University of Oxford
Novak Druce Centre for Professional Service Firms
Saïd Business School

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The Centre Outlines Its Strategy

'The Novak Druce Centre for Professional Service Firms takes a very broad view of the study of PSFs,' *writes director Chris McKenna*, 'yet remains tightly focused on those professional service firms themselves, although not the professions such as medicine or the clergy nor all "knowledge-intensive" firms.

'Our aim as an academic centre is to be a central hub in the international network of scholars studying the evolution, impact, and management of professional service firms.
Our financial resources allow us to train future scholars, to "incubate" rising scholars, and to support existing scholars through 'starter' grants in support of more ambitious research projects. The Novak Druce Centre primarily serves as an academic hub for those scholars in the Saïd Business School, and more broadly, in the Oxford community, who are interested in professional service firms. We also serve as a "home away from home" for the international scholarly community interested in PSFs who may wish to visit us.

'We are catholic in our disciplinary interests and the academic topics that people choose although our scholarship tends to be based in empirical studies that will generate more theoretical models. Similarly, although no single theme predominates (and we look to expand the breadth of research topics, not to constrain them), almost all of our research touches upon comparative and international expansion by professional service firms and on innovation within the sector. Those themes, however, may be expressed in many ways, including outsourcing, new practice development, the transfer of managerial models, or the historical evolution of the sector itself. Our support for the study of professional service firms includes not only doctoral and post-doctoral training, research grants and travel funds, research seminars and scholarly workshops, but also engagement with practitioners in regulatory bodies, teaching executive education, and regular meetings with the leading professional service firms, including our sponsor, the intellectual law firm Novak Druce.

'Although we have consistently grown in numbers and budget over the past seven years of the Centre's existence, our aim is to remain a close group of researchers united in our intellectual curiosity about PSFs. Not surprisingly, a natural consequence of that is that we are constantly reaching out to the international community to collaborate in our scholarship. Even as we evolve over time, however, our philosophy as a Centre of supporting existing research on PSFs rather than imposing an agenda upon others remains core to our strategic view of the long-term promotion of this academic field.'

Innovation in PSFs: the Novak Druce Centre's 2011 Summer Conference

The Centre's 2011 summer conference will take place from 3rd to 5th July in Oxford. The formal programme will run from first thing Monday 4th until lunchtime on Tuesday 5th, with an informal welcome dinner on the Sunday and a formal dinner on the Monday. Accommodation will be provided at St Peter's College, Oxford. Participation is by invitation only.

Professional service firms play a critical role in advanced economies and constitute significant agents of socio-economic change and innovation. Nevertheless, we still know surprisingly little on how innovation is produced within and across these firms. This conference aims to advance our understanding of innovation in professional services both theoretically and empirically.

Some fifteen international specialists will be giving papers focusing on the development of innovative products and services in professional service firms and also innovative organizational designs, managerial methods, work processes, and business strategies in such firms. In particular these papers will explore the following range of important questions:

- How should we define innovation in professional services? Does it have unique characteristics, and if so, what are they?
- What is the role of innovation in professional service firms? How is it perceived, managed, and monitored?
- Which structures, routines, norms, culture, and strategies support innovation and creativity in PSFs, and which constitute barriers to creativity and innovation?
- What political processes and leadership processes surround innovation activities in professional services?
- What is the role of clients in innovation activities in professional service firms?
- What is the role of new information and communication technologies as drivers of innovation in professional services?
- How do formal and informal intra-organizational networks contribute to innovation in professional services? And what is the role of inter-organizational networks, such as professional service firm clusters and professional associations, in the creation and diffusion of such innovations?
- What is the impact of intellectual property law and patent protections on innovation activities in professional services?

Contributions will also examine innovative organizational structures and processes such as the offshoring of professional services and the emergence of new forms of marketing and advertising. Further information is available from the Centre Manager, Camilla Stack, (camilla.stack@sbs.ox.ac.uk).

