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The C-suite Agenda

Distributed in THE TIMES

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RECRUITMENT

What recruiters get wrong about skills-based hiring

Employers are increasingly prioritising competence over experience when assessing job candidates. The results so far suggest that removing degree requirements from ads alone won't lead to meaningful change

Sam Forsdick

Employers are experimenting with new hiring methods to fill stubborn skills gaps and diversify their workforces. John Lewis, for instance, is publicly sharing the questions it commonly asks in job interviews. Others have decided to remove degree requirements for particular roles. Lager producer Carling has even eliminated CVs from the application process for certain positions.

Such initiatives are part of a broader recruitment trend known as skills-based hiring, which concentrates on candidates' abilities rather than their experience.

Harry Gooding, director of skills and learning at recruitment firm Hays, says that, at its core, this approach is meant to "bring a person's skills into the limelight".

And it seems to be catching on, with 70% of recruitment professionals prioritising skills assessment over CV analysis this year, according to a poll by video recruitment platform HireVue.

"Evidently, more and more employers are reconsidering the attributes that are likely to make a prospective employee an asset to their organisation," Gooding says.

One of the most common ways of introducing skills-based hiring is to remove degree requirements for certain positions. Almost half (45%) of the employers that Hays surveyed for its UK *Salary and Recruiting Trends 2024* report said that it no longer matters to them whether an applicant has a degree.

The hope is that, by removing the requirement, employers are opening up opportunities to people from more varied socioeconomic backgrounds, Gooding notes.

"The high cost of higher education can hold young adults back from securing employment opportunities, so shifting the focus to skills provides a necessary alternative to this costly route into the world of work," he explains.

Despite such good intentions, many attempts to introduce skills-based hiring have not yielded the desired results. In some cases, it has even had the opposite effect.

On average, firms recruiting on the basis of skills have increased the proportion of employees without a degree in their workforces by only 3.5 percentage points, according to a US research report published this year by the Burning Glass Institute and Harvard Business School.

"For all its fanfare, the increased opportunity promised by skills-based hiring was borne out in not even one in 700 hires last year," the authors wrote.

They noted that 45% of firms in the study had made the switch "in name only" and done no more than removing degree requirements from their job ads. While 20% reported short-term accessibility improvements, in the long run they actually hired a smaller proportion of people with no higher education than they'd done before the change.

Stephen Chu is chief legal and people officer at Instride, a US-based enterprise education provider. He believes that many employers are paying lip service to the idea of skills-based recruitment. In doing so, they are creating a glass ceiling for candidates.

"Even though these businesses are not explicitly requiring college degrees, if the hiring managers and the recruitment teams aren't aligned with the strategy, they will continue to recruit people with degrees because nothing has been done to introduce skills-based hiring into the mix," he says.

Instride made this mistake itself when adopting a skills-based approach. Chu says: "After removing degree requirements, I quickly realised that the number of people we were hiring without a degree wasn't changing and we had to do more."

Employers must make an individual's skills an integral part of all stages of the hiring process. At Instride, this meant creating a skills taxonomy. This is an inventory of every skill an organisation possesses – including soft skills – and a list of those required to run the business successfully. This exercise enables employers to identify the core competencies that exist within the enterprise and detect the skills gaps that need to be closed by means of either training or recruitment.

Once it has established a skills taxonomy, the company can start breaking down each role into a list of required skills. It can then recruit for each position on the basis of this outline. If the business is using any recruitment metrics, it must update these to reflect the new approach.

Nikolaz Foucaud, managing director of online education provider Coursera in EMEA, believes that employers must undergo a total "perception and culture shift" when making this change. "To get skills-based hiring right, leaders need to develop a holistic people strategy," he says.

Chu recommends listing the experiences or achievements that will provide evidence of these skills in the job description. This is especially important when recruiting young people or new entrants to the workforce who may not have much experience.

"As a candidate, this can help you to connect these skills to something you've done directly before," he says.

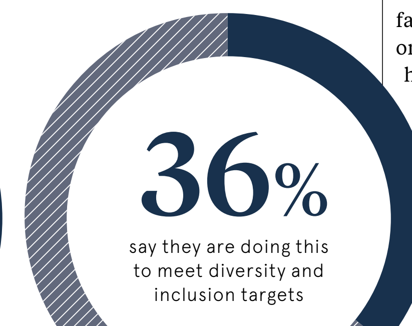
Furthermore, the HR department must ensure that it's taking a genuine skills-based approach at all stages of the employee evaluation process. Skills assessments should be prioritised in performance reviews, for instance, and learning and development initiatives should be guided by the firm's skills taxonomy.

Although skills assessments are often used by skills-first recruiters, these are unlikely to provide the desired results in isolation. Chu stresses that employers need to determine the right mix of skills, experience, education and cultural attributes for each role.

"If there's a specific skill that is best judged via an assessment, that's great," he says. "But don't apply skills tests for the sake of it."

The focus on skills has made the recruitment discussion binary, according to Foucaud. "Perceptions about degree requirements tend to fall into two camps: either everyone needs a degree or no one does," he says. "But neither is correct."

It's ultimately up to the business to decide the most suitable recruitment technique for each role. While skills-first hiring may not be the right approach for every employer, for those wanting to open up opportunities to more candidates, it can be an effective way to widen the talent pool – as long as they take a holistic approach when applying it. ●



HireVue, 2024

INSIGHT

'Without growth there cannot be true sustainability'

The pursuit of growth at any cost is not a responsible way to do business, but we mustn't make it our enemy, argues **Orlando Martins**

There is a narrative that no growth is good growth; that the planet's resources are simply too scarce. For the sake of the environment, the argument goes, enough is enough.

I reject that. Economic growth has powered radical improvements in the quality of life of billions of people. It remains the engine of progress and common prosperity, without which there cannot be true sustainability of any kind.

Growth can mean doing better, not necessarily producing more. In this respect, it is crucial for catalysing the structural changes that the world desperately needs.

Take the climate crisis. Solving this requires system-wide transformation. This isn't just a matter of decarbonising; it's also about making decarbonisation tolerable to consumers. Companies that shun growth will not be capable of tackling such challenges.

Look at the connection between growth and decarbonisation in the UK, for instance. Based on 2024 rankings by the Growth Index, which lists the UK's fastest-growing companies, three of the top 10 are engaged directly or indirectly in decarbonisation. These are CCL (a specialist in renewable-energy equipment), InstaVolt (electric vehicle charging) and VPI (low-carbon and CO_2-reducing energy services).

Two more of them – cycle retailer Balfe's Bikes and fleet management software developer Ram Tracking – contribute to reducing fossil-fuel consumption through their primary business activities.

Green growth can be seen even in sectors not normally linked to sustainability. Nine utility firms are among the UK's 100 fastest-growing companies – and eight of these are deeply involved in clean energy.

Some might argue that profiting from the green transition is not noble; it's merely the rational pursuit of commercial opportunities created by political choices. Well, so what? Even if a business makes a positive impact simply out of financial interest, that's still better than engaging in harmful activities.

More crucially, these examples demonstrate that financial performance and positive impact are not mutually exclusive. The Growth Index includes a significant number of B Corps, for instance.

Taking a wider view, more than one-quarter of businesses in the Growth Index had a purpose that transcended operational execution – for example, the aspiration to "improve the health of the nation by providing high-quality nutrition at reasonable prices", rather than the goal of "making the best ready meals in the country".

The relationship between performance and purpose is complex. I recently spoke with the leader of a high-growth business in the leisure and hospitality sector who was looking at becoming a B Corp. He was concerned that switching to green energy would increase costs. But the more firms do it, the more the market will respond. As volumes increase, the costs will fall. Going green is both getting ahead of the change and bringing it about.

In the long run, doing the right thing usually benefits the organisation. It's a model of enlightened self-interest that harkens back to Victorian industrialists such as the Cadburys and the Rowntrees, who sought to enrich their local communities while they pursued profit.

That is what good growth means to me: balancing several objectives – growth, shareholder return, sustainability and social responsibility – in the belief that they are all worthwhile and complementary.

But organisations also must remain honest about how much good they can really achieve and how their various objectives sit with one another. No matter how a company chooses to pursue good growth, it is essential to stay grounded. Even the most well-intentioned business leaders will never be able to do everything they want to do. Sometimes choices need to be made between different objectives. That's just business.

But if we hold on to the idea that we can leave the world a better place through our actions – even those in pursuit of growth – there's no telling what we can achieve together. ●

Orlando Martins
Founder, Oresa Executive Search and the Growth Index (growthindex.com)

Commercial feature

Why leaders must prioritise network security

DDoS attacks are on the rise. Network security is no longer a nice addition to your cyber threat strategy, it's an essential step in ensuring secure operations

Distributed Denial of Service (DDoS) attacks are nothing new. These types of attacks disrupt organisations by overwhelming their systems with traffic, making them inaccessible to users. The most common way attackers achieve this is by flooding host servers and networks with excessive traffic, causing the host server to crash or fail to respond in a timely way.

Recently there has been a worrying increase in the intensity of such attacks and their impact on organisations. One study revealed that in the second half of 2023, only 22% of DDoS attacks were successfully mitigated, meaning an alarming 78% of incoming attacks were not. Moreover, the same study reports there were more than seven million DDoS attacks in the second half of 2023 – a 15% increase on the first half of the year - signalling a concerning trend from both security and cost perspectives.

"The landscape is changing quickly," says William Manzione, product manager at global network service provider, Retn. "Anyone can become a target or can become instrumental for the DDoS attacks – meaning your organisation's resources can be used as a tool to attack someone else."

However, there are methods for DDoS mitigation that organisations can adopt to shore up their networks from attack. As the common attack vector – where attacks originate or are delivered – companies need to adopt a 'network-level' approach to preventing DDoS attacks.

In the past, network security might have been seen as an indulgent addition or a nice-to-have for budget holders. But as we all know, today no organisation is immune to attack. Business decision-makers must therefore take time to understand their organisation's risk profile.

As part of that, they must then weigh up the potentially devastating consequences of an attack. DDoS attacks can lead not only to financial loss and reputational damage, but the loss of access to critical data across an organisation's systems. By undertaking such an assessment, business leaders should see that it's clearly not worth the gamble.

