

impact
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the
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ISSUE 20



SUCCESSFUL SUCCESSION: HANDING OVER THE TORCH
BUSINESSES MUST LISTEN TO **AL GORE**
GENERATION Y: A FORCE FOR GOOD

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3 Technology

HAVING IT ALL?

Generation Y, often maligned as work-shy prima-donnas, have had a positive influence on the workplace, says Best Companies Chief Executive Jonathan Austin.

4 Big ideas

GLOBAL WARNING

Al Gore, the former US Vice-President, won the 2007 Nobel Peace Prize for the campaigning he has done to raise awareness of the dangers of global warming.

6 Big issues

SUCCESSFUL SUCCESSION

Planning for succession is an increasingly important aspect of corporate governance, but very difficult to do well. *The Business Review* provides some tips.

8 Case study

DELIVERING THE GOODS

When Guernsey Post hired an interim HR Director to help it accelerate a culture change programme, it got more than it bargained for.

10 Trends

MIND THE GAP

While marketers claim that their ultimate objective is to 'delight' their customers, new research suggests that they are doing exactly the opposite.



Christine de Largy

Managing Director,
Impact Executives
Global Interim Management

AS WE SETTLE DOWN into 2008 succession issues are featuring at the top of many organisational agendas, from football, religion and royalty to business and politics.

England is crossing its fingers that Fabio Capello, the new manager of its national football team, will dig the sport out of the dumps former coach Steve McLaren left it in. Tibet's spiritual leader, the Dalai Lama, recently proposed a fundamental change to the selection process of his successor, saying the new incumbent should be chosen by ballot rather than a series of esoteric tests to establish reincarnation. The Prince of Wales is now in his 55th year as heir apparent to the British crown – a position that seems to grow more uncomfortable and frustrating for him every year.

And, in the business arena, the rapid turnover of top-level chief executives is a source of growing concern to shareholders.

Planning for succession is never easy – it's a bit like contemplating your own mortality. So the typical approach to succession, in business at least, is to panic and lurch and bring in 'a saviour'. If that saviour is foreign and highly paid, then, it seems, so much the better.

But succession planning should be more scientific than that, as our feature on page 6 explains. And the place to start is with a thorough assessment of the talent already in the organisation and of its likely future talent needs, followed by the formulation of a strategy for acquiring and developing the talent required to achieve organisational objectives.

BUT AS WELL AS growing concern about who will inherit the leadership mantle, fears are also mounting about the kind of planet we will pass on to future generations. As we discuss on page 4, the efforts of former US Vice-President Al Gore to raise awareness of, and possible solutions to, the problem of global warming earned him the 2007 Nobel Peace Prize.

And pressure for change has come from another unlikely source – so-called Generation Y, who, with their strong social and environmental conscience, are gravitating towards employers who are trying to make a difference.

Food, indeed, for thought.

ABOUT THIS PUBLICATION

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ABOUT IMPACT EXECUTIVES

IMPACT EXECUTIVES is a leading provider of interim managers to organisations of all sizes in the UK and around the world. With offices covering the UK, Continental Europe, Asia Pacific and Australia, Impact Executives is part of the global recruitment specialist Harvey Nash Group plc. Over the past 15 years it has helped more than 2000 organisations, including over two-thirds of FTSE-250 companies, to hire interim talent at short notice to help them manage periods of growth, manage projects including transformation and downsizing, or to replace key management.

GENERATION Y – THAT IS, people born during or since 1980 – have been popularly characterised as work-shy prima-donnas who expect riches and success to fall into their laps. But in the decade that I have been researching the factors involved in workplace engagement I have seen the positive influence these young people have had on organisations.

Generation Y want competitive salaries, good career opportunities and a healthy work-life balance, but they also want strong leadership and management and they want to work for organisations that ‘give something back’ to society. Some employers bemoan their lack of loyalty, but such firms should be working harder to keep them.

The 49 organisations that have just been awarded Best Companies’ sought-after 3-star accreditation for excellence in workplace engagement excelled in eight different areas. These were leadership, wellbeing, management, team work, pride in the organisation, personal growth, contribution to society and fairness.