Oxford Banking Expert Joins Centre

Alan D Morrison, Professor of Finance at the Saïd Business School and an authority on banking regulation and on corporate finance and governance, joined the Centre as a member of in autumn 2010. After reading mathematics at Brasenose College, Oxford, Alan worked for Anderson Consulting (now Accenture), Morgan Grenfell and SG Warburg, then took an MSc at Imperial College in the Foundations of Information Technology and completed a doctorate at Saïd Business School on 'Reputation, Opportunism and Crowd Behaviour in Debt Markets' in 2000. He is the author, with W J Wilhelm of *Investment Banking: Institutions, Politics, and Law* published by Oxford University Press in 2007.

'We are delighted to welcome such an eminent specialist, who will further extend the interdisciplinary range of the Centre through his expertise in the key field of banking and finance' says its Director, Chris McKenna.

New *Insights* Series for Practitioners Launched

In spring the Centre will be launching a new series, *the Novak Druce Centre Insights*, which aims to provide accessible summaries of recent research by members and associates of the Centre for practitioners, their HR trainers and the media. Each *Insight* focuses on a particular issue in the management of professional service firms and offers a fresh, up-to-date reading of this issue. Derived from academic papers and books and written primarily for practitioners, the series is designed to be thought-provoking and challenging yet also highly readable.

The first six *Insights* will cover the following topics:

- The Transnational Professional Service Firm: The Rise of the Global Multiplex PSF
- The Impact of Changing Career Structures on Professional Service Firm Innovation
- Panel Games: How Client Organizations Choose Their Legal Advisors
- The Glass Ceiling in Professional Service Firms: a Leading Management Consultancy Under the Lens
- Leading Global Strategic Change in the New Professional Service Firm
- The Impact of Outsourcing and Offshoring on the Legal Profession.

Thereafter it is intended to release four to six titles a year. To obtain the first six titles in the series, or multiples of them, please contact the Centre Manager, Camilla Stack (camilla.stack@sbs.ox.ac.uk).

Visits Stateside

Chris McKenna

Chris spent several weeks in the US in early 2011. In February he gave a paper the second Emerging Disciplines Symposium in Houston organised by the Rice University Humanities Research Center. While in the US he also took the opportunity to meet Novak Druce partners, Matt Todd and Warren Pinkerton (both of whom incidentally are alumni of the Oxford EMBA programme) to discuss possible further collaboration. Chris then spent time at the investment advisors Blue Mountain Capital in New York, carrying out research into hedge funds and in connection with his book, *Partners in Crime* (see also his article on tax havens on page 8).

Mari Sako

Mari was at the MIT Sloan School of Management during the Fall 2010 semester carrying out research interviewing general counsel and law firms in the USA. She also participated in a panel at the Canadian Bar Association Managing Partners Annual Conference in Toronto in November. Back in the UK she also delivered the keynote lecture, 'What is happening in the market' at a Law Society's conference on 'How to respond to the trend towards outsourcing: a reflection and consultation' held in London at the Society on 7 September 2010.

George Chondrakis

George Chondrakis visited Novak Druce's office in Washington on November 9th, 2010. 'My visit lasted one hour and I had the chance to meet with the staff and present my research,' writes George. 'In particular, I presented a paper (*see Research and Publications, pages 6 - 8*) focusing on business method patents. A dozen people were present at the DC office but the presentation was also streamed to other Novak Druce offices in the US.'

Samantha Fairclough

Samantha, who is a research associate of the Novak Druce Centre and of the University of Alberta Business School, has most recently been pursuing her research into the legal profession on the West Coast. She reports that, as her associateships end, she will be applying for posts in both North America and Paris.

Camilla Stack

As part of a relationship building exercise Centre Manager Camilla Stark visited the San Francisco and Washington offices of Novak Druce, where she met with partners and gave presentations on the Centre and the activities of its members. 'Everyone was very welcoming,' says Camilla, 'and it was extremely useful to establish links with the two offices and to get to know the people there.'