"DDoS protection on a network level is becoming a commodity – it's not a luxury," says Manzione. However, Manzione maintains it's also up to network providers to ensure 'security by default', without putting customers in the position of choosing between securing their organisation or not.

"Consider that twenty years ago, automatic braking systems (ABS) weren't compulsory in new cars – they were sold as an extra. It then became the law that car manufacturers must include ABS as a standard feature. The same should apply to network security from service providers," he says.

So, what is DDoS mitigation? Put simply, it can be viewed as a 'bouncer' for your network – only allowing certain traffic to enter in line with your needs, while prioritising and escalating certain potential threats when necessary.

Retn recently launched a new DDoS mitigation platform, which combines cybersecurity with network level protection, increasing scrubbing capacity – the ability to stay online during attacks without losing service – for customers by 5000%.

At the same time, organisations receive alerts when they are under attack. So the solution protects the customer's network, while helping to increase their awareness of their risk profile and any vulnerabilities.

"We, as a backbone network service provider, have a responsibility to guarantee that our services are secure – for our customers, and our customers' customers. We're trying to meet the customer's needs wherever they are," said Manzione. "We want to see other network service providers do the same to make DDoS protection more affordable and more reliable, too."

Network protection is a cornerstone of enterprise cybersecurity. And with network providers stepping up to provide customers with peace of mind as to the resiliency of their network, business leaders must also seriously consider the risk profile of their organisation, and the potential damage a serious DDoS attack will cause, as key motivators for investing in network protection.

> DDoS protection on a network level is becoming a commodity – it's not a luxury

For more information please visit retn.net

RETN

Commercial feature

Calling all CEOs: cloud is an investment worth closely managing

The complexity of a well-managed cloud can be overwhelming and may discourage CEOs from properly investing resources. Here's why it's worth the headspace

For CEOs leading high-growth companies, managing their public cloud environment can seem daunting. Leaders are laser-focused on driving business growth, but can't ensure that growth unless their IT backend is working correctly.

There are often concerns about lacking the right skills internally to leverage the cloud effectively – and businesses struggle to find the right staff to bring the promise to a reality. Cost control is another major concern: although a well-structured cloud can deliver significant savings, improper management can quickly lead to skyrocketing and unpredictable costs. .

"The biggest challenge CEOs face is growing their business in this economic environment," says Jaret Chiles, chief services officer at global multi-cloud innovator DoiT. "It can be easy to develop tunnel vision around growth and revenue-generating activities."

However, failing to enable a strong operational practice means CEOs risk missing out on one of the cloud's core benefits – the ability to be nimble and quickly experiment. "One of the big benefits of the cloud is the ability to test things quickly," says Chiles. It's possible to spin up ideas and iterate on them at speed. "Cloud users can build a proof of concept and test the market without having to initially sink significant chunks of capital into it.."

Stopping spiralling costs

Yet the risk inherent in that approach is that if a cloud-based idea succeeds, costs can quickly spiral – often without you knowing. "The trick is, when the experiment suddenly takes off, you need to have the right muscles and resources in place to control costs – not just tactically, but by operationalising how you manage the unit economics of your cloud environment," says Chiles. For that reason, it's vital that organisations and their leaders closely manage their cloud investment.

For CEOs feeling torn between investing enough energy into growth activities versus cloud operations, Chiles argues there is a simple, straightforward business case for prioritising cloud management: failing to do so can prove disastrous in the long run.

"If you're not managing and getting ahead of growing cloud costs, what manifests is a surprise cloud bill that pulls the CEO's focus from driving the business forward to putting out fires in the present moment," says Chiles. "Whereas if you have the right practices, tooling and expertise in place upfront, it allows the CEO to remain focused on what they should be focused on – envisioning where the business needs to go over the next 12, 24 or 36 months, and making it happen."

Following best practices

Of course, getting to that point is easier said than done, which is where innovators like DoiT can help. Historically, the market has gone through several approaches to balancing cloud's benefits with risk mitigation, says Chiles. "One early strategy was to put tonnes of fences and guardrails around my cloud environment to control the cost," he explains. "While that did help avoid billing surprises, it stripped the value away of having access to move quickly and do things with the agility that organisations need."

Another early-days challenge was the siloing of functions within organisations. Traditionally, engineers were solely responsible for building up new capabilities, while finance teams were held liable for cost overruns. This fundamentally puts these stakeholders at odds, each incentivized by opposing metrics, explains Chiles. Companies that can attribute costs more accurately can foster greater accountability among engineering teams, and give them the tools to prove the unit cost benefit their projects produce.

DoiT's console, for example, offers tools which allow an organisation to tag cloud costs to specific departments and analyse cost and spend efficacy. This not only introduces accountability, but encourages employees to become a part of the solution. "It can bring engineering teams and finance teams closer together, because engineers historically didn't need to think about cost," says Chiles. "Maybe they cared, but just didn't have visibility."

Of course, CEOs don't need to become cloud experts themselves. The key is taking an active role as a sponsor and champion for prioritising good practices company-wide. As Chiles advises, "Their ultimate responsibility is making sure they are advocating for the importance of having the right solution, tooling and expertise in place to operate the cloud environment with accountability and optimisation as the organisation scales."

> Failing to enable a strong operational practice means CEOs risk missing out on one of the cloud's core benefits – the ability to be nimble and quickly experiment

Making work, work

DoiT's three-pronged approach can guide CEOs through this journey. The process starts with DoiT Cloud Advantage, which ensures companies procure their cloud investments intelligently to maximise cost efficiency. Through Cloud Advantage, companies harness DoiT's purchasing power to get access to volume pricing, automated cost savings, billing support and much more.

The second element of DoiT's triangle of value is the Cloud Navigator toolset, which provides financial operations teams with comprehensive analytics, cost optimisation recommendations and anomaly detection. These best in class tools offer powerful insights into not only areas of improvement in cloud structure, but can highlight where investments are providing the most value.

Finally, DoiT's Cloud Solve services grant access to the company's global team of experts, with decades of experience in cloud architecture, Kubernetes, machine learning, GenAI and more. Along with helping to solve cloud issues in real time, DoiT's experts act as copilots, helping customers advance their cloud knowledge to accelerate innovation.

When combined, each arm helps to simplify the most important cloud challenges to optimise use and accelerate return. "Rather than just having a tool that flags issues and leaving companies to fend for themselves, you get ease and efficiency from Cloud Advantage, visibility from Cloud Navigator and then have direct access to our world-class architects that can teach you how to solve," explains Chiles. "It's building proficiency, not just having dependency."

All three options, which are used by thousands of cloud-driven organisations around the world, including names such as AutoTrader and Wix, establish the importance of thinking about cloud carefully. While CEOs are understandably heads-down driving growth, dismissing cloud investment as a low priority issue is missing a massive opportunity. Or as Chiles sums it up simply: "Our proposition is unlocking the true promise of the cloud to drive business growth."

For more information please visit doit.com

DATA

Immaculate collection

Using shady data brokers or taking other careless approaches to collection is likely to harm the data subjects and your business. Organisations should scrap black-box thinking and choose transparency

Tamlin Magee

Nearly two decades have passed since British mathematician Clive Humby declared data to be the "new oil". But, unlike black gold, data is not a finite resource. New material is being created all the time.

And never has data been more important, as thousands of businesses seek to build and train AI algorithms. Deriving success from generative AI means ensuring that the data that shapes it is as reliable as possible.

"There's a kind of black-box thinking surrounding AI at the moment," says Rachel Aldighieri, managing director of trade body the Data and Marketing Association (DMA). "It's important to unpack how AI works. It's not necessarily the algorithms that are causing issues concerning data privacy and ethics; it's the data practices that companies are using."

There are many sources of data that organisations can use to train their AI models. The simplest is their own, gathered from surveys, data-capture forms or customer relationship management systems. Firms may be sitting on a wealth of information, but they must be careful about what they use and how.

Acquiring new data in a considered way is crucial to protecting brand reputation as well as developing reliable and ethical AI models.

The process starts with obtaining explicit consent, as Stephen Lester, CTO at business services provider Paragon, explains.

"Data collection processes play a significant role in maintaining ethical practices," he says. "Businesses should use transparent methods to collect data, ensuring that participants understand how their data will be used and providing appropriate compensation."

To comply with data protection legislation, businesses should use data-balancing assessments and legitimate-interest tests to ensure that they have secured the appropriate permissions.

Explaining to customers how you're planning to use their data can be a challenge. Aldighieri stresses that any explanation needs to be straightforward, emphasising transparency and accountability. Firms must also have a clearly defined ethical framework. This can help to create an auditable trail for data and its permissions, she explains, adding that organisations seeking advice on creating such a framework should consult *The DMA Code*.

"If you're unsure where your data has come from, don't feed it into an algorithm," Aldighieri says. "That has to be the bottom line."

Firms without usable material of their own have three options: use open-source data, buy it from elsewhere or generate it synthetically.

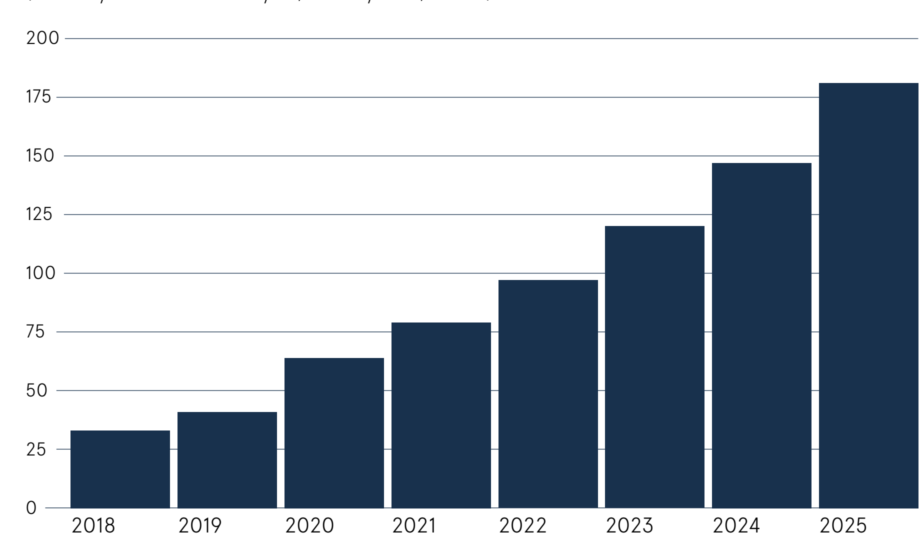
The open-data movement has made information ranging from census reports to travel data available free of charge. This is aggregated and anonymised from the start, ensuring that personally identifiable material is protected. But there are still factors that must be taken into account for AI modelling. Open-source data tends to vary in quality and consistency, it does nothing to guard against bias and it can be difficult to ensure auditable trails. While open-source data might be better from a privacy perspective, it can be less detailed and less reliable than data extracted from other places.

