be huge. Furthermore, altering SMS messages could hardly be simpler and incurs no additional cost, simply “piggybacking” on the existing service in Vlaev’s words.

He now plans to investigate the principle with letters rather than texts and has also applied for funding to test it with GP appointments in the Midlands. “It could work in primary care and with letters, I don’t understand why it wouldn’t work,” says Vlaev. He has also investigated the power of nudging to help tackle potentially deadly hospital infections, in a study also involving Imperial College London and the University of Miami.

Simple handwashing is vital in preventing hospital-acquired infections, but numerous studies have shown alarmingly low rates in both staff and visitors. Previous efforts to address the issue have concentrated on educational campaigns and have achieved only temporary and modest improvements.

Vlaev’s study, published in the journal Health Psychology, instead explored the potential of “psychological priming” to alter behaviour without the conscious awareness of the people targeted.

More than 400 people were exposed entering the surgical intensive care unit at a Miami teaching hospital. Only 15 per cent of a control group of 120 – who were not given any kind of nudge – washed their hands. But the rate was three times as high (47 per cent) among 160 individuals exposed to a clean, citrus smell pumped out through an aroma dispenser. Another 124 people were exposed to a photograph of a pair of eyes above the hand gel dispenser. In this group, hand washing doubled to 33 per cent when the eyes were male but there was no positive impact if they were female.

Previous studies suggest men exert more social influence than women but the researchers cautioned that the male photo also featured more facial muscles, which could have implied anger.

“Besides it’s thought they don’t alternate as much the eyes of the but subconsciously they’re being watched,” says Vlaev.

Students who drink to excess were more likely to request alcohol-related health information on learning how their drinking ranked among their peers than when told how it compared to official guidelines.

Healthcare is just one of many areas in which behavioural insights are coming to the fore, many UK government departments, the European Commission and the White House have embraced the field, along with a growing number of major companies.

“It brings insights from psychology into the laws of economics to give us a richer understanding of what’s going on and maybe enable us to predict better what will happen,” says Vlaev.

“I think big organisations would benefit from having a chief behavioural officer – a CBO, in addition to a CFO and CEO,” he says. “It also shows how painless changes can trigger behavioural shifts that serve the greater good. Vlaev is ensuring the healthy level of interest in this field continues to grow.”
Making sense of ourselves

Lucy Hodges gets her shoes off to sample how the world of acting can help students become better business leaders

The belief that creativity lies at the heart of business is central to the work of Warwick Business School. For the last five years the creative arts, and drama in particular, have been on the WBS curriculum and available to undergraduate, as well as professional actors, understanding how to influence or CEO of a company.

This idea that business and the arts make happy bedfellows may sound counter intuitive but an emphasis on the arts creates better managers, says Deniz Ucbasaran, Associate Dean for Pedagogy. People with careers in large organisations need creative ideas to succeed and one way to do that is to give them literature to read or a play to take part in.

Thus, students at WBS are given the chance to perform in Shakespeare’s King Lear, learning in an intensely direct way the importance of listening to others, making compromises and becoming a better leader. Or they read Henry V, which is really a play about strategic management, how to implement a project and how to deal with setbacks, according to Ucbasaran. All useful if you are seeking a career in a big corporation.

WBS believes that creativity – defined as acting in or on the world in new and significant ways – is a powerful and universal force throughout the business world. Ucbasaran argues that the worlds of arts and business are intrinsically linked and have been throughout history.

Initially, business students can find acting out a dramatic role mystifying, not to say terrifying. But, they soon get hang of it and end up learning more than if they simply read through the text.

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This is where Chater’s research links to what is being taught in the create space.

“WBS believes that creativity – defined as acting in or on the world in new and significant ways – is a powerful and universal force throughout the business world.”

This space helps students to explore their unconscious biases and ingrained expectations, he says. Learning the craft of acting takes this further.

“The arts are trained to develop an acute awareness of their body, their voice, facial expression, emotions and words in order to be able to create the effects on the audience that their performance requires,” says Libbottson.

This knowledge is profoundly useful to all of us. Every day as participants in organisational life we are required to affect others, to influence, to persuade and to encourage. Being able to achieve these effects with integrity and grace is at the heart of good leadership.”

Students across the curriculum go through the same process as actors learning their craft.

“You need to get skills into your body, your fingers – your imagination,” writes Libbottson in his book The Illusion of Leadership. “And this can only be done experientially.”

To motivate people and get them on board or to get a team fired up by an idea, managers need to take great care of how they express themselves.

In the create space students are learning this self-discipline and awareness, just as actors do, though Libbottson points out that the secret to great acting is not to act at all.

It is a notion that has some support from behavioural science. Research by Nick Chater, Professor of Behavioural Science at WBS, suggests we are all acting, all the time. “We are almost improvisation actors playing a role,” says Chater. “We’re continually improvising our beliefs, preferences and attitudes. This means that situations we are in and the ‘role’ we think we are supposed to be playing, can dramatically shift how we think, from one situation to the next.”

“This means that we are not stuck with a particular repertoire of thoughts and behaviours, we can retrain ourselves to play a different role or character.”

Chater, whose MOOC (Massive Open Online Course) The Mind is Flat on the FutureLearn platform is set to be turned into a book of the same title, argues that our everyday conception of how our mind works is profoundly misleading.

Chater, who is an adviser to the ‘Nudge Unit’, which began as a UK Cabinet think-tank and now works with governments around the world, argues that we are victims of an ‘illusion of mental depth’.

“We imagine that our thoughts and behaviour arise from hidden motives and beliefs, but in reality we have to continually make sense of ourselves, actively creating our own ‘character’ and working out which “story” we are in.”

This is where Chater’s research links to what is being taught in the create space.