Sabbatical & Centre Directorship Plans for 2011

Centre Director Chris McKenna will be on sabbatical from the beginning of August for twelve months working on his book, *Partners in Crime* as a Thomas McCraw Fellow in US Business History at Harvard Business School. For the second half of the year he plans to be in residence in the Palm Beach and San Francisco offices of Novak Druce. In his absence Professor Mari Sako will be acting as Co-Director of the Centre.

The Centre Welcomes Range of New Associates

John Armour

Hogan Lovells Professor in Law and Finance at Oxford, John Armour directs the Oxford Masters in Law and Finance, run jointly by the Law Faculty and the Saïd Business School. His main research interest lies in the integration of legal and economic analysis, with particular emphasis on the impact on the real economy of changes in the law governing insolvency and company law and has published widely in the fields of company law, corporate finance, and corporate insolvency, including *The Anatomy of Corporate Law* (Oxford University Press 2009). Professor Armour has been involved in several policy-related projects commissioned by the Department of Trade and Industry, the Financial Services Authority, and the Insolvency Service.

Huseyin Leblebici

Professor of Organizational Behavior and the Head of the Department of Business Administration, University of Illinois at Urbana-Champaign, Huseyin Leblebici pursues research interests in organizational sociology, organizational design, and inter-organizational relations. Currently working on studies of organizational forms - their creation and diffusion - in professional service organizations, Professor Leblebici also directs the Office of Business Innovation and Entrepreneurship, which focuses on the social and economic infrastructure that leads to business innovations and the development of high growth firms.

Namrata Malhotra

Assistant Professor at Imperial college Business School Dr Malhotra pursues research into organizational theory and strategy. Much of her research to date has been on the content and process of managing strategic change in organizations, especially professional service organizations. More specifically, she has been involved in research projects examining change processes in Australian, British, and Canadian law firms. Namrata has also done research examining international entry mode strategies of engineering consulting firms focusing on the role of nature of knowledge and work.

Anand Narasimhan

Professor of Organizational Behavior at IMD, Anand Narasimhan has research interests spanning leadership, organizational change and design, social networks, and emotional intelligence. Holder of a PhD in Management from Vanderbilt University, he is highly active in the design and delivery of executive education for corporate, non-profit and government organizations worldwide and teaches the IMD programme, *Orchestrating Winning Performance*.

Milton Regan

Milton C. Regan is McDevitt Professor of Jurisprudence at Georgetown Law School and Co-Director of the Center for the Study of the Legal Profession. His work focuses on professional responsibility, ethics, corporations, law firms and the legal profession. Professor Regan is the author of *Eat What You Kill: The Fall of a Wall Street Lawyer*, co-author of *Legal Ethics and Corporate Practice* and co-editor of *Debating Democracy's Discontent: Essays on American Politics, Law, and Public Philosophy* (Oxford University Press, 1998).

Professor Markus Reihlen

Markus Reihlen is Associate Dean of the Graduate School and Otto Group Professor of Strategic Management at Lüneburg's Leuphana University and Programme Director of its MBA in Strategic Management. His research interests include strategic change, professional services, organizational communication and knowledge management, cross-cultural management, and the philosophy of science. He is the author and co-editor of four books on innovation, process management, networks and alliances, and internationalization of professional services and has received several awards in research and teaching, including the Best Paper Award of the Academy of Management (Management Consulting Division) for two years running.

Peter Sherer

Peter D. Sherer is Associate Professor at the Haskayne School of Business, University of Calgary. Professor Sherer was awarded the Best Paper of 2002 in the *Academy of Management Journal* for his article on institutional change in law firms, also recognized by the *Journal*s editorial board of as one of the most significant academic journal articles in management over the last 100 years. His other articles and chapters include 'The changed world of large law firms and their lawyers: an opportune context for organizational researchers', 'The sky's the limit' in *The American Lawyer*, and 'Mapping the competitive space of large US law firms: a strategic group perspective'.