> If you're unsure where your data has come from, don't feed it into an algorithm. That has to be the bottom line

HOW MUCH DATA IS OUT THERE?

Statista, 2021

Zettabytes created, captured and consumed worldwide in 2018-24 (and the total predicted in 2025)
(1 zettabyte = 1 billion terabytes; 1 terabyte = 1,000Gb)



For greater granularity, organisations can opt to buy data from third parties, but this too has its drawbacks. Data sellers and brokers must be thoroughly audited.

"You can buy data ethically," says Chris Stephenson, CTO at data insights consultancy Sagacity. "But you need to define your own ethics and ask the right questions to ensure that you're working with a reputable seller."

Organisations should audit brokers by classifying them based on their reputation and specialism. Government, academic and established commercial data vendors are usually the most trusted sources.

To assess the reputation of providers, look at the organisations that use their data. Seek references and cross-check for data quality.

Then there is synthetic data, which is generated by AI and intended to mimic the real world. Because this material is not connected to real people, there is no privacy risk. It can be cheaper too, as businesses won't need to embark on massive collection campaigns or purchase data licences from third parties.

Tens of thousands of data scientists are already using the Synthetic Data Vault – an open-source library created by MIT spinout DataCebo to generate synthetic tabular data. The company claims that as many as 90% of enterprise data use cases could be achieved through the application of such material.

Sagacity recently used synthetic data to create randomised "noise" such as misspelt words within a data set to train an AI model to spot mistakes and anomalies.

This was "very useful" but not perfect, Stephenson says. "You are often building in bias at the initial stage based on how you formulate the data-generation algorithms."

The company's spelling-mistake-spotting model, for instance, was trained on inputs that the team selected for it.

"While that was fine in the context we were using it, because we just wanted to check that it could identify specific events, data quality can be a real issue," Stephenson explains. "But the ethics of using it will depend on the context in which the AI is being used."

Regardless of how and where companies obtain their data, bias will always be an issue. This could be bias that is "introduced programmatically, or bias in the sample sourcing or just the inbuilt biases of the societies we live in", he adds.

It is therefore up to whoever is training the model to understand what and where the bias might be – and to take the appropriate steps to address it. Aldighieri suggests monitoring data sets to ensure that only properly permissioned data flows into algorithms.

"Understanding what you can and can't do with the data is a vital piece of the ethical AI puzzle," she says. "Organisations need to understand what data they hold, where it is and how it can or can't be used."

A vital part of reducing bias is ensuring that the teams working on AI are diverse and representative. They must also understand how to recognise and unpick bias in automated decision-making, according to Aldighieri.

As part of its approach to building ethics into AI, data analytics firm Qlik created an interdisciplinary AI council. Nick Magnuson, its head of AI, explains that the council "helps to guide us and our customers through the process of setting up AI policies and guidelines".

Qlik already had its own foundational policy that put ethics front and centre, but the council has helped the firm to identify areas that could be strengthened. These services are offered to clients too, to help build trusted foundations for AI that are applied without bias.

Once the appropriate data collection processes are in place, organisations must continuously monitor their systems to ensure compliance with legal standards as well as their own ethical frameworks. Lastly, they need to establish clear processes for removing material if asked to do so.

AI is not going away and the penalties for its irresponsible use are likely to become more severe. The best way for businesses to mitigate the risks they're running is to clean up their data collection and management practices – and soon.

RETENTION

It's not you – it's PE: how to stop your finance chief leaving for private equity

Businesses need to know how to hang on to their CFOs at a time when demand from the private equity sector is increasing strongly

Sam Birchall

Chief financial officers have always been attracted to roles in private equity (PE).

"It has long been regarded as the promised land where there are great riches to be had," says Mike Mesrie, founder and director of executive search firm MDM Resourcing. "It's no secret that ambitious financial professionals aspire to be a CFO in private equity. I'd be very surprised if a candidate said that they didn't want to end up there."

PE firms have been focused on jump-starting sluggish portfolio performance and navigating economic headwinds. This has led, in part, to high CFO turnover rates at PE-backed businesses, says Ben Graham, founder of executive recruitment firm Triton Exec. Hiring activity for such roles has risen sharply over the past six months as a result and it's showing no signs of diminishing.

"Portfolio companies are being actively encouraged to replace their CFO as the need for a successful exit grows," he says.

This means that the competition for highly skilled finance chiefs capable of leading through economic challenges is heating up.

Businesses are already paying more than ever for finance talent. With PE firms ramping up their efforts to recruit for the top finance role, boards and CEOs will need to find creative ways to convince their finance chiefs to stay put.

Understanding the nuances of the CFO role in private equity can help businesses to better understand its appeal and implement an effective retention strategy. While it may be tempting to assume that financial incentives are the main motivating force, there are other equally important factors at play.

The adrenaline rush of working towards a sale or acquisition is stressful but exciting. Moreover, a CFO's tenure at a portfolio company is typically predetermined, coinciding with the completion of an exit. For many, having an end date to work towards is refreshing.

"You feel like you can directly shape the trajectory of the organisation and make tangible, impactful changes," says Catherina Butler, interim CFO at software business Aryza. "This stretches far beyond financial metrics, encompassing strategic realignments, talent cultivation, organisational structures and operational efficiencies and processes. It's not for the faint-hearted. But, for those willing to embrace it, the rewards are significant and the work is exciting."

CFOs in private equity will also have fewer stakeholders to contend with. They typically work with one or two sponsors, communicating financial results, working through capital structure issues or M&A opportunities and generally speaking the language of finance.

"There is a sense of alignment that is often lacking in other businesses," says Harry Hewson, managing director of executive recruitment firm Camino Search. "You've got a management team of people who are all working towards the same goal and are motivated to get to the next stage. Finance chiefs really love that."

What's more, private equity CFOs tend to have fewer external-facing duties, meaning they have more time to spend "doing parts of the job they enjoy the most", he explains.

Working in private equity can help finance chiefs to sharpen their technical skills, as PE firms will usually hire a CFO with a specific goal in mind, such as executing a complex carve-out or turning a distressed company around.

"These are things they may not get a chance to do in their current roles," adds Hewson.

It is therefore easy to see why working in a PE house might be attractive. But, while these aspects of the role are hard to compete with, they don't tell the whole story of life in private equity.

"It might sound super-glamorous when it goes well," Hewson says. "But, realistically, a lot of the time it doesn't."

The tenure of private equity CFOs is notoriously short: most are replaced within 18 months of investment. Even those who are able to make it past that point still have an average term that is 20% shorter than that of their counterparts at listed companies, according to research by EY.

Despite the allure of private equity, there are steps that businesses can take to boost CFO retention and strengthen loyalty.

Recognition and tailored reward systems, including competitive salaries and bonuses are "a must" for retaining top financial talent, but more important still are compensation packages that not only reward past performance but also incentivise future success. That's the view of Doug Baird, CEO of leadership consultancy New Street Consulting Group.

"Offering equity participation through long-term incentive plans is becoming more common. These schemes help to instil a sense of ownership and belonging, giving CFOs a vested interest in the success of the company – and a strong incentive to stay," he says.

> "It's no secret that ambitious financial professionals aspire to be in private equity. I'd be surprised if a candidate said that they didn't want to end up there

> "Offering equity participation through long-term incentive plans is becoming more common. These schemes give CFOs a strong incentive to stay

Sustainability and digital transformation initiatives are also becoming more important, he adds. "CFOs will be looking to see if a company's values on this are clearly aligned with theirs."

In Mesrie's view, finance chiefs typically become disengaged when they no longer feel appreciated. Acknowledgement in company meetings can boost morale and emphasise the value of the CFO to the whole organisation. Equally important is a C-suite culture that promotes collaboration through open and honest communication.

"For the CFO to feel personally and professionally valued, they must be made to feel part of the team," Mesrie stresses, adding that the CEO should pay special attention to their relationship.

"It needs to be a proper partnership where the CFO is listened to," he explains. "An overbearing or irrational CEO will quickly leave any finance chief feeling disenchanted, pushing them out the door."

Hewson admits that "the life of a CFO can be lonely", which is why providing support and a sense of stability is key. Learning and development programmes should be tailored to finance leaders' individual goals, he says. Furthermore, allowing for flexible working can help them to manage their role without sacrificing personal or family time. This could be where businesses have the upper hand over PE firms, which tend to be less amenable to flexible working.

Although a well-considered retention strategy can help to keep CFOs happy and motivated, it's important to manage expectations about the extent to which such initiatives will work as retention tools.

Hewson believes that continuous investment in a CFO succession plan is the most effective way to safeguard financial leadership in the long term. Yet many businesses are failing to take this seriously: only 26% of UK firms have a succession plan in place for their C-suite, according to data published by recruitment firm Robert Half. A further 17% have an unofficial or informal plan, but 57% have no succession plan of any description. This is worrying, given that CFO turnover is at an all-time high.

