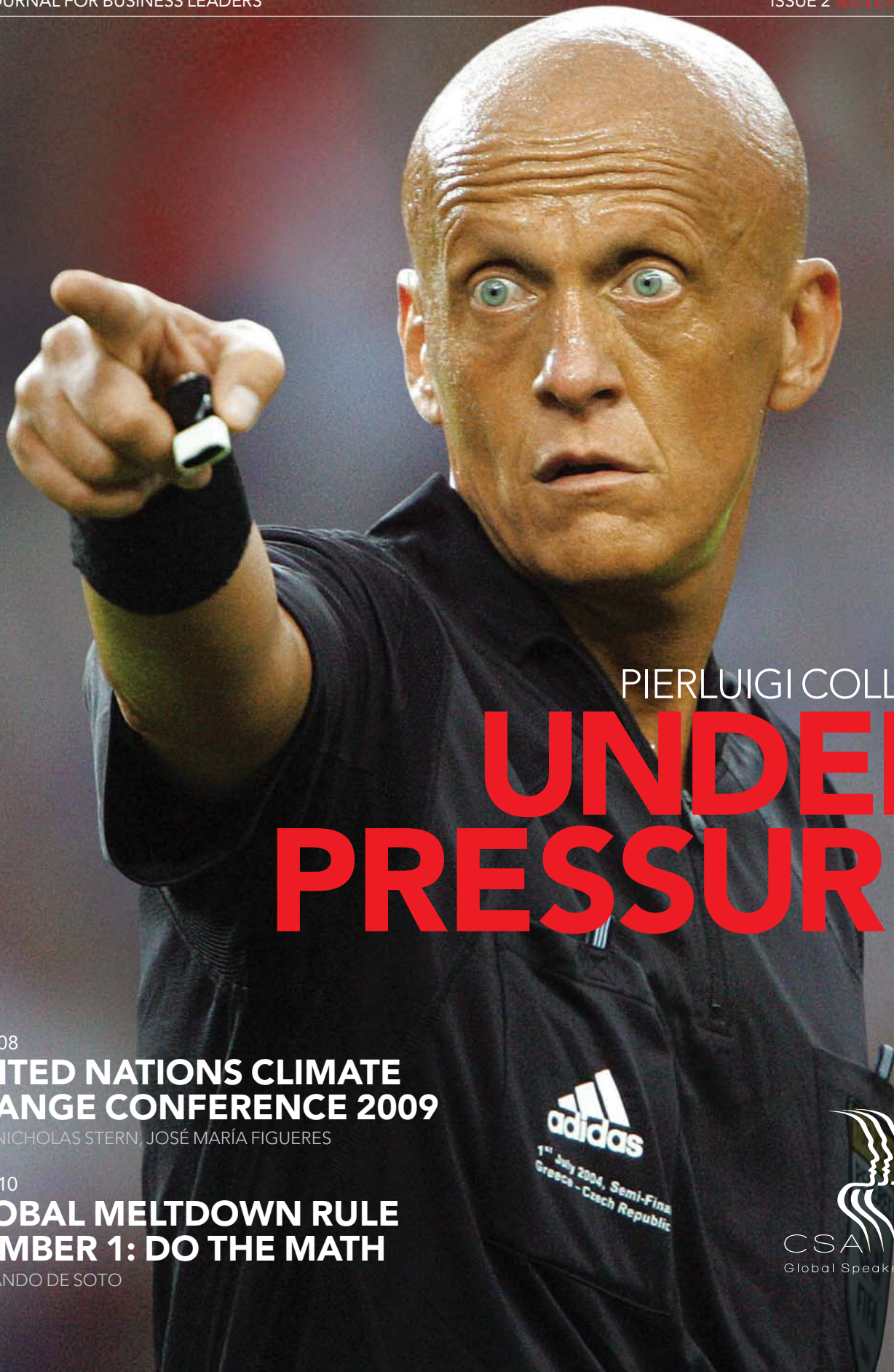


# CSA WORLD

THE JOURNAL FOR BUSINESS LEADERS

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PIERLUIGI COLLINA

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### UNITED NATIONS CLIMATE CHANGE CONFERENCE 2009

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### GLOBAL MELTDOWN RULE NUMBER 1: DO THE MATH

HERNANDO DE SOTO

adidas

1<sup>st</sup> July 2004, Semi-Final  
Greece - Czech Republic



CSA  
Global Speaker Bureau

# A WORD FROM THE EDITOR

## Seeking order in chaos

Immediately after a hurricane, there is relief. A relief that the worst has passed and those who have survived are thankful just to be alive. Yet, while losses are mourned there is a gradual awakening to the aftermath, the chaos that ensues. There are new risks and uncertainties to deal with at a time when many are already under par. Resources are strained and the demand to be innovative to survive comes when many least welcome it. However, it is those who find order among the chaos, by evaluating, innovating and adapting, that will survive and thrive in the long-term.

Much is now known of the extent of the global economic crisis and it is safe to say that we are in the financial equivalent of post-hurricane chaos. Many predict that the 21st Century will

be chaos rich and that it's the new order. Are there opportunities in chaos? We believe there are. History shows that the most innovative times follow the harshest of times. So, how exciting to think that we are at such a juncture; that yet to be discovered possibilities, ways of working and doing business await those who dare to seek new order from the current chaos.

We have drawn together a cohort of contributors who share our belief that we are on the cusp of that new order. They offer forthright yet stimulating views on how business leaders need to adapt behaviours and strategies to make the most of the opportunities presented by the 'new chaos normality'. See how we can help you seek new order, visit [www.csaspeakers.com](http://www.csaspeakers.com) today.



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# RETHINKING GLOBALIZATION

*Pankaj Ghemawat, Professor of Global Strategy at IESE and bestselling author, talks restructuring and opportunity in this post-recession period and how globalization will change.*



The global economic downturn creates obvious pressures to restructure. When even companies like HSBC, the world's largest bank by market capitalization, and Unilever, the world's second largest consumer products company, start pulling out of, respectively, the U.S. markets for consumer finance and for detergents, one is reminded that many multinationals have chronically unprofitable operations in their global portfolios. Thus, a detailed analysis of a number of companies indicated that half had significant geographic units that earn negative economic returns—on an ongoing basis. Downturns are more obvious times to restructure such portfolios than upturns.