“Theatrical techniques are among the most powerful methods we have for helping us make better sense of ourselves, working together with other people, and training ourselves to let go of unhelpful or even destructive habits of thought,” says Chater.

“Playing with new ways of thinking, behaving and interacting with others, can help us become more thoughtful, ethical and effective managers.”

Students are learning through experience the truth of Shakespeare’s famous line “All the world’s a stage, and all the men and women merely players.”
David Brindle looks at why innovations that will improve healthcare are not being adopted more widely throughout the UK’s National Health Service

Health stuck in the slow lane

A nything up to a third of people prescribed drugs for epilepsy are misdiagnosed, it is believed. Quite apart from the human cost, the UK’s cash-strapped NHS could be wasting as much as £268 million a year.

In January 2012, the National Institute for Health and Care Excellence (NICE) recommended that all adolescents with epilepsy should be assessed in a transition clinic.

Excellence (NICE) recommended that all adolescents with epilepsy are assessed in a transition clinic. But, three years later, the proportion of hospital trusts offering such clinics had risen only from 30 per cent to 38 per cent.

The recommendation was widely throughout the UK’s National Health Service. There is now recognition that repeated structural reorganisation, which the Government says it has ended, may have damaged the level and availability of organisational knowledge in the health service.

In the end, success or failure of knowledge mobilisation – not necessarily early adopters of innovation, but opinion leaders who have credibility within an organisation and with peers beyond – may also shape the organisation’s culture and its receptiveness to innovation.

This emerges in Swan and colleagues’ book in an analysis of how health sector managers use knowledge. Gerry McGivern, another of the book’s many NHS contributors, led a study at six sites of their “epileptic fit”: a how the stances they took on epistemology – or knowledge theory – determined what innovations they adopted.

The simple linear model of knowledge transfer was refined during the 1990s in response to the evidence-based medicine (EBM) movement, which believed that doctors and other clinicians would increasingly seek out knowledge to improve the quality of care they offered.

This led to the idea developed in Canada and elsewhere, of knowledge translation, a more dynamic and iterative form of transfer. But neither EBM nor, more recently, the vague for patient empowerment through voice, choice and control appears to have strengthened our understanding of the demand side of the equation sufficiently to bring it into productive balance.

An influential NHS paper in 2011, Innovation Health and Wealth, posited that successful diffusion of innovations came when there was in fact a three-way balance of top-down pressures, bottom-up pressures and what it termed horizontal pressures – things like collaboration, competition and peer influence.

It is these horizontal factors that play a key part in the new book’s exposition of knowledge mobilisation, which it argues is achieved “with words and deeds” and very often through everyday encounters and conversations as much as in response to strategic initiatives.

In the end, success or failure of knowledge mobilisation can depend on something as mundane as availability of a meeting room says Swan.

“I understand what it is that people do where they go, the importance of social space – all of this is part of what we need to know about processes and practices.”
Wild West of the internet

With the Internet of Things set to bring our whole house and car online Mark Piesing discovers how stopping our data being hacked will be even more difficult

It can take an absent-minded click on an attachment that appears to have been sent from a friend and you can find yourself locked out of your own computer or your files encrypted. This frightening scenario is down to malicious software, or malware, known as ransomware - the only way to release your computer is to pay a ransom to the criminals who sent it.

One particularly nasty piece of ransomware called Cryptowall has been estimated to have made $325 million so far. Now you would hope that the companies that look after your personal data would not make similar mistakes - but you would be wrong. Famously, in July 2015 hackers stole the personal details of 32 million members of Ashley Madison, a site for people looking for an affair, and then released it all online. It is still unknown how the hackers gained access.

In October 2015, UK mobile network TalkTalk and then a new Jeremy Corbyn’s Labour party and its website hacked. The cost to the company was £60 million and 101,000 disgruntled customers. However, both of these are minnows compared to the hack of the personal details of 80 million customers from US healthcare insurance giant Anthem earlier in 2015.

“Hacking has become big business because, in the digital economy, personal data is worth a lot of money,” says Mark Skilton, Professor of Practice at Warwick Business School. “This is only going to get worse as we become more connected. There is a continuum of threats, from brute force attacks that occur in broad daylight through to malware, which can be on your computer for years without you knowing it. New technology like the Internet of Things (IoT) also brings new opportunities for hacking that haven’t been seen before.”

IoT is a vision of the future in which tens of thousands of devices, from fridges to traffic lights and cars, are connected to the Internet and use it to share data with each other. Many of the early IoT devices marketed so far have been shown to be pretty easy to hack - and alarmingly this includes cars.

“Some are even saying that privacy is gone for good, so get used to it. The law certainly hasn’t caught up with what legislation a digital economy actually needs.”

“It is the ‘wild west’ out there, but we can do some things to protect ourselves, like checking the identity of those who appear to be sending us an email with something as a simple as a phone call to make sure they are who they say they are or even just choosing reliable and well known cloud services or website brands that encrypt your data. If you are using unknown website services you can be vulnerable to computer viruses or other unwanted attention to your personal data.”

New projects are growing up in response, such as HAT (the Hub-of-All-Things). Led by the University of Warwick and involving five other UK universities, it looks to allow people to keep all their personal data in one place securely, instead of being dotted around the internet. It will allow people to use their data to get better deals with banks and shops instead of it being owned by internet giants such as Facebook, who sell it to advertisers. It is also working with app developers to design new online services for users, so people can monetise their own data.

Skilton adds: “Every new human innovation that breaks the old paradigm also breaks the rules that were designed for it, but we have as a species all the creativity we need to respond to it.”

Watch Mark Skilton’s film ‘What is the Internet of Things’ at wbs.ac.uk/go/core

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