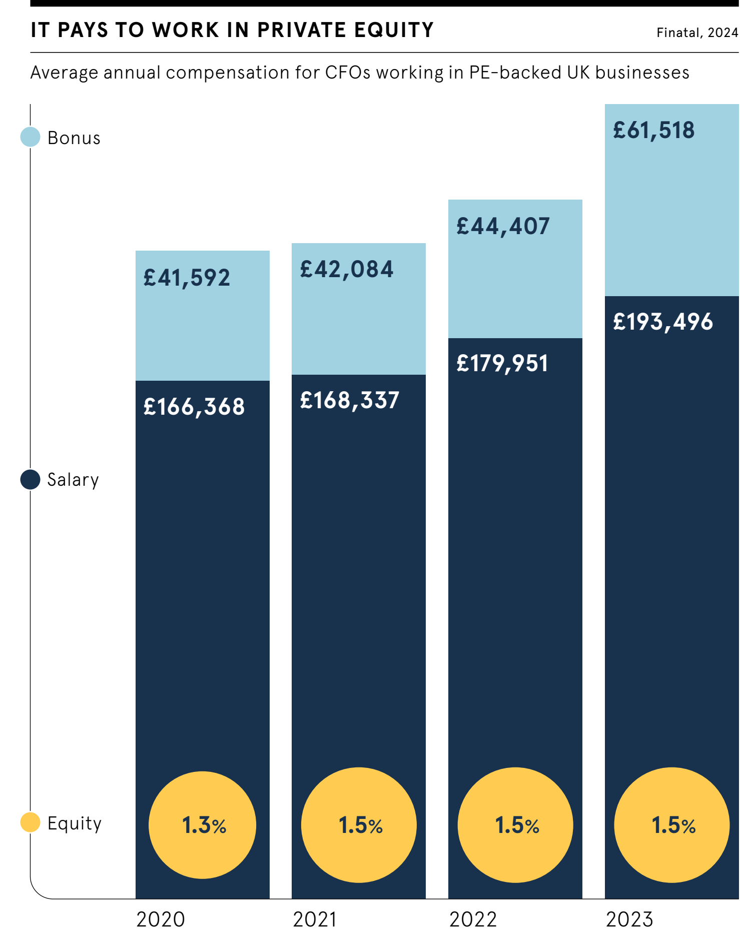
Hewson believes this is a "huge opportunity" for businesses to identify, train and develop the next generation of finance leaders.

"There is a pool of diverse, young and talented finance professionals waiting to step up into CFO positions," he says. "They're hungry, they're motivated and they've got a point to prove." ●

IT PAYS TO WORK IN PRIVATE EQUITY

Finatal, 2024

Average annual compensation for CFOs working in PE-backed UK businesses



Commercial feature

Q&A

How are CIOs responding to a dynamic business environment?

Ben Elms, CEO of internet solutions provider Expereo, shares his observations on how CIOs are responding to the opportunities and challenges of the evolving digital world

Q The current business environment is tough. How have you observed CIOs responding to this?

A Despite an ever-growing set of economic challenges facing technology leaders, business expectations for the coming year are characterised by a heightened level of optimism globally. Why? They are betting on automation and AI technologies to enable growth.

From the businesses that have spent the past few years strategising and preparing for execution to the businesses excited and ready to take on AI initiatives at scale, 2024 will see many global enterprises prioritising AI. They'll use it to automate business operations and processes, drive efficiencies across the business and empower customer experiences.

Of course, it is not all about AI. Expansion into new geographies and cost containment initiatives are also driving CIOs' responses.

Q What are some key drivers of technology investment in 2024?

A Delivering business growth, cutting costs and improving experiences continue to be the ultimate drivers of tech investment. It is one of the most exciting times to be a technology leader, and CIOs are in a prime position to support growth and efficiency gains through their technology strategies.

While the CIO is traditionally responsible for driving technology initiatives, they must attain buy-in at board level; any disconnect between the board's expectations and those of technology leaders will only inhibit company ambitions.

Fortunately, achieving buy-in of AI initiatives should not be as challenging as it has been, as there is no motivation quite like the 'fear of missing out.' Without the latest technology, enterprises risk falling behind their closest competitor, damaging their reputation, and even losing customers and revenue.

Q AI is a hot business topic. Where should organisations start if they want to prime themselves to take advantage of this emerging technology?

A There is no point onboarding AI tools and innovative technology if you do not have the right infrastructure to handle and scale it.

This includes having the correct network infrastructure to deal with the huge amounts of data that AI applications will generate. AI initiatives also require a network that can embed security, limit network outages and provide the performance levels applications need to run smoothly and effectively.

Again, aligning with the board is imperative here. That means agreeing on key performance indicators, providing comprehensive training and setting expectations of what AI can and should do. This should be bespoke to each department as AI has different use cases across each job function. Understanding how it can, and how it cannot, be used on a granular level company-wide is crucial to prevent disappointment and to avoid inhibiting ambitions.

For global enterprises, navigating different compliance and regulatory laws across markets can also be complicated. Acquiring the right expertise and guidance on these challenges and market differences is key to assuring a consistent and confident AI strategy.

Q How do you see the role of cloud connectivity and network visibility evolving in helping CIOs achieve their business goals?

A Strong cloud connectivity is the bedrock of modern-day business operations. Without it, issues such as network outages or packet loss can lead to significant inefficiencies, which pile pressure on IT and cause staff frustrations. And firms can lose revenue if customers can't access sites or services reliably.

The internet is extremely fragmented. There are over 100,000 distinct internet networks operating today, and no two offer identical performance; understanding this performance requires fully transparent network visibility and management tools. This enables network managers to rapidly identify and resolve critical network issues such as downtime. It allows tech leaders to predict potential risks, such as a surge in network traffic, and address them before they materialise into tangible issues.

Once network management tools are in place, and with the right support, CIOs can be confident that their investment into new technology and services is sound, and thus build a far more flexible and scalable business.

Q How can CIOs address skills gaps in priority areas such as cybersecurity, data and AI?

A With technology increasingly impacting every industry and function, there is an increasing pressure to attract and retain top talent, and to drive digital reskilling across all sectors. As of 2024, cybersecurity, networking and data/AI/automation-related skills are particularly difficult to find worldwide.

The good news is that there are ways to help bridge the skills gap. External partners, such as vendors or MSPs (managed service providers), can play a key role by supporting reskilling initiatives and by filling gaps in networking, cybersecurity, AI and automation.

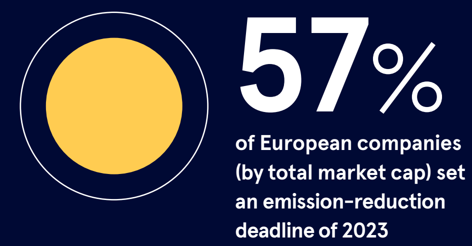
To pre-register for more insights from global CIOs in Expereo's forthcoming Enterprise Horizons 2024 please visit bit.ly/enterprise-horizons-2024

expereo

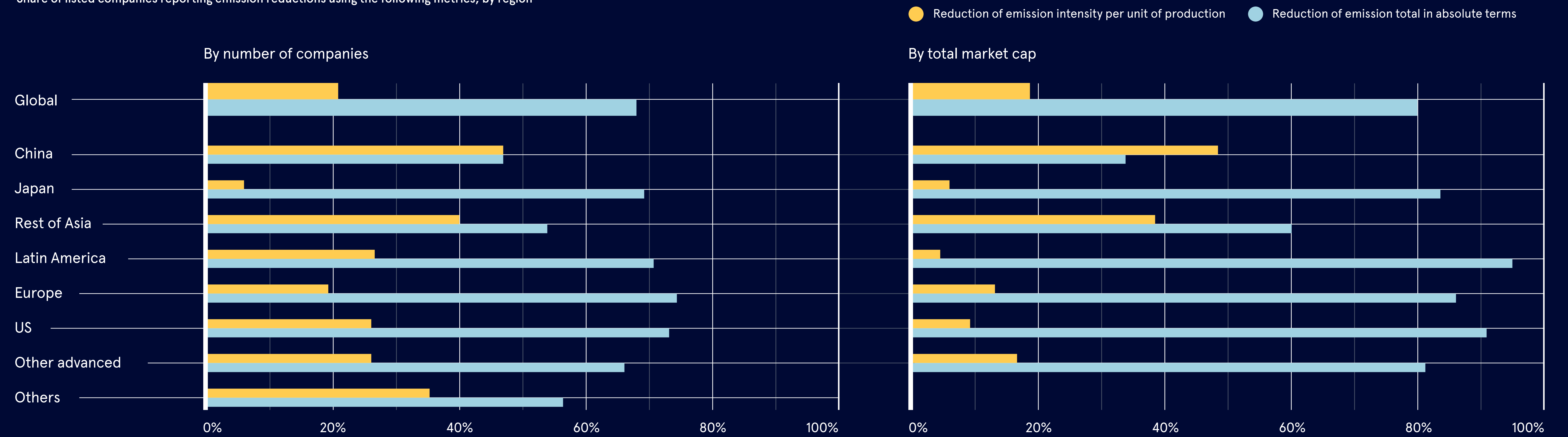
SUSTAINABILITY DISCLOSURE

As regulators worldwide place businesses' sustainability credentials under increasing scrutiny, the investment community is demanding more and better information about firms' greenhouse gas emissions and strategies for reducing their carbon footprints. The picture is complicated by the fact that reporting practices vary considerably by business size and location. Nine times more European firms (in terms of market cap) report their scope-three emissions than their equivalents in China do, for instance

66% of companies worldwide (by total market cap) have their disclosures assured by an external provider



57% of European companies (by total market cap) set an emission-reduction deadline of 2023



Number of companies

Total market capitalisation

ALMOST 90% OF COMPANIES BY MARKET CAP DISCLOSE SUSTAINABILITY-RELATED INFORMATION

Share of listed companies disclosing sustainability information by region

MOST DISCLOSE SCOPE-ONE AND SCOPE-TWO EMISSIONS...

Share of listed companies disclosing scope-one and scope-two emissions by region

... BUT FAR FEWER DISCLOSE SCOPE-THREE EMISSIONS

Share of listed companies disclosing scope-three emissions by region

WITH THE EXCEPTION OF THOSE IN CHINA, MOST FIRMS (BY MARKET CAP) DISCLOSE EMISSION-REDUCTION TARGETS

Share of listed companies disclosing reduction targets by region

Global
China
Japan
Rest of Asia
Latin America
Europe
US
Other advanced
Others

0% 20% 40% 60% 80% 100%

OECD, London Stock Exchange Group, Bloomberg, 2024

Commercial feature

Why regulation should be seen as an enabler of innovation

Technology is revolutionising the way we work and live, but companies must prepare for the compliance challenges ahead

From artificial intelligence (AI) to green energy, automated vehicles to the internet of things (IoT), innovation is accelerating at a relentless pace, creating huge opportunities for businesses and consumers, but also new risks.