But the downturn also presents opportunities for multinationals to build. Thus, for many multinationals from advanced countries, the recession is likely to amplify a refocusing of interest on emerging markets that was already underway. Thus, in beer, with medium term growth forecasts of less than 1% for advanced markets even before the downturn, it looks as if all growth, not just most of it, will be accounted for by emerging markets, particularly China—already the world's largest market by volume.

Of course, the opportunities are not confined to emerging markets. Fiat just grabbed 35% of Chrysler for nothing more than promises to share small car technology and its global dealer network—much more economical than what Cerberus recently paid for its stake in the company less than two years ago.

Figuring out which opportunities to pass on and which ones to pursue requires detailed analysis of why you want to enter global markets and whether or not volume, growth, and scale economies will actually add value—instead of the blithe assumption that global expansion is an imperative that can be counted on to pay for itself. And actually profiting from those moves requires creativity in recognizing and responding to the major differences across countries which, as recent developments remind us, continue to be substantial.

# RESPONDING TO THE OPPORTUNITIES OF A RECESSION

*Lynda Gratton, Professor at The London Business School and Founder of the Hot Spots Research Institute, reveals the hidden opportunities in a post-recession.*



So how best can executives respond to the opportunities this recession will provide for innovation and the emergence of new management practices? In my view it is a two stage process. First create space by jettisoning what is not needed, and second begin to experiment with new practices.

## WHAT CAN BE JETTISONED?

Recessions provide wonderful opportunities to stop doing things. All that accumulated fat and those sacred cows can be looked at in the cold light of cost cutting. In my view one of the most damaging fat accumulations has been the

preponderance of face to face meetings – which can go on for many hours. There is no doubt that in highly skilled hands these meetings can be a dynamic activity and a crucial decision making platform – but too often they decay into something much less productive. So now is a good time to creatively question the accumulation of meetings. And if some of these meetings are crucial, then take a leaf out of BP's book and train even the most senior executives in facilitation and dialogue skills.

## WHAT CAN BE EXPERIMENTED WITH?

Next, consider what experiments can be run right now that would enable the business to develop new and innovative management practices. Here are some candidates for the challenging experimentation that can work so well in a recession when some of the most dearly held beliefs are shattered:

Take advantage of the concerns about leadership by following the lead of the Norwegian Government and rapidly increase gender diversity at senior levels by putting in place quotas for the proportion of women on the shortlist and appointed roles.

Question the dominant logic about how decisions are made by following Nokia's lead and experimenting with strategy formation from the bottom up – rather than always going from the top down. Use the travel ban to really build experiments around virtual teams. Take a closer look at how they actually work, experiment with ways of supporting them.

Put group-ware technologies at the top of the performance agenda. Experiment with video conferencing, web casts and group decision making tools.

Not all of these experiments will flourish and some will die out over time. I would expect for example that whilst we will see more virtual teams and the use of the technologies that can support them, once the cost cutting is relaxed, some people will return to the airports. Others, however, will have fundamentally changed their habits and begun to build working communities which are virtual and highly productive.

Recessions are a time of destruction of the old order, a time when assumptions are questioned and nascent practices and ideas are given space to flourish. That is little cheer for now but, in the longer term, an enormous stimulus for change.

# CHALLENGES FACING MARKETERS IN THE POST-RECESSION PERIOD

*Philip Kotler, the 'Godfather of Marketing', discusses what marketing will be like in the post-recession.*

Marketers have been so busy making downward adjustments to the current recession that they haven't had time to gear up for post-recession marketing. What will marketing be like in the post-recession?

First we must answer: What will the post-recession economy be like? I would expect a slow recovery rather than a fast takeoff. GDP will grow at best by a few

percent and unemployment will still be at a higher than normal level. Marketers will have the task of trying to sell cars, furniture, large appliances, and other goods against the legacy of thrift that buyers cultivated during the financial meltdown. This means marketers need to sell value for the money as they had to do during the recession period. More companies might want to erect a hierarchy

of brands including a price fighter brand. A price fighting brand requires that the company keeps searching for lowest costs and this drives them to produce in lower labor cost countries such as in Asia, South America and Africa. This will partly explain why the post-recession period will be more of a jobless recovery initially.

While the recession may be over ☞

turbulence will continue to haunt companies in the post recession period. In fact, I would expect that companies will experience a heightened level of turbulence in the form of more and sharper disturbances, disruptions, and surprises. The heightened turbulence will be the result of increased globalization, digitalization, and desperation of competitors to retain or grow their market shares. John Caslione and I detail this message about the future in our new book, *'Chaotics: The Business of Managing and Marketing in The Age of Turbulence'*. And we advise companies to establish three systems: an early warning system, a system for scenario planning, and a system of flexible budgeting.

Within this context, the marketing staff will have to wrestle with three issues: the new media, marketing accountability, and marketing's new role. We describe them briefly here.

#### THE NEW MEDIA

Before the invention of the Internet, most communication was carried on using seven traditional media: telephone, mail, television, radio, magazines, newspapers, and billboards. Companies relied heavily on these traditional media to send their one-way messages to their target audience. The Internet opened up a veritable flood of new communication possibilities. Companies and persons could communicate with other persons or groups using the new social media (Facebook, MySpace, Twitter), blogging, webcasts, YouTube, podcasts, and other new media. Now we say that today's marketers must incorporate the new media and blend it with traditional media if they hope to effectively reach target customers.

#### MARKETING ACCOUNTABILITY

The marketing staff is under increasing pressure to provide financial metrics showing the impact of their various activities, programs and campaigns. If they can't supply financial metrics, they must at least provide proximate measures of impact on such variables as awareness, interest, knowledge, preference or intent to buy. Otherwise the Vice President of Finance will continue to whisper to the CEO that the marketing budget has a lot of waste and this would only have the effect of reducing the marketing budget which probably will hurt sales and produce its own downward spiral.