The ‘demands’ of Generation Y have helped drive progress in all these areas, given companies’ need to attract and retain this demographic in a climate of continuing skills shortages and an ageing workforce. So others in the organisation have plenty to thank them for.

But society owes them a debt too, because the one outstanding determinant of an engaged workforce over recent years has been an employer’s commitment to the greater good.

In other words, young people are far more concerned than they have ever been about societal and environmental problems, and they naturally gravitate towards organisations that make a positive difference.

But Generation Y are helping in other ways too to create companies that are in better shape to meet the challenges of the 21st century. Businesses can hardly complain if their young recruits want the kind of stimulating work, skills development and opportunities for progression that will enhance their value in competitors’ eyes. It wasn’t employees who decided to knock the notion of ‘jobs for life’ on the head, so you can’t blame them for being more concerned about their employability than about loyalty to their employer.

But more flexible workforces benefit employers too, and having staff take time off to see the world

GENERATION Y ARE UNFAIRLY MALIGNED AS WORK-SHY PRIMA-DONNAS, SAYS **JONATHAN AUSTIN**

Having it all?

JONATHAN AUSTIN IS CEO OF BEST COMPANIES

‘The biggest contribution of Generation Y is their concern for the planet,’



may ultimately be a modest price to pay not just for greater flexibility but also for winning their engagement. Because the factors that characterise Generation Y – creativity, passion, commitment to causes, willingness to challenge and determination to play a part in the success of the business – can be extremely powerful if carefully harnessed.

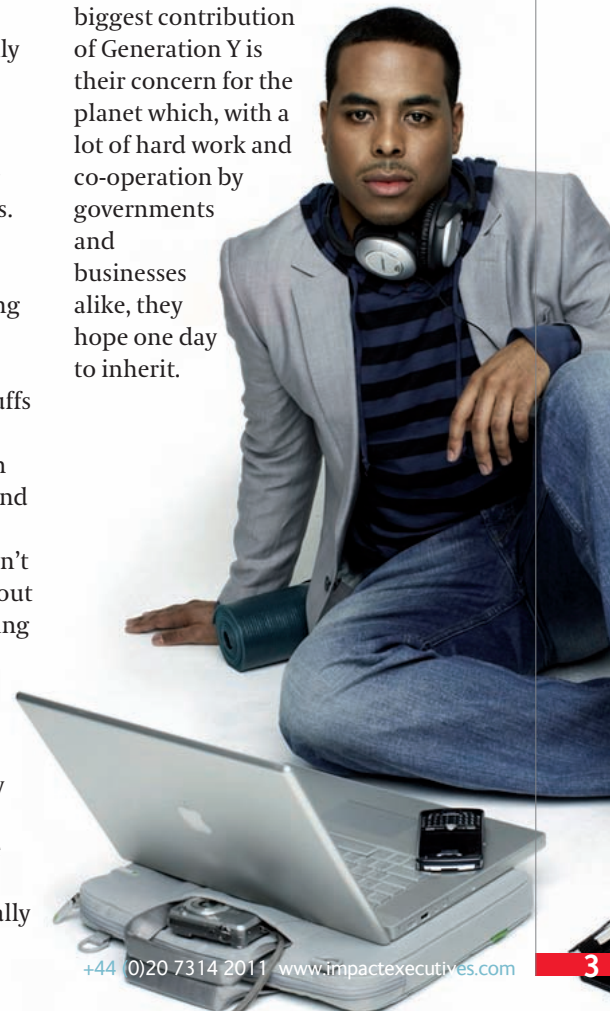
And as for their desire for a better work-life balance, well, organisations that persist in measuring input rather than output are stuck in the Dark Ages. In any case, how many of us have our best ideas behind the desk, and how many when we are out and about doing different things? Secondments and opportunities to work flexibly are far better motivators than golden handcuffs ever were.