David Strang

David Strang is a Professor of Sociology at Cornell University and has published extensively in leading journals on a range of current issues relating to organisations, management, business and public affairs. His most recent book is *Learning by Example: Imitation & Innovation at a Global Bank* (Princeton University Press, 2010). In 2009 he was a Visiting Fellow at the Saïd Business School and Nuffield College, Oxford.

Andrew von Nordenflycht

Andrew von Nordenflycht is an Associate Professor at Simon Fraser University's Beedie School of Business, which he joined after taking a BA in History at Stanford and a PhD at MIT, followed by six years as a software product manger and management consultant. His recent and forthcoming publications include 'What is a Professional Service Firm? Towards a Theory and Taxonomy of Knowledge Intensive Firms'; 'Firm Size & Industry Structure under Human Capital Intensity: Insights from the Evolution of the Global Advertising Industry'; and 'Is Public Ownership Bad for Professional Service Firms? Ad Agency Ownership, Performance and Creativity.' (*Andrew also recently contributed to the Centre's Seminar series - see page 6*)

David Wilkins

David Wilkins is the Vice Dean for Global Initiatives on the Legal Profession, Lester Kissel Professor of Law, and the Faculty Director of the Program on the Legal Profession at Harvard Law School. He is also a Senior Research Fellow of the American Bar Foundation and a Faculty Associate of the Harvard University Edmond J. Safra Foundation Center for Ethics. Professor Wilkins has written extensively on the legal profession including 'After the JD, a ten-year nationwide longitudinal study of lawyers' careers'; an examination of how corporations purchase legal services; a project on the development of 'ethical infrastructure' in large law firms; a study of legal offshoring to India; and a forthcoming OUP book on the development of the black corporate bar.

Research & Publications

Tim Morris: Structuring Consulting Firms

In addition to preparing arrange of academic articles (to be detailed in the autumn newsletter) Tim Morris recently completed an in-depth case study of the Roland Berger consultancy and contributed a chapter, 'Structuring Consulting Firms', with Heidi Gardner and Anand Narasimhan, to the forthcoming OUP *Handbook of Management Consulting*, edited by Tim Clarke. Its purpose is to present an overview of research on the distinctive structural characteristics of consulting firms, outlining the explanations for these characteristics and their relationship to the firms' organizational dynamics.

The chapter concludes: 'Understanding the structures of consulting firms has several important and related aspects. First, structure viewed broadly, or organization design, is distinctive in these firms because of the nature of the work, staff and clients. Whether consultants are viewed as professionals or not, many firms have characteristics typical of the professional organization. While it appears that the largest firms have taken on corporate forms of management and become more like the corporations they serve, control of the client relationship largely remains in the hands of front line professionals and this mitigates the development of a uniformly bureaucratic model.

Second, structural differentiation occurs at the micro-level of the everyday consulting task and the macro-level of the firm's portfolio of practices. Structural differentiation at the macro-level has proliferated in the form of practices based on sector, expertise and geography, and coordinated by complex matrices. Balancing this differentiation is the project team, the micro-structural form characteristic of all consulting firms and their primary integrating device. This micro-structure is also the means by which leverage is enacted. The macro-structure provides a platform for locating different types of expertise and the micro-structure is a platform for integrating multiple forms of expertise in work assignments.

Third, structural choices about the portfolio of practices must be viewed in light of the growth dynamics of the firm. These are driven partly by client opportunities but also by the need to provide careers for professional staff. Growth via diversification is one route by which consulting firms seek to mitigate the risks of knowledge commoditization although there appear to be structural and cultural limits to such growth ambitions. Growth is in turn linked to expertise-based innovations that take the form of new practices. In short, understanding changes in the structure of a consulting firm requires an understanding of the process whereby new practices are created.