#### MARKETING'S NEW ROLE

Peter Drucker reminded us that the



**ACQUIRING,  
KEEPING  
AND GROWING  
CUSTOMERS  
THROUGH  
CREATING  
VALUE IS  
THE DEFINING  
MISSION**

purpose of a business is "to create customers". This is the best means to produce a profitable future. And he singled out marketing and innovation as the two most important functions of a company. These functions produce value: the other functions act as costs.

Marketing's traditional role was to handle marketing research and advertising and assist the sales force. The formulation of marketing's role improved when the 4P framework was developed, assigning to marketing the responsibility of handling product, price, place, and promotion. The formulation improved further when we added that marketing should precede the work on the 4Ps by first doing segmentation, targeting and positioning (STP).

Even this doesn't tell the whole story of marketing's role. Marketing's role must be seen more holistically. Companies such as P&G, Starbucks, Amazon, Harley-Davidson, Ikea, Whole Foods, Toyota, Fed Ex, and several other companies see marketing this way. Marketing is the driving force in these companies. Acquiring, keeping, and growing customers through creating, communicating and delivering value is the defining mission. These market-and-customer-driven companies focus on four goals:

**1 Integrating products, services, communications, channels and prices around a strong brand concept and promise.**

**2 Getting all employees and partners (wholesalers, retailers, advertising agency, etc.) to think about creating, improving and delivering customer value.**

**3 Practicing good corporate citizenship through consistent social responsibility and ethical behavior.**

**4 Aiming to build strong lasting relations with all the stakeholders and making them all into winners.**

Some companies are even moving to a larger holistic view of the marketing function. One is to assign to marketing the responsibility for planning the company's growth trajectory. Marketing is in the best position to identify, test and propose the best opportunities that the company should pursue. The other is to assign to marketing the responsibility for managing the firm's revenue. In this latter case, the marketing head would be renamed the company's Chief Revenue Officer. We will watch to see if these two new directions for the marketing department's role start taking place.

In summary, I don't foresee rapid economic growth in the post-recession period. I see marketing under increasing pressure to turn to the new media, to provide more accountability for its expenditures, and to define a new and more holistic view of its role in the company's constellation of activities.

# HISTORY HELPS; EXPERIENCE COUNTS

*Don Strickland, former top executive at Apple & Kodak, on lessons to be learned in a post-recession economy.*

Most of the world was not affected by the collapse of the “Internet Bubble” in 2000-2001. That economic crisis was mostly felt in the United States. Within a year, almost 90% of the “dotcoms” had gone out of business.

I was the CEO of a Silicon Valley startup company that emerged from the dotcom bust successfully. And I credit the economic crisis with creating the opportunities that enabled my company to innovate new business models and product offerings (now labeled “Web 2.0”), giving us an advantage over slower and more established competitors.

**TODAY’S ECONOMIC CRISIS, A “GLOBAL BUBBLE”, CAN LEARN FROM THE BURSTING OF THE INTERNET BUBBLE.**

## **LESSON ONE CHANGE YOUR BUSINESS MODEL**

Customers are looking for new ways of doing business and are actively seeking alternatives to the status quo. Successful companies will find ways to significantly increase the value of their products and services to their customers. The most powerful way is to change the rules of competition by changing your business model to your advantage and your competitors’ disadvantage.

## **LESSON TWO STRATEGIC REACTION**

Small companies are inherently faster than established large companies. However, they tend to focus on short term goals, which often detract from long term success. Do not abandon your



**YOUR CUSTOMERS WILL DEFINITELY CHANGE AFTER A RECESSION, PARTICULARLY ONE THAT IS AS DEEP AND WIDE AS NOW...**

strategy but react quickly to the changed circumstances in a way that supports your longer term goals. Executing a long term strategy by doing a thousand things in concert will always win over a company that quickly throws a thousand darts and hopes some will hit the mark.

## **LESSON THREE EXPERIENCE COUNTS**

History is valuable in terms of providing perspective, but it does not provide the specifics that a company needs to re-engineer its business coming out of an economic crisis or at any other time. Charting a course for the future cannot happen by looking to the past. It must be based on experience.

Executive management must strike a delicate balance between a company’s technology, products, sales, marketing and business models, to name just a few. The most important vision to have of the future relates to your customers. They will definitely change after a recession, particularly one that is as deep and wide as now. Charting a new course depends heavily upon experience. You need to anticipate where your customers are headed and re-engineer your company to provide superior value to your “new” customers. Insights into the future often come from where you least expect it – a new employee, someone that hasn’t spoken up at meetings, or from outside your company (suppliers, customers, external communities, etc.) Understanding the future is largely a matter of listening with an open mind and assimilating what you hear.

## THE CUSTOMER – POST RECESSION

*Lior Arussy, author, visionary and leading expert on Customer Experience Management, discusses customers' expectations and demands in the post-recession world.*

The current economic situation will have a lasting impact on customer experience. Certain financial and emotional issues will influence customers for years to come; concerns about employment and financial security remain. As a result, customers will demand greater value and be seeking the best deal and relationship with vendors. And they will be more selective in whom they trust and are loyal to. This combination of uncertainty, demand for value and selective loyalty may sound like a perfect storm. However, those organizations that hope these conditions will evaporate as soon as employment



levels rise are running a great risk, which has little empiric evidence to support it. The more responsible assumption is that these customer conditions are here to stay. So, products, services, business models, pricing and the overall definition of value must be adapted accordingly.

Hyundai's payment protection program is a brilliant example of adaptation. If a customer is made redundant, the program covers their car payments for up to three months, then allows them to return the

car penalty free, credit score unaffected. The question remains, should this be a temporary fix or a new way of doing business? Think of yourself as a customer, would you want a better offer to cease just because the economy improved?

Post-recession customers will be subjecting companies to greater scrutiny. So, companies need to develop and deliver greater value, a more complete experience and engage customers' emotions; otherwise they stand little chance of overcoming the recession impact on customer psychology, and spending behavior.

Many aspects of the future are uncertain. However, one thing I am certain about is that customers in the future will demand greater value for their money. They will seek greater experience and penalize harshly those who will not deliver it. Are you planning for the post-recession world?