Generation Y are taking the lead on all these issues, legitimising the demand from others in the organisation for similar things. The best employers aren’t making the mistake of singling them out for special treatment either, but creating cultures that allow all to benefit rather than just the chosen few.

But many do have unrealistic salary expectations, and employers need to manage those expectations by being open and honest about market levels and by demonstrating the more intangible, but ultimately highly valuable, benefits they offer – principally

the kind of criteria that our Best Companies accreditation is based on.

Overall, the opportunities afforded by employing Generation Y-ers far outweigh the disadvantages – aside from the obvious one of helping to restock the ageing talent pool. But perhaps the biggest contribution of Generation Y is their concern for the planet which, with a lot of hard work and co-operation by governments and businesses alike, they hope one day to inherit.



AL GORE HAS DONE MORE THAN ANYONE TO RAISE AWARENESS OF GLOBAL WARMING

Global warning



GORE AT A GLANCE

- Born in Washington DC in 1948
- Graduates from Harvard College in 1969 with a BA in government
- Reluctantly fought in the Vietnam War for four months in 1971
- Leaves Vanderbilt University Law School in 1976 without a degree to run for an open seat in the United States House of Representatives in Tennessee's fourth congressional district.
- Wins the seat and is re-elected three times before becoming Senator for Tennessee in 1984
- In 1989 starts writing *Earth in the Balance*, his book on environmental conservation
- Becomes Vice-President of the US in 1993 under Bill Clinton's presidency
- In 2000 runs for president, but loses, controversially, to George Bush
- In 2006 stars in *An Inconvenient Truth*
- Wins 2007 Nobel Peace Prize
- Has been involved with the development of the internet since the 1970s, and coined the term 'information superhighway'. He is a director of Apple and senior adviser to Google

THE AWARD OF the 2007 Nobel Peace Prize to former US Vice-President Al Gore in October is a fitting tribute to the man who has done so much over recent years to raise awareness among governments, business and the public at large about the climate change crisis the world faces.

The award was shared by the Intergovernmental Panel on Climate Change, the world's pre-eminent

scientific body devoted to improving our understanding of the climate crisis, headed by Rajendra K Pachauri in Delhi. The award was given "for their efforts to build up and disseminate greater knowledge about man-made climate change, and to lay the foundations for the measures that are needed to counteract such change."

The award citation described Gore as

"probably the single individual who has done most to create greater worldwide understanding of the measures that need to be adopted". It was seen as a rebuke to US President George Bush, who beat Gore by the narrowest of margins in the US presidential race in 2000 and has since opposed binding international agreements for reducing carbon emissions.

Gore insists that the climate crisis “is not a political issue, it is a moral and spiritual challenge to all of humanity,” and it was the expounding of his views in the uncompromising film *An Inconvenient Truth* in 2006 that finally made the world sit up and take notice.

The film documented the evidence for anthropogenic global warming and warned of the consequences of people not immediately changing their behaviour. It is the fourth highest-grossing documentary in US history and won the 2007 Academy Award for best documentary feature.

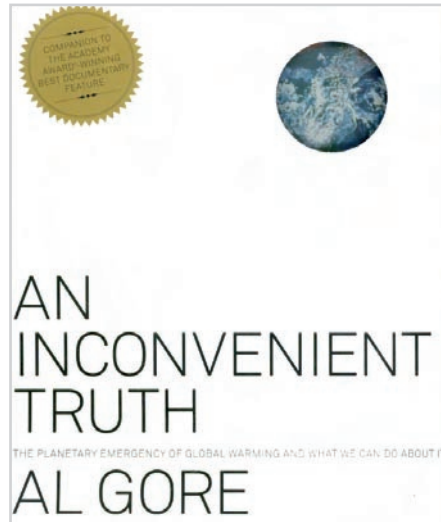
The book of the same title, which became a bestseller, was the inspiration for ‘Plan A’, Marks & Spencer’s pioneering 100-point £200m eco plan to become carbon neutral by 2012. M & S chief executive Stuart Rose took the book on holiday in 2006 and was so bowled over by its arguments that he arranged a special showing of the film to the top 150 people in the company. The response from them – asking what they could do about it – led to a root-and-branch rethink about how the retailer goes about its business.