Regulators have been racing to respond and over the last few years an array of regulations and standards have been put in place to ensure products and services enter the market safely.

This has made the job of compliance much harder for innovators, particularly those operating globally, who must navigate different regulatory frameworks in each international market. Yet, it would be a mistake to view regulation primarily as a burden, as some companies do, when in fact it plays a crucial role in driving innovation forwards.

Technology that doesn't comply with regulatory requirements will not succeed, and for good reason, which means the companies behind it will miss out along with society at large.

To ensure this doesn't happen companies must embrace regulation as part of the invention process, rather than treating it like a barrier. This is where the testing, inspection and certification (TIC) industry comes in – helping organisations to detect possible regulatory and financial risks, ensuring there are ultimately fewer barriers standing in the way of exciting new developments.

"The TIC sector is a key foundation of safe invention," says Stan Zurkiewicz, the chief executive of Dekra, one of the world's leading TIC providers.

"When disruptive innovation comes into the world, ensuring it is safe is non-negotiable. If an innovator fails to take this into account, they are bound to fail."

AI threats and opportunities

Dekra carries out product testing, inspection and certification in 60 countries, supporting around 500,000 business clients across an array of industries, along with millions of individual consumers.

One of its key areas of focus is AI, which could offer huge consumer benefits if implemented properly including safer and cleaner transport, more efficient manufacturing, cheaper and more sustainable energy and also improved and accessible healthcare.

Yet fears about the risk of bias and inaccuracy in algorithms and data have led to greater regulatory scrutiny and tough new rules. The European Union (EU) has led the way with its AI Act, which will closely monitor certain types of AI to ensure they are safe, transparent, traceable, non-discriminatory and environmentally friendly.

To support its clients Dekra independently assesses, tests, and certifies AI systems to ensure they meet the new rules.

"If things go wrong with AI the impact can be quite severe and hard to reverse," says Zurkiewicz. "So, the challenge is ensuring that a positive vision of AI prevails, not a negative one, which is why having a trusted TIC partner is so important."

Cyber and sustainability

Dekra also plays a vital role in the rapidly evolving world of cybersecurity. As the internet touches more and more aspects of daily life, hackers are finding new opportunities to exploit at the device level.

Everything from connected vehicles and web-enabled consumer electricals to power plants and other crucial infrastructure is now a target, which is why thorough testing and inspection is so crucial.

It's a similar story in the sustainability sector, where wind turbines, solar panels and battery storage units also need conformity assessments and periodic inspections for safety, durability and efficacy.

In addition, companies face growing pressure from regulators and shareholders to demonstrate that they are genuinely progressing towards carbon reduction targets.

"It requires a financial audit but also a technical one, which is where we can help," says Zurkiewicz. "You can no longer make sustainable claims to investors or regulators without credible independent verification."

Headquartered in Stuttgart, Dekra last year reported revenues of €4.1bn (£3.5bn), making it the world's fourth largest TIC organisation. It supports a wide range of organisations including public sector agencies and government departments, start-ups and SMEs, and blue-chip giants such as BMW, Apple and Google.

Among its other services, Dekra tests and certifies products for export around the world, provides firms with regulatory guidance, and is the leading provider of testing to the electric vehicle sector. It also provides retail and business customers with mandatory and voluntary periodical vehicle inspection services for all types of vehicles.

Managing risk

While larger companies are better equipped to manage regulatory change, all companies find it a challenge, Zurkiewicz says.

"Even when there is no obligation to undergo mandatory third-party checks, firms come to Dekra to help them stay ahead of the curve," he says. "It's a crucial part of risk management."

Last year Dekra partnered with LatticeFlow to complete the first commercial AI assessment for Migros Bank, which is one of Switzerland's best-known financial institutions with around 1 million customers across the country.

The audit focused on a partnership between the bank and Gowago, Switzerland's largest online car-leasing provider, for which Migros provided financing services.

Gowago uses an AI model to predict the value of cars at the end of the lease-term to help it provide competitive rates. But Migros's revenues could have been hugely impacted if the algorithm was faulty, so the model had to be carefully tested.

"Our expert auditors used the Dekra AI Assessment Framework, which focuses on assessing the AI system quality as well as its compliance with upcoming EU regulations," says Zurkiewicz.

"In addition, LatticeFlow conducted an end-to-end technical assessment of Gowago's AI lifecycle to ensure safety and trustworthiness in line with the latest ISO standards.

"Overall, we helped Migros to harness the benefits of AI in banking operations by managing the risks."

'One-stop shop'

Dekra is also supporting Hylane, a German start-up backed by the German government that operates the largest hydrogen-powered truck fleet in Europe.

The firm rents its trucks to major transportation companies such as DB Schenker and GLS as well as retailers like DM and Rewe. And while users only pay for the kilometres they have driven, they are still entitled to maintenance, repairs, servicing, insurance, and access to hydrogen as part of the package.

Dekra helps Hylane with driver testing and training, statutory vehicle inspections and condition reports.

"Dekra is a strategic partner because our organisation is a one-stop shop offering everything Hylane needs," said Stan Zurkiewicz.

Innovation will accelerate rapidly in the next decade, and there will be a significant amount of new regulation to navigate, particularly if a company operates across borders.

Testing, inspection and certification will play a crucial role in helping firms on this journey, and in many cases will be required by law.

"Regulation should not be seen as a burden but as an indispensable enabler of innovation," says Zurkiewicz. "Companies must work within the rules to succeed commercially, and rigorous independent testing, inspection and certification is key to helping them do that."

> When disruptive innovation comes into the world, ensuring it is safe is non-negotiable

For more information please visit dekra.com

PRODUCTIVITY

Just talkin' to my generation

The formation of generational cliques in the workplace hampers collaboration and harms productivity. Employers must act urgently to bridge the communication gap

Sam Forsdick

Workplaces around the UK have become more generationally diverse than ever, with five distinct cohorts represented. But the emergence of so-called generational echo chambers – where employees from different age groups fail to communicate effectively with each other – is preventing businesses from capitalising on the diversity of thought their organisations contain.

A LinkedIn survey has found that only 20% of generation Z (those aged under 27) have spoken to someone aged 50-plus at work over the past 12 months. Of the over-55s, 44% have actively avoided having workplace conversations with the youngest generation.

Janine Chamberlin, LinkedIn's UK country manager, believes that this lack of interaction between age groups poses a risk to businesses. She argues that the lack of collaboration and skill-sharing "will result in a loss of knowledge held by more senior employees and reduce the opportunities for younger workers to learn".

The problem is most acute between gens X and Z, but similar patterns can be seen in other age groups. One in every six respondents (17%) admit that they're not sure how to approach significantly older or younger colleagues.

By limiting their interactions with people outside of their own age group, workers are limiting their exposure to different perspectives, exacerbating skills gaps and hampering productivity.

"If you can have those skills cross-pollinated between generations, it will deliver much better outcomes," Chamberlain says.

It's unclear why these echo chambers are forming – and attempts to explain the phenomenon often resort to stereotyping.

Professor Bobby Duffy is director of the Policy Institute at King's College London and author of *The Generation Myth*. He explains that one of the common problems with generational analysis is that age effects and generational effects are often confused. In other words, differences in perspective between boomers and zoomers, for example, are more likely to have resulted from variations in their experience than from their decades of birth.

But he also highlights the physical separation between generations, which could be contributing to the decline in their interactions.

"Cities and large towns have gotten younger while small towns, villages and rural areas have gotten older – to quite an extraordinary extent – over the past 30 years," Duffy explains. "It's a massive change, which some academics have described as a dangerous experiment in age segregation."

Because of this separation in community and social spheres, the workplace has become increasingly important for promoting intergenerational conversations, he says. Research shows that such interactions benefit both young and old people as individuals and also help to fight age-based stereotypes.

Tobba Vigfusdottir is the founder and CEO of employee wellbeing platform Kara Connect and a former adviser to Iceland's minister of education. She argues that IT and Covid have also played a role: new technology has changed the nature of interactions, while the shift to remote work during the pandemic removed many opportunities for employees from different age groups to connect meaningfully.

Although the causes of these intergenerational gulfs will vary, employers must act urgently to establish lines of communication, according to Duffy.

"Real issues can be created if you allow age-based divisions in the workplace, including miscommunication and loss of team effectiveness, as well as tensions between colleagues," he warns.

Research from The Inclusion Initiative at the London School of Economics, conducted in collaboration with Protiviti, bears this out. Employees whose managers are more than 12 years their senior report that they are less productive than average and are more likely to be dissatisfied at work, unless their employer takes effective measures to foster intergenerational inclusion. This means eliminating age-based stereotypes and encouraging high-quality relationships between employees of different ages.

Dr Daniel Jolles, research assistant with the initiative, says: "This shows that, when companies establish good connections between age groups, they see higher productivity. There's a good business case for having generationally diverse teams, provided that they're working in an industry that requires thought and creativity."

One of the most effective ways by which employers can improve inclusion is to form age-diverse teams and develop their people based on merit rather than experience, but this isn't happening enough, he reports.

Recruitment practices and organisational structures can also limit intergenerational interplay. Businesses that focus on hiring for cultural fit often inadvertently create a homogeneous workforce. It's also typical for each layer in an organisation to be composed of people of similar ages, with the youngest filling the junior roles and the oldest occupying management positions.

"If there's no diversity in the hierarchy, then naturally people will not have spoken much to those from other age groups," Jolles says. "It's crucial that people are hired, trained and developed in a way that allows for intergenerational inclusion to take place."

Employers must also encourage communication across age groups. While he acknowledges that such exercises can become "gimmicky" Duffy notes that they can still be useful in encouraging more productive interactions. The key, he says, is to make open collaboration part of the core way of working.

Duffy recommends creating situations where mixed teams can "work towards a common goal" and different groups have "equal status and are encouraged by those setting the tasks to cooperate".

Companies have also enjoyed success with reverse mentoring. These schemes enable the sharing of insights in both directions, as opposed to the more experienced participants imparting their wisdom alone. LinkedIn career expert Charlotte Davies notes that such schemes can help businesses to nurture new relationships between employees, build their confidence and improve collaboration.