## IDENTITY IN THE 21ST CENTURY

*Baroness Susan Greenfield CBE, renowned scientist and broadcaster and Director at the Royal Institution of Great Britain, explains how the next generation's minds might be transformed by the constant use of technology.*

'Mind' is a term usually reserved for philosophy and the arts, and is traditionally distinct from 'brain'. However, we can now view 'mind' from a neuroscience perspective thanks to an increasing knowledge of the incessant dynamism of the brain, whereby individual brain cell circuitry is driven and shaped by unique individual experiences. So, if the human brain adapts very sensitively to the environment and if that environment is changing in unprecedented ways, might the brain and hence the mind, also be transformed in unprecedented ways?

### THE FOLLOWING FEATURES OF THE HUMAN MIND-SET MAY BE LIABLE TO A MAKEOVER

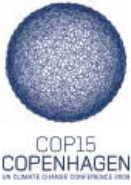
Attention span. If the young brain is exposed to a world of fast action-reaction,



then continued rapid interchange might become the normal time scale of operation. Related to this change might be a marked preference for the here-and-now where the immediacy of the experience trumps regard to any consequences. Another possible change is one in empathy. Compare a computer game to rescue the princess where the goal is for the personal

experience of feeling rewarded, with the aim of reading a book, to find out more about the princess herself! And what about identity; perhaps with fast-paced, instant screen reactions the next generation will be defined by the responses of others, as evidenced by the increasing popularity of Twitter. Social networking sites might tap into the basic brain systems for delivering pleasurable experiences, but ones devoid of narrative or long-term significance. As a consequence, the mid-21st Century mind might be almost infantilised into one characterised by short attention spans, sensationalism, inability to empathise and a shaky sense of identity.

We should be considering what type of environment will be best for us to realise our individual potential. If we could harness screen technologies to deliver experiences that cater for the deficiencies of current software, then children and adults alike will be able to make the most of the longer life span and increased leisure time that science and technology are delivering. And this is undoubtedly an issue which has obvious relevance to many sectors, including the finance industry, risk managers, educationalists, policy makers and human resources.



# WHAT DOES THE COP15 MEAN TO YOU AND YOUR BUSINESS?

## ALEXANDER HASLACHER

From December 7-18, 2009 statesmen and other officials from 192 nations will take part in the "15th Conference of Parties to the United Nations Framework Convention on Climate Change" in Copenhagen.

This will be one of the most important conferences since the inception of the UNFCCC in 1992. As the Kyoto Protocol meets the expiration of its first commitment period in 2012, the main goal of this year's conference will be to establish a new global climate change agreement.

The new deal to be struck this year will most certainly be aimed at

decreasing not only exhaust and industry emissions, but will also put a large focus on the production of power, looking to build sustainable platforms for green energy. This will surely affect each and every one of us in our daily lives financially and within society, but whether you fall under this 'big energy' category, are a 'one-man show' or anywhere in between, the real bottom line is that together we all have to do our part in building a better and cleaner tomorrow.

In the meantime, here is what the real experts have to say...

that we need to make in energy efficiency, for example in buildings, would make use of construction labour. Second, we should reflect on how the financial crisis arose and draw some basic lessons. The financial crisis and the economic crisis it generated arose from ignoring growing risk. The longer this risk was ignored, the bigger it grew, and hence the bigger the consequences. And further, we should recognise that the housing bubble was promoted by a lengthy period of easy money arising from policy in response to the bursting of the dot.com bubble around the turn of this century. This time we must come out of the recession by investing in sound and sustainable technologies. The big growth over the next two or three decades will be in low-carbon and energy-efficient technologies.

### HOW REALISTIC IS IT TO EXPECT WORLD LEADERS TO BE UNITED ON A CLIMATE CHANGE PROTOCOL? WHAT ARE THE RISKS IF THEY DON'T UNITE?

One of the key contributions of the Kyoto agreement in 1997 was the signal that only global action could tackle climate change. And it embodied the necessity of a common but differentiated response for action; in other words, the rich countries had to act first and strongly, but all countries had to be involved. The scale of the cuts necessary mean that if any major countries are left out of a new global deal on climate change in Copenhagen in December 2009, developed or developing, the necessary targets will be difficult to achieve. Delay is costly because, without action, concentrations of greenhouse gases will continue their rapid upward movement. Further, an absence of unity, weak policies or delayed action will undermine the private sector confidence which is crucial to investment.

### HOW MIGHT POLICY ON CLIMATE CHANGE PROMOTE ECONOMIC GROWTH?

The transition to a low-carbon economy over the next 2 or 3 decades is likely to be a creative and exciting period of discovery, innovation and investment. It will be analogous to, but larger than, the role of railways and electricity in spurring growth in the earlier periods of economic history. Low-carbon growth will be highly attractive: cleaner, more energy-secure, safer, quieter and more bio-diverse. High-carbon growth will kill itself, first on very high prices of hydrocarbons, and second on the very hostile physical environment it will create.



## NICHOLAS STERN

*In an exclusive interview, Lord Nicholas Stern of Brentford, Kt, FBA, former World Bank Chief Economist, and author of the renowned Stern Report on climate change looks at the post-recession prospects for global investment and sustainable recovery.*

### WHAT ARE THE TENSIONS BETWEEN GLOBAL ECONOMIC RECOVERY AND ADDRESSING CLIMATE CHANGE?

Tensions arise only from confused analysis and narrow vested interests. If we examine the issues carefully then we can see that this is a good time to invest in energy efficiency and low-carbon technologies. First, it makes sense to invest when resources are less scarce. In particular many of the investments

**HOW CAN YOU GET PEOPLE AND POLITICIANS ALIKE TO PRIORITISE CLIMATE CHANGE WHEN IT FEELS SO REMOTE AND IS PERHAPS PERCEIVED AS SOMETHING THAT WON'T HAPPEN IN THEIR LIFETIME?**

Humans learn from experience and they will often draw strong lessons from bitter experiences, such as the period of 30 years before 1945, during which there were two world wars and the great depression. This time we have to learn by looking ahead. That presents the challenge of understanding, leadership and communication. Yet it is remarkable

that so many people around the world do understand the issues. One of the reasons is that the scientists have done a good job of explaining, and another is that some of the effects are already visible. We should remember that the effects that we are now seeing, as significant as they are already for many people, are very small relative to the kinds of risks that we run in the future.