But Gore had been interested in environmental issues for many years, and was one of the first politicians to grasp the seriousness of climate change and to call for a reduction in carbon dioxide emissions and other greenhouse gases. He held the first congressional hearings on the subject in the late 1970s, and during his tenure in Congress co-sponsored hearings on toxic waste and global warming.

‘The climate crisis is not a political issue, it is a moral and spiritual challenge to all of humanity,’

In 1989, while senator for Tennessee, he published an article in the *Washington Post* in which he argued: “Humankind has suddenly entered into a brand-new relationship with the planet Earth. The world’s forests are being destroyed; an enormous hole is opening in the ozone layer. Living species are dying at an unprecedented rate.”

On Earth Day 1994 he launched GLOBE, an education and science programme that used the internet to increase students’ awareness of environmental issues. And in the late 1990s he pushed strongly for the US to sign up to the Kyoto Protocol, which called for a reduction in greenhouse emissions. But Bush rejected the treaty soon after his inauguration in 2001.



Since controversially losing the presidential race to Bush in 2000, Gore has spent much of his time campaigning around the world for greater awareness of global warming and, crucially, of what can be done about it. He is a vocal exponent of carbon neutrality, buying a carbon offset each time he travels by aircraft, and he and his family drive hybrid vehicles.

But he is no stranger to controversy, and has been criticised, for example, for the amount of electricity his Nashville mansion consumes and the amount of travelling he does. But the benefits of his work more than offset the downsides. Interest in his speeches is often so high that ticket sales websites crash within minutes of opening.

Observers wondered whether Gore would use the Nobel Peace Prize as a platform for stepping into the 2008 presidential campaign. As *Time* magazine put it recently, he combines the grassroots appeal of Barack Obama – someone with a message that transcends politics and who spoke out loud and clear and early against the war in Iraq – with the operational toughness of Hillary Clinton – someone with experience and credibility on the world stage.

But Gore is not interested, claiming he has “fallen out of love with politics.”

It is to be hoped that politics’ loss is the planet’s gain.

We, the human species, are confronting a planetary emergency – a threat to the survival of our civilisation that is gathering ominous and destructive potential.... But there is hopeful news as well: we have the ability to solve this crisis and avoid the worst – though not all – of its consequences, if we act boldly, decisively and quickly.

However, despite a growing number of honourable exceptions, too many of the world’s leaders are still best described in the words Winston Churchill applied to those who ignored Adolf Hitler’s threat: “They go on in strange paradox, decided only to be undecided, resolved to be irresolute, adamant for drift, solid for fluidity, all powerful to be impotent.”

So today, we dumped another 70 million tons of global-warming pollution into the thin shell of atmosphere surrounding our planet, as if it were an open sewer. And tomorrow, we will dump a slightly larger amount.

As a result, the earth has a fever. And the fever is rising. The experts have told us it is not a passing affliction that will heal by itself. We asked for a second opinion. And a third. And a fourth. And the consistent conclusion, restated with increasing alarm, is that something basic is wrong.

We must abandon the conceit that individual, isolated, private actions are the answer. They can and do help. But they will not take us far enough without collective action....

The world needs an alliance – especially of those nations that weigh heaviest in the scales where earth is in the balance. I salute Europe and Japan for the steps they’ve taken in recent years to meet the challenge, and the new government in Australia, which has made solving the climate crisis its first priority.

But the outcome will be decisively influenced by two nations that are now failing to do enough: the United States and China. While India is also growing fast in importance, it should be absolutely clear that it is the two largest CO₂ emitters – most of all, my own country – that will need to make the boldest moves, or stand accountable before history for their failure to act.

SUCCESSION PLANNING IS AN INCREASINGLY IMPORTANT ASPECT OF CORPORATE GOVERNANCE, BUT VERY DIFFICULT TO DO WELL

Successful succession



SUCCESSION ISSUES ARE currently at the top of many organisations' agendas – and if they're not, they should be. It is difficult to effect a smooth and successful handover and forward planning and careful consideration are essential.