Other simple solutions include creating space for informal discussions in a hybrid working environment, such as virtual coffee breaks.

"It's important that companies make it easier for people from different generations to chat informally, both in person and when working remotely," Davies says.

Although she adds that it will take time for firms to find what works best for their teams, it's important that they start laying the groundwork now. If they're to capitalise on the diverse perspectives and skills that a multigenerational workforce can offer, they need to create a culture that helps everyone to thrive, whatever their age.

74% of professionals believe they can learn a lot from interacting with employees in other age groups

40% of workers aged over 55 haven't spoken with a colleague from generation Z in the past year

64% of zoomers are waiting for their employers to do more to encourage intergenerational communication

LinkedIn, 2024

> Cities and large towns have gotten younger while small towns, villages and rural areas have gotten older – to quite an extraordinary extent

INTERVIEW

‘People are at the core of everything we do’

Ikea’s HR chief, **Ulrika Biesèrt**, explains why she’s helping to preserve the cultural values established by the company’s founder, even as its operations evolve with the times

Sam Forsdick

The word “genius” gets bandied around a lot, but it’s a fair description of Ingvar Kamprad, the founder of Ikea. That’s the view of Ulrika Biesèrt, group CHRO of Ingka Group, which operates Ikea Retail.

Kamprad, who died in January 2018 aged 91, founded the company when he was 17. Over the years he turned the business into the largest furniture retailer in the world. It now operates in 60 markets and employs 230,000 people.

The Ikea corporate myth states that Kamprad’s upbringing on a farm in a poor area of Småland, southern Sweden, shaped the values that employees are still encouraged to embody: resourcefulness, togetherness and ingenuity.

“He created a company that emphasised entrepreneurship, kindness and humility,” Biesèrt says, attributing Ikea’s incredible run of form to these founding principles.

“The success of the company is very much a result of our people approach,” she argues. “People are at the core of everything we do; we have always had this focus.”

Since Kamprad’s death, Biesèrt has felt a responsibility to preserve his values and ensure that they remain fundamental to the way Ikea operates. “For the board, but also for the family and Ingvar’s sons, it’s important to prove that I understand the culture of Ikea,” she says.

According to Biesèrt, the foundation of creating a good culture – and, by extension, a good company – starts with recruitment. “We have to be intentional with how we hire,” she says.

In practice, this means using a values-based recruitment strategy that assesses whether an applicant’s credos align with those of the business, rather than evaluating their experience or the quality of their CV.

To put it bluntly, Biesèrt says: “If you don’t share our values and feel engaged by them, you are not the right fit.”

Recently, Ikea had to deviate from this recruitment philosophy when expanding its digital and technology teams. While the company would normally look to train staff to fill skills gaps, the need to quickly expand the business’s AI capabilities forced it to hire externally – and it soon became apparent to Biesèrt that more work was needed to help these new arrivals adapt to the company’s culture.

To help them make the transition, the company engaged Kamprad’s son, Peter, who held sessions in his father’s old summerhouse to teach the Ikea cultural values to some of its new technologists.

“They were astonished by the stories he told about the business,” Biesèrt says. “It has proved so popular that we’re looking to offer it to more people in the business.”

She claims that Ikea’s purpose-led mission and focus on sustainability and equality are helping it to compete with the likes of Google when hiring tech talent.

Preserving a positive company culture is no mean feat. Indeed, it requires hard work. Biesèrt regularly visits Ikea stores to speak to the people on the shop floor to gauge opinion and hear their thoughts in a “less formal setting. You can feel the culture when you are out in our stores,” Biesèrt says. “Ikea’s absolute superpower is that people love to work for us and they stay.”

The company’s latest figures show that voluntary staff turnover was 21% in the financial year 2023. This was far lower than the average for the retail sector, which is 50%, according to data from the British Retail Consortium.

When cultural concerns do arise, Biesèrt often prefers to resolve these in person. Recently, while at a European works council meeting, a trade union representative warned that some changes to Ikea stores in the Nordic region were being made at the expense of the company’s culture and values. Biesèrt pledged to travel to the territory to speak to the local country and HR managers.

“That is the seriousness with which we take cultural issues,” she says. “It’s because the success of the company is totally built on culture.”

Regular surveys are also used to gather employee feedback. This involves “questioning how we are recruiting, how we are promoting and how we are leading”, Biesèrt says.

Recent results are positive: 84% of Ingka Group employees say they can be themselves at work, 80% feel included and 79% feel engaged.

Culture also heavily influences performance reviews: while half is based on individual achievement and business results, the other half is measured on the employee’s behaviour and whether that lives up to the company’s values.

The concept of “leadership by all” is another new development that has helped to strengthen commitment to Ikea’s cultural values.

“In our organisation, everyone is a leader,” Biesèrt says. “Everyone has the same set of behavioural expectations, regardless of whether you’re the CEO or a part-time co-worker in a warehouse.”

While this may sound like a recipe for disaster, Biesèrt claims it has not created chaos. Instead, the intention is to empower staff to make decisions themselves, rather than always having to seek permission.

The “go bananas card”, introduced by Ingka Group CEO Jesper Brodin, is an extension of this idea. These cards have been distributed among the company’s management. In essence, they give people permission to take a risk. Each card is co-signed by the CEO, meaning that, if the risk doesn’t pay off, the person who used it is already excused from any blame.

Brodin’s intention with the cards was to encourage a greater acceptance of mistakes, says Biesèrt, who adds that the initiative has “created some tensions, but the business needs a bit of this. If we just operate within our comfort zone, it will only lead to problems.”

Biesèrt has even played the card once herself. She used it to approve funding for a new staff scheduling system that has helped to increase employees’ flexibility in choosing their working hours.

“It felt a bit uncomfortable to go against the current system, but something positive came out of it,” she says.

While Ikea has sometimes been slow to adopt new technologies (it only started selling products online in 2009 and didn’t retire its print catalogue until 2021), the business is already using generative AI to enhance the customer experience.

For instance, 8,500 call-centre workers have been retrained by Ikea as remote interior designers, while customer queries have been delegated to AI assistants. Drones are being used to monitor inventory in 16 of its stores in Europe and a robotic racking system is being trialled in Finland.

But AI also has the potential to disrupt Ikea’s finely tuned culture as fears grow that the technology could make some roles redundant. When the firm began experimenting with the technology, Biesèrt stressed that this would not prompt a reduction in headcount. And, so far, the opposite has happened: the company has hired 150 new workers even as it makes more use of AI.

“We’re automating most of our processes but we’re also retraining people,” Biesèrt says. “Traditionally, our people have worked in one area – such as the restaurant, the children’s section or the warehouse. Now the same co-worker might need to be able to work both in children’s Ikea and in the restaurant.”

Although she believes that these changes will make employees’ jobs “more fun”, by introducing more variety to their working days, she admits that not everyone is happy with this development.

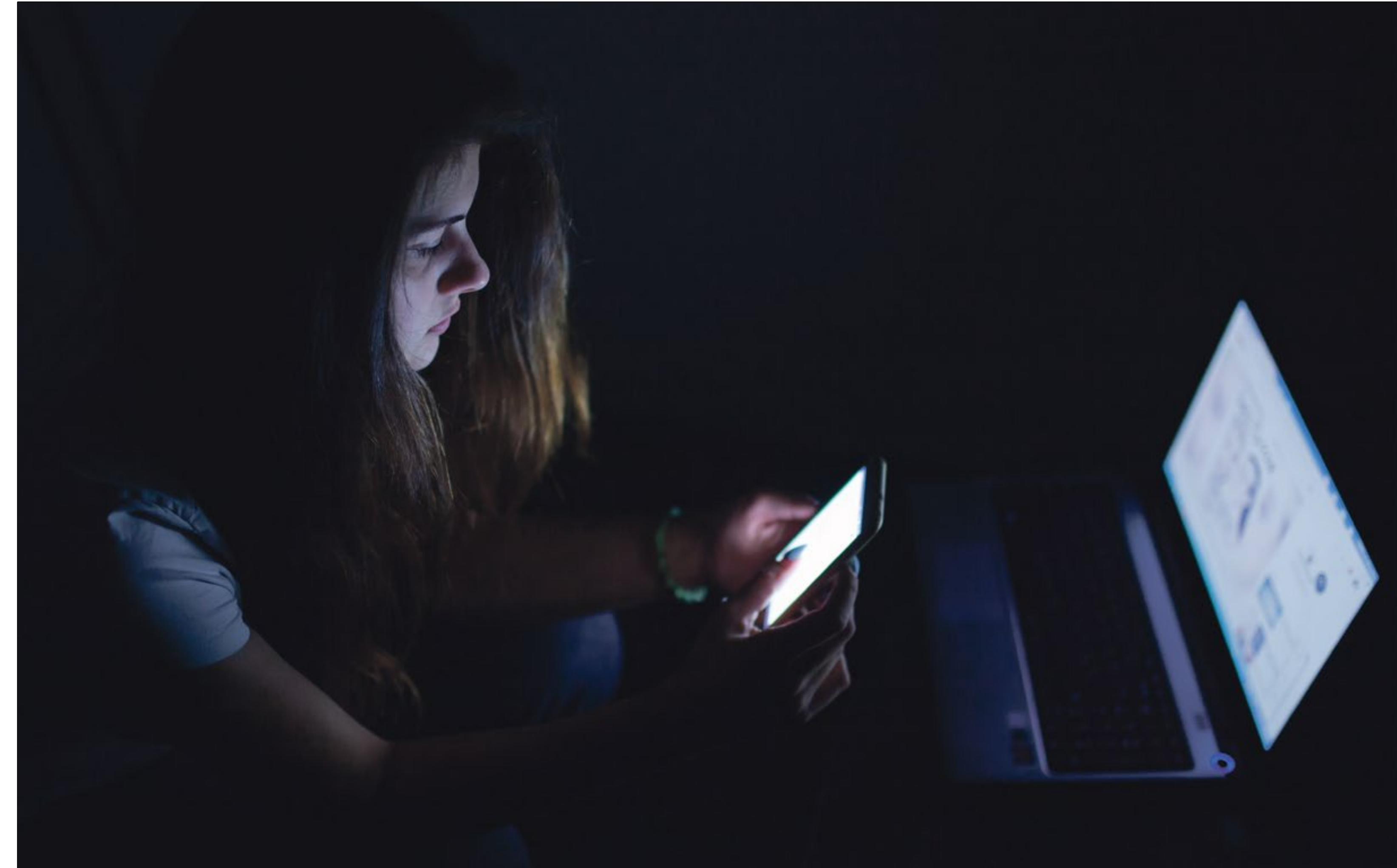
“We need to get better at reskilling and upskilling, but this also requires co-workers to have an open mindset,” she adds.