**WHAT ARE THE IMPLICATIONS FOR SECURITY IF CLIMATE CHANGE IS NOT ADDRESSED?**

There will be many direct risks over the next few decades from storms, floods,

and droughts. There will be even bigger risks from the massive migration that unmanaged climate change would imply. Hundreds of millions of people threatened by desertification and inundation will have to move. The consequences of that are likely to include extended and severe global conflict. Further, since many of the effects operate through water in some shape or form, conflict over that scarce resource is likely to intensify. There is no doubt that climate change is a major security issue, whether one considers security in human, economic, or conflict terms.

## INTERVIEW WITH JOSÉ MARÍA FIGUERES

*José María Figueres, President of Costa Rica, 1994-1998, talks exclusively to CSA World about the 15th Conference of Parties. Politicians: focus on the next generations, and not only on the next elections!*

**WHY IS COP15 SO IMPORTANT?**

As if the melting of the polar ice caps was not enough to confirm something is radically wrong, today the verdict from the scientific community is conclusive: Climate Change is happening and is beginning to affect our daily lives. To correct this, we need to decouple development and increased economic activity, from carbon emission growth. In other words, we need to continue fulfilling the justifiable development aspirations of millions of persons around the world, while first curbing, and then lowering the carbon emissions that so far have always accompanied development. We have a window of opportunity of about ten years in which to do this, beyond which we will lose the opportunity to do so with relative low cost. For this to happen, COP 15 must produce a high quality agreement between the developed and developing world, together with a comprehensive and binding action plan that makes this profound transformation a win-win situation for both.

**WHAT IS NEEDED AT COP15?**

Leadership, and courageous political will to produce an agreement we can all feel proud of! Today we may not have all

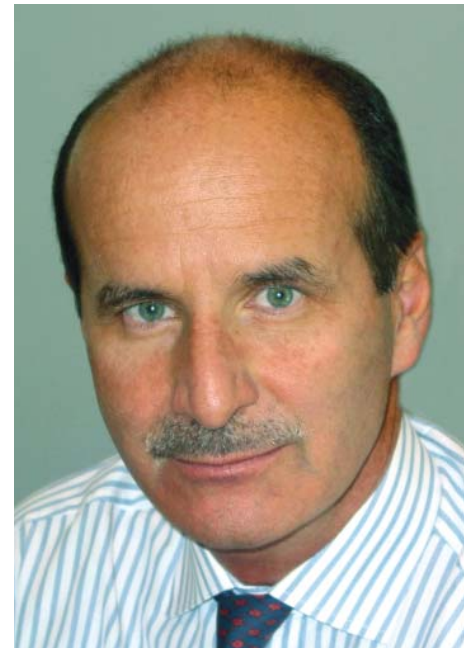
the answers needed to reinvent the way we live our lives within the boundaries of a lower carbon footprint. However, we certainly can implement changes and solutions we know will reduce our carbon emissions. Hence politicians at Copenhagen need to focus on the next generations, and not only on their next elections. In other words we need them to rise to the occasion and put forward the best of humanity, to agree on a way forward without further loss of time. Every year we wait without decisive action increases the cost of mitigation, and adaptation to Climate Change.

**WHAT DO YOU SEE AS THE GREATEST CHALLENGE FOR THE COP15 NEGOTIATIONS?**

Defeating the temptation of a mediocre agreement. Such an agreement would seemingly deal with the challenges at hand, and therefore get everybody "off the hook" without adequately addressing the fundamental Climate Change challenges. As a matter of fact, confronted between a mediocre agreement and no agreement at all, I would prefer the second. This outcome would maintain the pressure on global leaders to reconvene in the very near future, to agree on a responsible way forward.

**HOW CAN WE MAKE AN IMPACT ON COP15?**

We live in the midst of a technology and information revolution that has reached and empowered millions around the world, who previously could not keep up to date with global issues such as Climate Change. Today these voices need



to be heard by their political leaders, because collectively they can make a huge difference. Let us show our political leaders we care about Climate Change, and we expect them to do so as well. Future generations will remember us for either having had the courage to stand up and rectify the problem we have created with our present development style, or for having failed in our responsibility to act even though we knew the consequences. I would rather be remembered for the first, and thus why I have conceptualized the Global Observatory (globalobservatory.net), which together with a group of collaborators we are now launching to help the process!

# GLOBAL MELTDOWN RULE NUMBER 1: DO THE MATH

*Hernando de Soto, an authority on western and third-world economies and widely held to be the world's greatest living economist, describes the steps to be taken to ensure credit flows once more.*



## WE CAN ONLY START FIXING THINGS ONCE WE GET A HANDLE ON THE TOXIC ASSETS BEHIND THE FINANCIAL CRISIS

I learned never to embark on a major task without first “doing the math.” Without measurement, I wouldn’t be able to identify and disentangle the very reality before my eyes. By doing the math, I would see order and coherence, the way things were organized; invisible relationships would come into view, and right behind order would come meaning,

followed by confidence. I learned the lesson: You cannot manage what you have not previously measured.

So imagine how I have felt watching my role models go to war over weapons of mass destruction that they never actually assessed, or now, watching them wage a losing war against derivatives - which both Warren Buffett and George Soros have called “financial weapons of mass destruction” - without locating or counting them either.

Those financial instruments need

measuring: they are now the principal reason for today’s massive credit contraction. The fear among financial institutions that potential borrowers and users of credit and capital could be burdened with so many nonperforming derivatives that they would be unable to repay their loans and protect their investments has plunged the global economy into a recession.

The Securities and Exchange Commission estimates that derivative paper is worth \$596 trillion (10 times the value of total world production), while studies at the Bank for International Settlements in Basel, Switzerland, conclude that it could be twice as much - \$1.2 quadrillion. And exactly how many of those derivatives are actually nonperforming and would have to be surgically removed to stop their toxicity from spreading and destroying trust among creditors and investors? Nobody knows that for sure either. U.S. Treasury Secretary Timothy F. Geithner has set aside \$1 trillion to assist in buying those toxic assets, but the SEC has guesstimated that there might be upward of \$3 trillion worth.