The Football Association will be praying that Fabio Capello will prove considerably more successful as England manager than his predecessor Steve McLaren, whose bungled appointment in May 2006 was considered ill-advised from the start.

Knee-jerk succession is a bad thing, but having a 'crown prince' waiting in the wings for years is not an easy situation to manage, as Prince Charles and Gordon Brown will no doubt testify.

But what will happen to the Virgin 'empire' once Richard Branson goes up in his proverbial balloon is anyone's guess, as there is no indication of a number two

being ready to step up to the plate.

Most succession plans amount to crisis management. The culture of short-termism in which bosses are booted out for not delivering instant results is partly to blame. The average tenure of a chief executive in the private sector is less than four years, and falling, and those hired from outside the company move on faster than those who rise through the ranks.

Chief executive churn is unsettling, destabilising and demoralising and can lead to a spiral of decline. It is also costly: the number of headline-grabbing 'rewards for failure' is mounting. So it's not surprising that shareholders are starting to question companies more closely about their succession plans, which are increasingly being seen as part of good corporate governance.

There are some who ask why we needed to hire an Italian to manage the

England football team. Others question the rising number of foreigners running British companies – at the last count 28 FTSE-100 companies had a non-UK national as chief executive. While this may reflect the increasing globalisation of business, it owes at least something to companies' neglect of their talent pipeline over the past 15 years.

Not only do many businesses not plan for succession, they also have scant idea of the talent they have and need within the organisation. So they resort to the 'easy' option of drafting in business 'saviours', and if they are foreign saviours, then all the better.

The problem with this approach is highlighted by Jim Collins in his book *Good to Great*, in which over 90% of the 'great' companies he identifies are run by chief executives who grew up in the business. There are very good reasons for

this, claims Collins. “You need executives who have ambitions for the company rather than themselves, and those people tend to be insiders rather than outsiders who can be ‘bought’. What’s more, you need to determine who should be in the business and in what seats before you decide where to drive, and the insider has a head start there.”

What’s more, this approach has a pernicious effect on the morale of other senior executives, who believe that if they want to get on they have to get out.

Nigel Nicholson, professor of organisational behaviour at London Business School, conducted a survey that found that individuals who change companies every three or four years advance faster than those who remain loyal to their organisation. “There is a horrible tendency in this country not to value insiders,” he says. “Individuals are rewarded for disloyalty, and people often find the only way to progress within their organisation is to wave a job offer under their boss’s nose. Invariably it is only when you get a market value on you that your worth is recognised internally.”

But there are times, of course, when a new broom is just what’s required to sweep away old cultures or signal a change of direction. Chris Brewster, professor of international Human Resource management at Henley Management College and at the University of Reading Business School, concedes: “Most organisations need a leavening of new blood at all levels in the hierarchy. You can have too little executive turnover.”

But he believes the least risky way to do this is to bring in outsiders at more junior executive levels and grow them in the organisation to see if they cut the mustard, rather than just dumping an outsider straight into the top job.

It’s a contention supported by HR guru Dave Ulrich in his new book *Leadership Brand* (see *The Business Review*, issue 19), where he asserts that leadership is not as easily transferable as many people would like to believe. “What worked in one setting might not work in another,” he points out.

But as one headhunter says: “You can’t grow talent for every conceivable contingency. There’s nothing wrong with bringing in an outsider provided you can prove that they are demonstrably better than any internal candidates.”

To this end, it is always helpful to benchmark internal talent against what’s available in the marketplace,



GE

In his autobiography *Jack*, Jack Welch (left), who was Chief Executive of GE for 20 years, describes the strong succession management at the company stretching back over 100 years. Welch was a company man who rose through the ranks and continued many of the traditions of his equally long-serving predecessors. His successor Jeffrey Immelt, is also home-grown, and was one of a number of potential heirs-apparent who were groomed to take over once Welch retired. Once in post Immelt set about transforming the hard-driving, process-oriented company into one steeped in creativity and wired for growth, a strategy the departing Welch contemplated with equanimity.