Whichever direction these new technologies take Ikea, the values that Kamprad established 80 years ago are likely to endure.

As Biesèrt stresses: “We’ll always need to get back to the culture. Togetherness is key.”

> We need to get better at reskilling and upskilling, but this also requires co-workers to have an open mindset

Commercial feature



Breaking ad: why the retail-media-network experience is critical and how to build it

Retail media is the fastest-growing advertising channel in the world. But obtrusive, irrelevant and slow-loading ads that fail to harness first-party data could deter brands and consumers

Retail media should be simple and lucrative. Brands pay to advertise their products to consumers on digital assets owned by retailers. In return they enjoy exposure to new consumers and a boost in sales, while retailers profit from a new ad revenue stream.

But there’s a problem. A study by DoubleVerify has revealed that brands in the US, France, Germany and the UK are facing significant hurdles when implementing retail media strategies and working with retail media networks – the retailer-owned advertising services that allow marketers to purchase ad space across all digital assets owned by a retailer.

High costs, a lack of quality verification by third parties, on-site ad space limitations, minimal activation options and the absence of industry standards for measuring ad performance are some of the biggest challenges cited by brands and advertisers. If networks can’t solve these problems, advertising spend could stall as brands opt to advertise with competitors. Consumers may also be turned off by irrelevant ads that hinder their shopping experience.

It’s a problem James Avery, the founder and CEO of Kevel, a cloud Saas platform for building differentiated retail media networks, understands well. “During the pandemic there was an explosion of retail media networks,” he says. “Lots of retailers launched them, but they mostly used the same three providers. They’re all quite basic – conversely, retailers are telling us they want to stand out by providing innovative, relevant, fast loading ads, driven by first party data.”

There is a reason why retailers are eager to tap into this new revenue stream. Retail media is the fastest growing advertising channel in the world. Analysts forecast that by 2027, $104.90 billion will be spent on retail ads in the US alone, growing by more than 20% each year. It’s also expected to tie with social media for ad spend, second only to online search, such as Google, and outstrip TV, digital audio, and traditional television combined.

Some retailers have already cashed in. Amazon is the current retail media leader and by some distance, having captured more than three-quarters of the US market. In 2023, Amazon Advertising was roughly 12 times larger in share than its nearest competitor, Walmart Connect. Amazon leads the way in Europe, too, with a staggering 54% share of the digital retail media market, based on its advertising revenue.

Avery says Amazon’s success is the result of the retailer solving problems for brands and end customers alike and provides a roadmap for other retailers to follow. “If you’re a consumer shopping on Amazon, every ad is very relevant,” he says. “That’s because they use first party data (information that a company has collected directly about its customers or users) really well, they probably know everything you’ve bought for the past 10 years. The creative is really clean and eye-catching and it’s also fast loading. It adds to the user experience rather than hurting it, which can’t always be said for other networks.”

Kevel is enabling retailers to compete with the likes of Amazon and Walmart. The company’s software empowers them to easily develop unique, fast loading, seamless and high performing ads that circumnavigate ad blockers that damage revenue by restricting visibility. Ad servers built in Kevel have advanced functionalities in targeting and reporting that employ first party data. Advertisers can also build self-serve portals, use first-and second-price auctions, and leverage advanced targeting features to reach revenue goals while minimising time and resource spend.

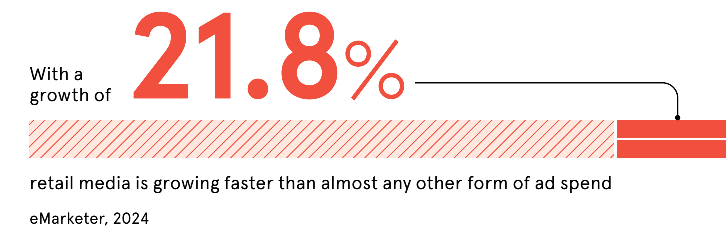
Avery explains his approach to working with new clients: “The first question we normally ask is: ‘what can we do that will generate new advertising spend inside the first six months?’ For retailers with no retail ad experience, sponsored listings are a good starting point. “From there, we can develop native advertising units, promoted listings, branded units at the top of a category page or shoppable videos that drive consumers to a brand page.”

Using first party data is key to delivering relevant, targeted and high performing ads, but it’s also a source of concern among decision makers, who fear breaching global privacy laws. Violations can result in fines as high as €20 million or four percent of revenue. But while retailers and brands must ensure they remain compliant with ever-changing laws and be aware of regulatory differences in international markets, it’s entirely possible to use first party data and remain compliant. This can be achieved by ensuring data isn’t shared with third party advertising technology companies and by storing it securely within a single tenant, retailer-owned platform.

For Kevel, the aim is to give retailers the tools to process and use data with ease, without compromising privacy. “Data is retailers’ biggest advantage and they should have 100% control of it,” says Avery. “We don’t sell data to power a secondary business model, we make sure it’s stored securely in one place, within the retailers’ ad platform.” Kevel Audience – the company’s customer data platform – is a solution built specifically for retailers. It enables them to collect first party data on their owned platforms, use AI to segment by creating groups of users based on common attributes and then target these groups with ads relevant to their search intent. For Kevel, the aim is to give retailers the tools to process and use data with ease, without compromising privacy.

An increasing number of retailers are even building data science teams to make sense of the mountains of data at their disposal. “We want to make our software even more componentized so that retailers can be really specific about the areas they want to control and those they want us to handle,” says Avery.” To remain competitive, retailers must harness the power of their data to deliver intuitive ads that fit seamlessly within the buyer’s journey. If they do, they could tap into a powerful new revenue stream that fuels growth and steals a march on their competitors.

> Data is retailers’ biggest advantage and they should have 100% control



For more information please visit kevel.com

THE BIG DEBATE

Do you need a degree to enter the C-suite?

A university education can help people to develop the skills required to climb the corporate ladder. But the notion that you must be a graduate to become a business leader is increasingly being challenged

Sam Birchall

If you're seeking evidence to show that a degree is no prerequisite for success as a business leader, it's easy to find: Bill Gates dropped out of Harvard to set up Microsoft. Despite this, Gates has repeatedly stated that a degree is a "much surer path to success".

Higher education can help future leaders to hone the skills they need to ascend the corporate ladder. Universities play a role not only in preparing graduates for employment but in teaching them key skills for their lives outside work.

The fast-changing market for skills may also increase the need for a degree. Research by the World Economic Forum predicts a growth in demand for creativity, technical literacy, analytical thinking and complex problem-solving skills over the next five years. These are attributes that a university education can help to develop and they're likely to help anyone with leadership ambitions stand out.

But the notion that you must have a degree to earn a C-suite position is increasingly being challenged. LinkedIn reported a 90% growth in number of job ads not requiring a degree between 2021 and 2022, for instance. Large employers such as PwC, Goldman Sachs, Google and Apple have done away with degree requirements in an effort to focus more on skills, remove unnecessary barriers to employment and attract a wider range of applicants.

The growing acceptance of alternative education paths, including online courses, certifications and apprenticeships, suggests that life experience and work experience can deliver what's needed to rise through the ranks. And businesses are starting to recognise this.

A degree still holds considerable value in a highly competitive market where candidates must do everything they can to stand out from the pack. But alternative paths to leadership are becoming more popular – and there is something to be said for experience over education. So is a degree truly essential for those aiming for the C-suite?

The Doubter

Ben Graham, co-founder and managing partner of global executive search firm TritonExec

Although there are certain roles in the world of work – medicine and law, for instance – that absolutely require a degree because of their highly technical nature, it's a myth that the qualification is necessary for those aiming for the C-suite.

Of course, a degree demonstrates that the holder has committed to something, had the discipline to persevere, completed the qualification and gained perspective over some elements of life. But, in our experience 95% of the time, candidates will have degrees that aren't related to the roles they end up taking.

Furthermore, of the 500 senior placements we made last year, mostly in the professional services or management consulting space, the first requirement for a candidate is usually at least 15 years of experience working in fields related to the role in question.

Traditionally, a degree was a foot in the door. But, over the past 15 or so years, we've seen the meteoric rise of startups and larger enterprises going through series B or C funding. These more agile businesses are focused on the raw skills and the potential of candidates to develop in the future. To meet their needs, recruiters must look beyond education.

Candidates lacking a degree but offering other great attributes have turned out to be highly prized. In many cases, we've seen incredible hires who took alternative paths. These people were no less capable than their degree-holding counterparts – and they proved this through their more relevant experience in the workplace rather than the classroom.

We have placed enough chief executives, operations officers and information officers to know that a degree is rarely the deciding factor in securing a seat at the top table. Among many recent searches, a degree was not the first thing our clients considered. Degrees will always have their place, but my wish is that the culture of the workplace quickly adapts to championing the best candidate, regardless of education. So let's keep an open door to the broad range of talented people who sidestepped university.

> A degree is rarely the deciding factor in securing a seat at the top table

The Believer

Leo Smigel, founder of data science platform Analyzing Alpha Management

I've learnt that experience counts for a lot, but more schooling can also really help you to succeed. A degree such as an MBA shows that you understand important commercial activities, including handling money, marketing products and developing long-term strategies. Having specialised knowledge about these parts of the business is important in this tough economic climate, especially when an individual is responsible for big decisions that affect the whole company.

Universities enable you to meet successful people who teach classes and share their stories. And they may be able to help later with career advice or connections. Having a strong network within your field of expertise is a considerable competitive advantage when you're applying for senior roles. Moreover, it can help you to develop professionally, accelerating your path to the top.

Research indicates that degrees often lead to more money over the course of your career. It's therefore worth thinking of higher education as a long-term investment.