With so much at stake, clearly an accurate accounting is in order; “doing the math” - right now - is still the best strategy for halting the global economic meltdown threatening us.

If you want to get credit flowing again, you must restore trust in paper as soon as possible. And that means measuring the assets, recording them, finding and purging those that are toxic and preventing future debasement of the paper - in essence, submitting it to property law just like all the other assets that we own and value. We have to do the math.

*Courtesy of the L.A. Times*

## THE EURO – AN ANCHOR OF STABILITY IN THE CRISIS

*Otmar Issing, former Member of the Executive Board of the European Central Bank, explains how we greatly benefited from having the euro in place across so many countries during the crisis.*

In its eleventh year of existence the euro by all measures is still a young currency. Yet it has become a reality of daily life for almost 330 million people in 16 European countries. The euro is a success story right from the beginning and its performance during the crisis in financial markets underpinned its role as an anchor of stability.

Confidence in the euro is based on its internal stability. The monetary policy of the European Central Bank has maintained price stability and firmly anchored inflation expectations. On this fundament the euro has strengthened its role as the second most important international currency after the US



dollar and as a stabilising factor in the international monetary system.

If the countries, which now form the euro area, still had had their national currencies during the financial crisis, a series of turbulences in foreign exchange markets, waves of massive speculation and abrupt changes in exchange rates would have been the consequence. Severe

distortions in trade and capital flows would have endangered the Single Market.

The euro was a true anchor of stability in this deep crisis. This is, however, no reason for complacency. Major challenges lie ahead. But, there are good reasons to expect that the euro will continue its success story.

## ALL EYES ON CHINA

*James Kyngé, author 'China Shakes the World' and Editor, China Confidential, a specialist China research service of the Financial Times, discusses the economic impact China will have on the world during the years ahead.*

Investor sentiment toward China is as fickle as the autumn sky. In early 2008, before the squalls of crisis blew, we had allowed ourselves to be convinced that China's economic fortunes had "decoupled" from those of America. But when the US' financial turbulence hit, that theory flew off its hinges. As US consumers spent less, Chinese exports plummeted, throwing some 20 million Chinese migrant workers out of work within weeks. Seeing this, commentators opined that decoupling had been a myth all along - the only real estrangement had been that of investors from their powers of reason.



That was then. This year, the debate is swivelling again on its axis. As Chinese growth surges while the US remains becalmed, part of the punditocracy is using the "d" word again and hailing Beijing as the locomotive to haul the world out of recession. Others, however, see a great big bubble wobbling before it pops.

So what is really going on? The fate of the global economy depends to a

significant degree on the answer.

The way I see it is this: China is mid-way through a transformation as wrenching and as thorough as that of the US in the 19th century. During that momentous century America suffered no fewer than 10 boom-to-bust cycles, some caused by convulsions in Europe and some by domestic forces. But beyond short-term oscillations, the thrust of American progress was unstoppable, driven by the multipliers that are unleashed when an economy the size of a continent hits the road. The exact same thing is in play in China today. Its emergence is propelled by a myriad of multipliers in technology, supply chains, infrastructure, labour migration, rural modernisation, social welfare, education, the spread of credit, the globalisation of manufacturing and the privatisation of land.

Thus to gauge the force behind China's momentum, it is more instructive to examine the energy in such multipliers than to be swayed by the fashions of economic commentary.

# SUSTAINABLE GROWTH

*Ray Hammond Europe's leading futurologist, explains why sustainability and pursuing globalization are essential for the future.*

Economic growth has started again, but this time we have to pursue growth with new awareness. The reborn world must be based upon sustainability.

Sustainability will govern every activity in the future whether it is bank lending, energy generation, manufacturing or food production.

While annual expenditure cuts abound, the budget many companies are providing for environmental and sustainability programmes has either remained or increased. These companies know that in the future customers, partners and stakeholders will judge commercial activity on its long-term sustainability.

Our politicians know it too. Later this year, the world's leaders will gather to save the planet from the worst effects of global warming. The argument about the cause of climate heating is over, efforts must centre on making sure it doesn't get worse through unchecked greenhouse gas emissions.

Will there be a post-Kyoto agreement to limit emissions? Yes. The world's leaders know that a failure to ameliorate climate change problems will lead to more extreme weather events, mass population migrations, food shortages and, ultimately, outbreaks of war.

Will there be arguments and long negotiations? Certainly. There's a lot of money at stake and a leader getting the wrong deal could hold back their nation's development for decades.

It is clear that in reshaping how we do business and go about our lives we have to switch to new, sustainable energy



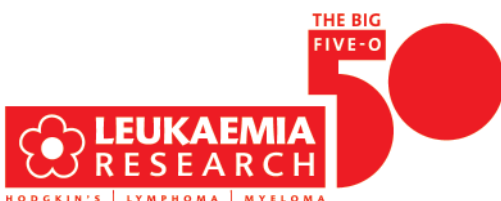
sources. We have to think hard about our corporate and personal energy use and our activities that generate or indirectly cause greenhouse gas emissions. We can make real savings if we focus on sustainability and conservation.

Some environmentalists and extreme left-wing commentators argue that the capitalist model is wrong and that instead of pursuing economic growth we should be using alternative indices to gauge progress; they are naïve and mistaken.

Economic growth is part of our evolutionary imperative. It goes along with personal growth through education, sports and the arts. Progress, success and growth

are the natural yardsticks of our lives and, provided they are pursued sustainably, must be encouraged.

Those driven by ideology more than understanding say that globalization is over or going into reverse. Such views are mistaken. Globalization is unstoppable and, when pursued ethically and sustainably, it is the greatest force for good and peace that exists. Over a billion people have been lifted out of absolute poverty by global trade in the last fifteen years. In the next fifteen years another two billion people will be able to enjoy a new prosperity. That's something worth working for.