At the macro level, a consulting firm's strategy is embodied in its portfolio of practices and how they interact, such as by cross-selling or sharing resources of staff and expert knowledge. Practices constitute the firm's organizational bedrock. Though usually defined in terms of technical expertise, practices are often overlaid with market-facing structures based on sector or client type, and in the largest firms with geographic units as well. As a result, large consulting firms are typically structurally complex and managed via matrix systems.

The portfolio of practices that constitutes a firm is not exclusively the result of top-down decisions. Rainmakers and partners with valued connections to clients can influence choices about resource allocation and support for innovations. Furthermore, competing claims to expertise can affect patterns of growth. Understanding how practices are created and destroyed thus offers insight into patterns of structural development in consulting firms.'

Tamar Parush: A New Study of 'Blawgs'

Tamar Parush, a Post-Doctoral Researcher at the Centre, is embarking on a new study of 'blawgs' (legal blogs) and their implications for law firms and the legal profession. Tamar is interested in blawgs as a new genre of legal-professional discourse, which both reflects current changes in the legal profession and legal market and facilitates these changes. Her research project employs qualitative and quantitative methods of textual analysis to gain insight into three kinds of transformations that are implicated by the rise of blawgs and blawging; transformations in the marketing and advertising of law firms; transformations in knowledge sharing and knowledge development among legal professionals; and transformations in lawyers' professional identity and the way they communicate this identity to various audiences.

She writes: 'The internet is one of the most transformative technologies of all times, and its huge ramifications for the professions and for professional service firms are just beginning to unfold. It appears that the legal profession, in particular, is highly receptive to Internet-based innovations. One example of this receptivity is the rising popularity of legal blogs, namely blawgs. Blawgs are blogs that deal primarily with legal topics and are maintained by law firms, lawyers, law students, law professors or other legal professionals. Over the last few years, blawgs have not only increased in number and popularity - they have also received institutional recognition. The *Journal of the American Bar Association* now publishes the 'Blawg 100', an annual list of the best 100 blawgs of the year, and the Library of Congress regularly harvests leading blawgs and preserves them in its newly established Legal Blawg Archive.'

George Chondrakis: Profiting from Business Method Innovation

Doctoral student George Chondrakis writes: 'During 2010 I completed a paper with the title 'Profiting from innovation in services: business method patents as mechanisms of appropriability'. In it I tried to understand how recent changes in the regulatory environment in the US - namely the grant of business method patents - affected the ability of service providers to profit from innovation. I found that, despite the regulatory uncertainty, business method patents are valuable for service providers. In addition, I find that service providers can further increase 'appropriability' by combining business method patents with other strategies targeted at protecting innovation. I presented this paper at the 26th EGOS (the European Group of Organizational Studies) colloquium in Lisbon in July 2010.

His paper states: 'The study of innovation and its performance implications for organizations has been put at the center of strategy research in the last 20 years … However, several researchers have become increasingly frustrated with innovation theory's focus on manufacturing goods … Indeed, this is especially true for the question of appropriability, as there are very few attempts to study the link between innovation and performance within the context of services … This dearth of knowledge becomes quite problematic at a time when major changes in the regulatory environment in the US are taking place. A ruling by the US Court of Appeals for the Federal Circuit (CAFC) in 1998 emphasized that business methods are patentable subject matter. Hence, service providers are now able to rely on formal intellectual property protection mechanisms, as opposed to other strategies (such as secrecy or lead time advantages). Yet, no study has explicitly considered the effectiveness of business method patents as mechanisms of appropriating value from innovation … In an attempt to address these limitations, I used an event study methodology to measure the stock reaction resulting from the grant of a business method patent. For the analysis, I relied on a sample of patents granted from the US Patent and Trademark Office (USPTO) that provide competitive protection for inventions applicable to the insurance industry.

'I provide evidence that a firm's absorptive capacity increases the underlying value of business method innovations and, as a result, the value appropriated through patenting. Finally, larger firms are found to benefit more from business method patents, as they are better-equipped to protect their intellectual property rights. These results have important implications for the design of organizational innovation strategy and also for public policy and intellectual property regulation. This paper challenges the notion of a weak regime of appropriability in services given that business method patents are found to significantly increase the market value of innovators.'