TESCO

Tesco, the UK’s largest and most profitable retailer, prides itself on long service and growing its own talent. Chief Executive Sir Terry Leahy (left) joined the organisation as a graduate trainee in 1979, and other current and previous board members have enjoyed similarly long tenures. With its US expansion underway it is on track to become one of the very few successful international retailers, but a steady flow of senior level departures last year, along with the move of marketing and property director Tim Mason to run the US operation, has caused it to break with tradition and bring in an outsider to the UK marketing role – Lance Batchelor, former marketing director of Vodafone.



HARVARD BUSINESS SCHOOL

In a recent book Joseph Bower (left), Chair of the corporate leader programme at Harvard Business School, concludes that insiders perform better than outsiders when promoted to leadership positions, but worries that the “cognitive and emotional baggage” that insiders bring with them by virtue of their long employment could compromise their ability to grow the business successfully. His solution is what he calls ‘inside outsiders’, and he explains why in *The CEO Within: Why inside outsiders are the key to succession planning*.

The inside outsider has successfully led portions of the business, such as international ventures, which are away from the purview of headquarters, thus allowing them to develop more objectivity. This enables them to have new ideas while leading with the credibility, understanding of the organisation and knowledge of its talent that outsiders can only accumulate over time, if ever.

he continues. “Armed with objective evidence companies are then in a position to justify any top appointment they make – whether it is internal or external – to both internal and external audiences.”

If press ads for heads of ‘talent management’ are anything to go by, at least some companies are starting to take talent management seriously again. Growing numbers of firms are assessing their executive talent and using coaching companies to help them develop it.

But smooth and planned succession of chief executives is the most important

aspect of this talent management process, and the hardest to get right. While long tenure is preferable to rapid turnover, it makes leaving that much more difficult. Recent corporate history is littered with examples of bosses who stayed on too long, including the late Anita Roddick at Body Shop and Sir Richard Greenbury at Marks & Spencer. The answer is to resist the temptation to see the firm as an extension of themselves and view their role instead as custodian of the corporate assets on behalf of the stakeholders.

INTERIM HR DIRECTOR PENNY GARNETT HAS PROVIDED AN INJECTION OF ENERGY INTO **GUERNSEY POST**



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Delivering the goods



INTERIM EXECUTIVES WORK hard and show great commitment and dedication, but getting up at 5am to deliver the post might seem to some to be beyond the call of duty. However, ‘management by cycling about’ is all part of learning what it’s like to be a postal worker at Guernsey Post, and Penny Garnett didn’t balk at the prospect of rising at dawn as part of her immersion in the business she joined as interim Human Resources Director last September.

In fact, compared to the challenges set by Chief Executive Gordon Steele, who had joined just nine months earlier, the early starts were a breeze.

The business had been in slow and painful transition from a civil service approach and culture to a more commercial operation since 2001.

“It was highly unionised and had a poor track record of industrial relations, which had traditionally been managed by the HR Director,” recalls Steele. “I decided to split the role and bring in

‘Penny has exceeded all our expectations of what an interim might achieve,’

someone to manage the industrial relations side of things, and someone else to reinvigorate what had been an old-fashioned personnel department and

turn it into a professional HR function. I needed experienced experts, and I needed them fast.”

A step change was required. Not only had the local postal regulator ordered the company to become more efficient to avoid having to put up the price of stamps, but the beneficial tax regime that has attracted a raft of blue-chip companies, including HMV, to Guernsey, is also under review.

“Currently businesses don’t have to pay VAT on packages that cost £18 or less to post, but there are strong UK-based lobby groups that want to see that reduced,” explains Garnett. “Around 60% of our turnover comes from bulk mail, and we could lose it at a stroke.”

Steele’s proposed strategy to counter such threats was to diversify into new

THE COMPANY

With 304 staff, Guernsey Post is one of Guernsey's largest employers and processes over 70 million items of post every year. The company delivers post throughout the Bailiwick of Guernsey, which includes the islands of Alderney, Herm and Sark, as well as Guernsey itself. It provides a full range of postal services through its 13 branches, along with a growing portfolio of financial services products.