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# Q&A

*Pierluigi Collina, believed by many to be the world's greatest football referee, talks exclusively to CSA World about the similarities between business boardrooms and refereeing.*

**Pierluigi, you are obviously a man who has a vast experience in making tough decisions quickly. What do you think is the main importance, from your experience, of decision making during this economic crisis for CEOs?**

To stand by their decisions and know the company stands behind you. I always say that the final goal for the referee is to be accepted even if he is wrong, because it means that the players trust you. You are accepted not because of the role but because of what you do within your role. This is the same for a manager. You cannot be accepted because you are a CEO. You are accepted because you have shown everybody that your way to run a company is correct.

**What are some of the similarities of making quick and important decisions on the pitch and in the boardroom?**

There are things that are very similar between my activity and the business world. A businessman takes decisions very quickly and often under pressure.

Important decisions can have big consequences. All these characteristics are there.

**How do you make good and fair decisions under the extreme pressure with millions of people watching you on TV, not to mention the tens of thousands in the stadium?**

As a referee you have to be very self-confident and you have to make sure you do everything you can to be perfectly prepared for the job. You have to know everything about a match beforehand – how the teams play, how the individual players play. So you have to walk out onto the pitch knowing all there is to know. The same goes for managers and CEOs.

**How has being a referee helped you and what traits do you think can be brought to the boardroom?**

I have to be grateful to what I did and for what refereeing gave me. I was 17 when I started. The experience as a referee is something a youngster never has, because



normally when you're 17 you never have to decide much about anything. You have parents, teachers, coaches, everybody is deciding for you. When I became a referee at 17 I became involved with players older than me. This is something that helps you be more mature and to build up your personality.

One of the main problems for people in every activity is decision making. It is something that can't be taught...making a decision under stress is something you have to learn, for example, if you want to be a top manager in any big company. How better to learn these things than to have been a referee?

## CSA AUDIENCE FEEDBACK



*Sir Bob Geldof is a genius! It was the perfect combination of business, CSR, climate, future/past and personality. His delivery was striking, unrivalled and absolutely amazing. He received a standing ovation, some with tears in their eyes. He had no script, a truly genuine performance by an artist, intelligent human with a soul!"*

European Investment Organization

"Nassim Taleb was thought provoking, intellectual and very relaxed in his style. He put into perspective that we really should not be looking back at the past for guidance but rather focus on the future which we can still have an impact on. It was a truly fantastic session."

Leading IT Company

"Joseph Stiglitz was the highlight of the event! His speech covering the benefits of globalization and the effect it will have on our business was very good and interesting. A truly charming man, who stayed for the whole event and spoke articulately and with a fantastic message."

Global Electronics Solutions Provider

"Ram Charan presented at our annual awards and was very erudite and articulate; he kept things simple yet very useful and easy to understand. His message about leadership at all levels really showed our staff that no matter what their title, each had an integral role at this company."

International Conglomerate

"José María Figueres Olsen's speech was exactly what we asked for. His points on the environment and the global economic context really opened the eyes of many of our members."

Worldwide Humanitarian/Charity Network

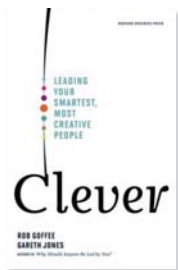
"What a man – what a speaker! It does not get any better than Neil Armstrong!"

Global Publishing House

# BOOK REVIEWS

## CLEVER

*Rob Goffee and Gareth Jones*

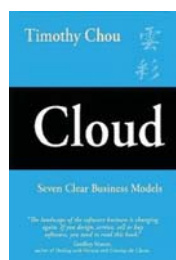


If your company is like most, it has a handful of people who generate disproportionate quantities of value: A researcher creates products that bankroll the entire organization for decades. A manager spots consumer-spending patterns no one else sees and defines new market categories your enterprise can serve, and so on... Companies' competitiveness, even survival, increasingly hinge on such 'clever people'. But the truth

is, clever people are as fiercely independent as they are clever - they don't want to be led. So how do you corral these players in your organization and inspire them to achieve their highest potential? The authors of 'Clever' offer potent insights drawn from their extensive research. Leading clever people can be enormously challenging, yet doing so effectively is the key to your organization's sustained success.

## CLOUD: SEVEN CLEAR BUSINESS MODELS

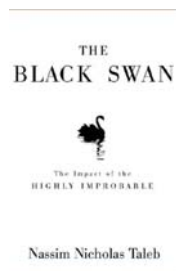
*Timothy Chou*



Based on a series of lectures at Stanford University, Timothy Chou discusses cloud computing from a business perspective. His book serves as an excellent, easy-to-read, introduction to cloud computing for anyone who builds, sells or purchases applications or infrastructure delivered as a cloud service. Timothy Chou provides numerous examples and stories from many of the leaders in the field. You'll be amused to even find a story about Brad and Angelina.

## THE BLACK SWAN: THE IMPACT OF THE HIGHLY IMPROBABLE

*Nassim Nicholas Taleb*



'The Black Swan' is a concept that will change the way you look at the world. Black Swans underlie almost everything, from the rise of religions, to events in our own personal lives. A Black Swan is a highly improbable event with three principle characteristics: it is unpredictable; it carries a massive impact; and, after the fact, we concoct an explanation that makes it appear less random and more predictable than it was. The astonishing

success of Google was a black swan; so was 9/11. And why do we always ignore the phenomenon of Black Swans until after they occur? In this revelatory book, Taleb explains everything we know about what we don't know, and shows us how to face the world.

## THIS TIME IS DIFFERENT: EIGHT CENTURIES OF FINANCIAL FOLLY

*Kenneth Rogoff and Carmen Reinhart*

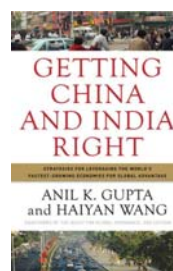


Throughout history, rich and poor countries alike have been lending, borrowing, crashing and recovering their way through an extraordinary range of financial crises. Each time, the experts have chimed, "this time is different" claiming that the old rules of valuation no longer apply. The authors prove that premise wrong. Covering 66 countries across five continents, 'This Time Is Different'

presents a comprehensive look at the varieties of financial crises, and guides us through eight astonishing centuries of government defaults, banking panics, and inflationary spikes from medieval currency debasements to today's subprime catastrophe. The authors draw important lessons from history to show us how much or how little we have learned.