The skills and experience you can gain in completing a degree hold a lot of value in the eyes of investors. Imagine that you've started a successful business on your own, but finance isn't your strong suit. Taking the company public is a complex task. While you'll have taught yourself a lot, an MBA could show the board and investors that you're equipped to handle that process.

Of course, there's a strong argument for having a healthy blend of experience and education in the C-suite. Hiring a CFO who knows finances inside and out could help, but you'll also want people who have leadership experience, regardless of academic attainment. With these balancing perspectives, the leadership team will be in a strong position to guide important choices that will shape the organisation.

Having a degree isn't everything, but attending university will help future workers to gain specialised knowledge and develop a network of connections that could prove useful in the future. Experience is important too, but ambitious people looking to reach the top levels of an organisation would be wise to pursue a formal degree. ●

> Having a strong network within your field of expertise is a considerable competitive advantage when you're applying for senior roles

Commercial feature

Genuine curiosity: building customer loyalty as consumer expectations evolve

The world of payments has changed dramatically since the pandemic. Brands must adapt or risk being left behind

The world of payments has changed dramatically since the pandemic, as shopping has become a truly digital-first experience, both online and at the point of sale.

Consumers now expect to be able to purchase goods and services quickly, conveniently, and securely, wherever they are and with the payment method of their choice. Merchants and retailers unable to meet these expectations risk jeopardising the customer experience (CX), losing business, and falling behind brands with more forward-thinking business models.

And with artificial intelligence (AI) about to further reshape the payments landscape, the pressure on firms to address payment strategy weaknesses and embrace the latest payments technology is intensifying.

Most will require an integrated suite of solutions tailored to their specific needs, yet picking the right tools is rarely straightforward and many will need expert guidance to get the best return on investment.

Understanding the modern shopper

Before firms begin to overhaul their operations, however, they must ensure they understand the needs of modern consumers, says Scott Frisby, who leads the strategy function at Elavon, one of Europe's leading providers of payment solutions.

While price was once the driving factor behind most shopping decisions, today customer experience is more important, he says.

"Shoppers have much more choice than they used to when buying the products and services they love, and aside from sales and discounts, it is harder to compete on price," he explains.

"Instead, merchants and retailers must offer an exceptional shopping experience to differentiate themselves. That could be through amazing customer service, innovative features, tailored offers, or inspiring marketing campaigns.

"It's also about avoiding things that detract from a great shopping experience, such as a poor digital user experience (UX), late deliveries, unappealing refund and exchange policies and clumsy payment processes."

Shoppers regularly cite payments as one of the most important aspects of the shopping experience, and for good reason.

Transactions must be fast and convenient to keep consumers engaged and turn them into repeat customers. If it takes multiple tries for a payment to go through, a customer is much more likely to abandon a transaction.

Similarly, merchants and retailers must offer a wide variety of payment methods to provide the freedom and flexibility consumers want – from traditional credit cards and digital wallets to buy-now-pay-later services.

It is equally crucial that payments are secure, which means storing payment data safely, having robust cyber defences and deploying reliable customer ID processes. Yet this cannot be at the expense of customer convenience.

"Failing to stop a preventable breach can be devastating to your brand's reputation and cost you financially. But you can also alienate your customers if you overburden them with security processes, so striking the right balance is key," says Frisby.

Online versus point of sale

Digital payments technology has made huge advances in recent years, offering huge benefits to brands. Take for example point-of-sale solutions such as unattended screens, QR codes and self-checkout tills, which have transformed the physical shopping experience for consumers and allowed retailers to increase shopper throughput with a lower number of staff.

Such innovations are integral to the multi-channel shopping experience consumers have come to expect.

"Self-checkout tills used to be hard to navigate and had frequent points of failure in terms of the touch screen technology, with loud hectoring recordings coming out of terminals," says Frisby.

"But today's experience couldn't be more different thanks to huge leaps forward in digital payments technology.

"They are sleeker, quieter, and faster and consumers really appreciate the speed and the accuracy. The benefits for retailers have been immense."

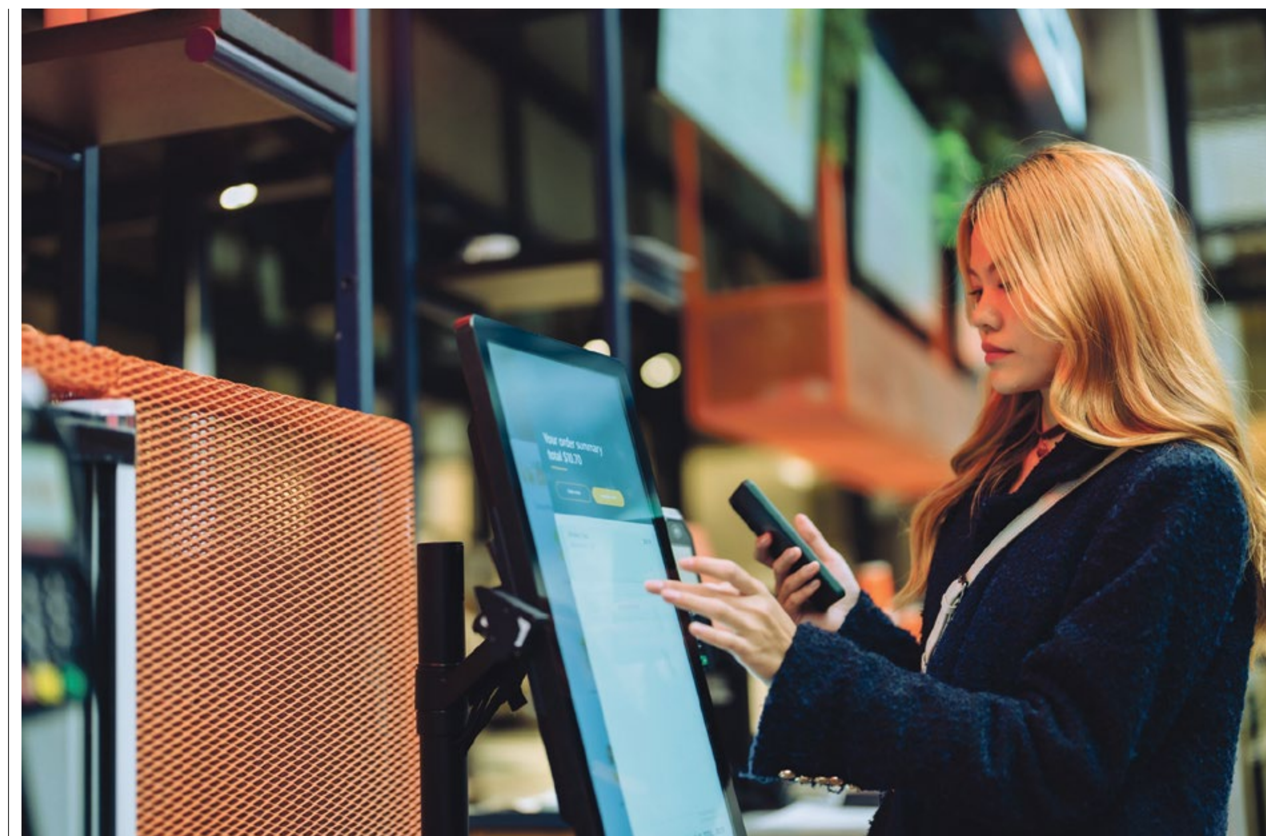
Similar advances in e-commerce technology have vastly widened access to the market.

Previously only the biggest retailers were able to offer sophisticated online shopping experiences, but now off-the-shelf cloud-based solutions allow small businesses (SMEs) to meet the same standards for an affordable monthly licence fee.

SMEs can now integrate payments systems with ease, develop their own apps and e-commerce storefronts, and use AI-powered tools to generate customised offers.

"Historically smaller retailers had to operate on a mixture of Excel, gut instinct and other expensive apps," says Frisby.

"Now they get a simple one stop shop: they can offer excellent payment processes, digitise their loyalty offers, capture information about customers and develop CRM and marketing programmes, all via one supplier."



Business models of the future

AI will accelerate these benefits, allowing retailers and merchants to offer more tailored recommendations based on past shopping habits, launch advanced virtual assistants, and offer innovations such as advanced voice-activated ordering.

However, brands will have to rethink how they operate to get the most out of these tools, and most are only at the start of that journey.

Elavon has been supporting merchants and retailers with their payments and wider commerce needs for the last 30 years. Operating across Europe and North America, the firm's clients range from SMEs to blue chip brands including IcelandAir, hotel group Sheraton and Northern Irish transport provider Translink.

Elavon helps businesses to take payments online, face-to-face, on mobile and over the phone with tailored, secure, and easy-to-use solutions. It also provides currency conversion and real-time payments data reports, along with access to business finance.

> Merchants and retailers must offer an exceptional shopping experience to differentiate themselves

A genuine solutions architect

The firm sees itself as a trusted partner to brands navigating the fast-changing world of digital payments, says Frisby.

"On the one hand we have our own payments solutions to help firms process transactions, and we can provide the hardware if needed - the cash tills, card readers and payment terminals.

"On the other, we have the ability to integrate a wide range of platforms into our systems and operate as a solutions architect helping brands address their wider e-commerce needs."

Elavon works closely not only with payment providers, but also business optimisation apps, deposit tracking systems and inventory management platforms.

"With access to a suite of carefully curated software vendors, we can provide clients with everything they need to run their business," says Frisby. "We also ensure your customers receive a simple, no-hassle onboarding process, while maximising your revenue opportunities with transparent, competitive pricing."

Elavon prides itself on its flexibility, offering customers the chance to customise installations to their specific needs. It also supports them with award winning in-person customer service rather than faceless chatbots and is well regarded for the reliability and resilience of its platform.

"As cash continues to decline, merchants are ever-more dependent on their payment solutions," says Frisby. "If you can't process transactions you can't trade, and while that has always been important it is now an existential threat."

The world of payments is at an inflection point and brands should expect to see significant change in the next few years. They must ensure their payments strategy remains up to date and aligned with evolving customer expectations, or risk being outpaced in an increasingly competitive market.

For more information please visit elavon.co.uk

Elavon®

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