Guernsey Post is the Bailiwick's agent for a full range of Royal Mail services, including Royal Mail Special Delivery, as well as FedEx, Data Post and Parcel Force, and provides valuable business support for finance houses and businesses on the island with services such as timed delivery and collection.

Guernsey Post's Guernsey and Alderney stamps are collected worldwide and are renowned for their design and quality. It prints 12 issues of stamps annually.

revenue streams, to increase efficiency through reducing costs and to develop people and capability in the organisation in order to achieve that.

"So a big part of my remit was to strengthen the bench," says Garnett.

A new Sales and Marketing Director – a key role in the new, more commercial organisation – has just joined the company, and the person Steele appointed to handle industrial relations – another interim, who has spent 33 years with Royal Mail – will become the permanent HR Director when Garnett hangs up her cycle clips after six months in the role.

But Garnett has also improved the bench strength further down the management hierarchy. A "huge believer" in secondment as a development opportunity, she seconded the customer service supervisor into the role of HR Manager when the permanent incumbent went off on maternity leave. "We have helped her develop in the role,

THE INTERIM

Penny Garnett has been an interim executive for just over a year, and her role at Guernsey Post is her third assignment. At Morgan Stanley she managed a change programme related to the bank's decision to spin off its credit card business to Discover Financial Services in the US, a business that was subsequently rebranded as Goldfish Card Services in the UK. And at electronics and technology company Thales she worked on a project to substantially reduce the cost base in the UK.

Before that her multi-sector blue-chip career path encompassed senior commercial and HR roles in organisations including Marks & Spencer, American Express, Aon, First Choice Holidays and Walt Disney. Most of her roles involved international experience. She also did a two-year stint at Sussex Police Authority, performing the role of Chief Inspector, Personnel and Training as a civilian.

"I love variety in my life," she says.

and she now wants to stay in HR, which is great," says Garnett. "It has also created an opportunity to develop the person who has backfilled her role too."

In addition to seconding people to different roles, Garnett says she is "really proud" of creating a culture at Guernsey Post of advertising jobs internally and training and developing people in their new posts. For example, one employee was recently promoted to the role of

‘She has provided a real step change in the executive function’

health and safety officer, despite having no relevant experience. "We are paying for his development," she says.

Such initiatives are helping to restore morale among managers, but a programme to communicate the need for change – another important aspect of Garnett's remit – is designed to restore trust and co-operation among the entire workforce.

"There are two unions on site – the Communication Workers Union (CWU), which represents the vast majority of our employees, and the Communication Managers Association (CMA), which represents management grades. The relationship between the unions and the people has traditionally been so strong that the management has been almost sidelined," says Garnett. "We have just organised a sort of 'town hall meeting' as a way to open direct dialogue and help break down the historic barriers between management and staff."

Yet she is most pleased with the work she has done to support Steele in getting the directors working together as a more cohesive team. She sits on

the board and routinely leads executive meetings, allowing Steele to play more of a chairman's role.

Steele says: "Penny will challenge and question and push for change, allowing me to sit back and observe the dynamics of the team and steer conversations in a particular direction. As such she has provided a real step change in the executive function."

Garnett has, says Steele, "exceeded all our expectations of what we thought we might achieve by bringing in an interim HR Director."

He explains: "She has provided clear leadership to the HR department, giving the team a new belief in itself and restoring the organisation's confidence in HR by demonstrating what a proper professional HR function can achieve. And she has played a major role in helping to dispel some of the internal and union politics that were so damaging and threatened our prospects of becoming the kind of commercial operation that we need to be if we are to survive in an era of growing competition. There is a lot more trust and openness now."

Overall, I would say her main contribution has been to provide a much-needed injection of energy."

THE CLIENT

"In the past I have worked with and for interim executives, and for the past ten years I have employed them in four different companies where I have led rapid large-scale change. I am keenly aware of the value they bring to an organisation, whether you use them on a purely project basis or to fill or backfill a specific role.