## GETTING CHINA AND INDIA RIGHT

*Anil Gupta and Haiyan Wang*

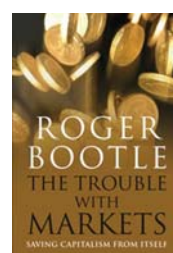


Many multinational corporations think of China and India largely for off-shoring and cost reduction and limit their marketing to the wealthiest few people. With such shortsightedness, the opportunity of the century will pass them by, argue business strategists Anil K. Gupta & Haiyan Wang. To help business leaders develop robust global strategies in the age of China and India, the authors uncover the surprising range of

hidden opportunities and challenges presented by these emerging giants. They reveal the secrets to capturing the hearts, minds, and wallets of consumers there and to leveraging the complementary strengths of each country to achieve global dominance.

## THE TROUBLE WITH MARKETS: SAVING CAPITALISM FROM ITSELF

*Roger Bootle*



In his major new book Roger Bootle, founder and MD of Capital Economics and author of the bestselling 'Money for Nothing' and 'The Death of Inflation' discusses both measures to get the world out of the immediate hole and the reforms that will be necessary to keep it on the straight and narrow in the future. These truly radical proposals encompass much tighter regulation of banks, reform

of corporate boardrooms and changes affecting institutional investors. Written in Roger Bootle's characteristically highly readable and acerbically witty style is the must-have book from one of Britain's most respected economists.

# CONNECT WITH THE WORLD'S ELITE



We are proud to announce the launch of our new global portal. This has been completely redesigned to incorporate new functionality such as a video viewing room, improved search and a client area – ‘myCSA’ – which allows our clients to select and save their user preferences. The look and feel is also completely refreshed, and the site has improved, dynamic navigation.

At the top level, our portal focuses on CSA's Global Elite speakers – 300 former heads of state, Nobel Laureates and

others at the very top of their profession.

This represents the start of an ongoing programme to provide a superior level of service to our clients. The portal's content will also include news and topics of interest, such as business trends and other industry-leading thought pieces.

Content will be provided in English, Spanish and German, which reflects both our global reach and the depth of interest in our elite speakers.

[www.csaspeakers.com](http://www.csaspeakers.com)

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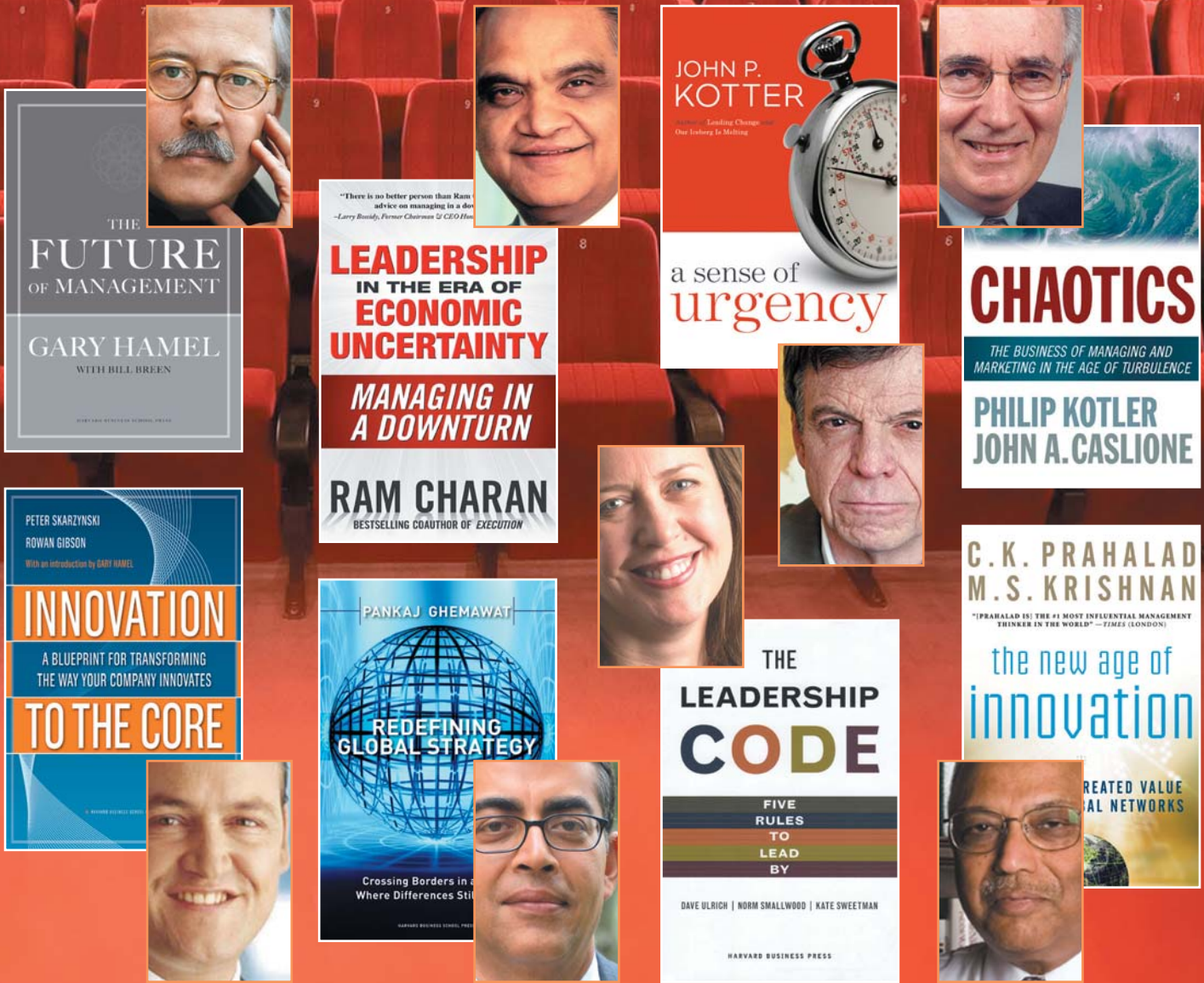
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