But whatever the task, personal fit with me and the culture of the organisation is very important. Impact Executives understands this very well, which is why I have a long-term relationship with them. They always field three very good, but often quite different candidates, allowing me to assess the skills and personality fit with the team they will be working with.

Even if I require a specific functional specialism, I tend to look for general management experience in interims, because I want them to challenge me and make a real strategic input. As well as being a fresh pair of eyes, they have lots of experience of different business situations, and if you don't tap into that you are not exploiting their full potential in your organisation."

Gordon Steele, Chief Executive, Guernsey Post

NEW RESEARCH SUGGESTS THAT MARKETERS ARE FOCUSING ON THE WRONG THINGS

Mind the gap

WHILE MARKETERS ALWAYS claim that 'delighting' customers is their ultimate aim, this being the best way to deliver profitable growth, two new pieces of research suggest that most marketing activity is destined to disappoint.

The Promise Index, from brand agency Promise, ranks brands according to the difference between the image they create through advertising and other brand-building activities, and the experience customers have of them. Brands with positive promise gaps exceed customers' expectations, while those with negative gaps let them down.

The average growth rate for brands with negative gaps in 2006-2007 was 2.8%, while the average growth rate for brands with positive gaps was 10.5%.

But just 15% of brands surveyed have 'statistically significant' positive promise gaps. The message for the other 85% seems clear. Given that under-promising and over-delivering is the best way to delight customers, they should redirect their marketing spend from expensive high-profile brand-building activities into improving the customer experience through innovation and better service.

The Promise Index findings are borne out by the European Advocacy Study from PR agency Weber Shandwick. The study found that surprising and delighting customers is the chief factor in creating brand advocacy which, in turn, is five times more effective than advertising in prompting purchase.

According to Weber Shandwick, one-third of brand users are acquired through advocacy, though only half of these are 'active' advocates. So in addition to the promise gap, it seems likely that many brands are suffering from an advocacy gap. So a secondary challenge for marketers wanting to increase the profitability of their brand is to leverage their unique brand-building skills to stimulate greater advocacy for their products and services.

It seems it is time for marketers to reassess their traditional priorities and place substance before style.

SURVEY RESULTS

1) 10 brands with the biggest positive Promise Gap

		Image score	Experience Score	Gap 2007
1	Ebookers	4.44	6.75	2.31
2	ING Direct	5.33	7.42	2.09
3	Four Seasons	5.03	6.78	1.75
4	Opodo	5.10	6.78	1.68
5	Skype	5.84	7.39	1.55
6	Travelocity	4.94	6.42	1.48
7	Kia	4.74	6.14	1.40
8	Travelodge	5.90	7.19	1.29
9	Singapore Airways	6.50	7.68	1.18
10	Cahoot	4.67	5.83	1.16

Source: Promise

2) 10 brands with the biggest negative Promise Gap

		Image score	Experience Score	Gap 2007
1	Lexus	7.13	5.87	-1.26
2	Cosmos	5.61	4.55	-1.06
3	3	5.01	4.04	-0.97
4	More Than	6.07	5.34	-0.73
5	Intelligent Finance	4.62	3.92	-0.70
6	Mercedes	7.75	7.15	-0.60
7	Emirates	7.46	6.87	-0.59
8	First Choice	6.20	5.63	-0.57
9	Renault	6.38	5.87	-0.51
10	Waitrose	7.22	6.74	-0.48

Source: Promise

3) How many times more effective than advertising is brand advocacy in stimulating sales?

	Europe	UK	Germany	Spain	Italy
All categories	5.3	5.0	5.2	8.9	3.9
TV	4.2	4.8	4.8	4.8	3.2
Mobile	4.8	3.8	6.0	5.1	5.1
PC	5.4	4.8	3.3	10.4	6.1
Automotive	6.6	4.3	5.7	20.8	5.4
Spirits	5.0	7.5	6.7	9.1	2.3

Source: Weber Shandwick



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