Currently, George is working on a project with Mari Sako on the economic value of patents. 'We are trying to understand, define and measure the economic value of patents using data from the US Patent Office. There is evidence that patenting is more effective in certain industries such as pharmaceuticals. However, a number of researchers have also shown that, notwithstanding the industrial context, some firms are better than others in profiting from patenting. Evaluating these contrasting views, we suggest that the value of a patent is not an absolute measure but is rather context-specific. Having this in mind, we want to measure the relative importance of these (and other) parameters in patent valuation.'

Suela Haxhiraj: 'Strategising' in Management Consultancies

Doctoral student Suela Haxhiraj writes: 'In December 2010 I embarked on a six-month period of fieldwork working four days a week in the in-house strategy unit of a large professional service firm. By working alongside inhouse strategy consultants, I am aiming to pursue the original goal of my research: to capture the 'embeddedness' of analytic strategy tools in the everyday work of consultants and to examine the interactions that consultants have with these tools. A draft paper on my research has now been accepted by the Management Innovation stream at the EGOS 2011 colloquium, which will provide a good opportunity for me to discuss my preliminary results.'

The paper states: 'Despite the acknowledged contribution of consultants in the knowledge industry and in strategy, there is a lack of fine-grained analyses to explain consultants' activities with regard to their interactions with strategy, its supporting knowledge base and associated artefacts or tools … By interacting with in-house consultants through active participant observation, this study aims to capture 'reflection in action' … Although this study does not promise generalization across all strategy consulting contexts, its conclusions are deemed important for the field of innovation in management, as well as the advancement of the understanding of strategy as an activity based phenomenon. Practically, the result of the proposed study will provide consultants and strategy managers with insights on performance of tools and activities in the strategy process, as well as potential lessons learnt on the implications of the use of one or another set of activities and tools.'

The Novak Druce Centre Seminar Series

Dr. Andrew von Nordenflycht of Simon Fraser University, Vancouver, visited the Novak Druce Centre in January and gave a talk as part the Centre's seminar series. Dr. von Nordenflycht specializes in the study of professional service firms, and his recent research focuses on the emergence of publicly traded corporations in professional services. This was also the subject of his seminar, titled ***'Do outside owners induce professionals to cheat their clients? Ownership and ethics in securities brokerage'***. A common argument against the ownership of professional firms by non-professionals is that outside owners will influence the firms to compromise professional ethics and thereby "cheat" clients. Dr. von Nordenflycht set out to test this argument by examining whether there is, indeed, an association between non-professional ownership of securities brokerage firms and higher levels of ethical violations in these firms. His preliminary findings show no evidence that non-professional ownership *per se* is associated with higher levels of unethical behaviour. They do show, however, that transitions to public ownership may be associated with subsequent increases in unethical behavior. These complex findings sparked a lively discussion among the seminar's participants.

On 3rd March Thomas Armbrüster of Quadriga University's Berlin & Munich Executive Institute speaking ***on 'When do clients recommend consulting firms? A survey of medium-sized firms'*** reported the results of an admittedly limited survey of German using (mainly SMEs and family firms) using consultancies. Recommendation – 'a hybrid between reputation and trust' turning on individuals rather than firms – played a significant role in choosing a consultancy (accounting for 30% of choices as opposed to only 2% for both marketing and direct approaches). Not surprisingly, most SMEs preferred consultancies that were, like them, small. Larger firms were a different matter: larger clients' selection processes were more formal and the motives for choosing larger consultancies more complex, often involving needs for 'insurance' and legitimisation.

Armbrüster concluded that, although entry barriers in the field are low and smaller consultancies do not necessarily stand lower chances than larger firms, launching and growing consultancies are not easy. A gap seems to open up when consultancies reach 125 – 150 staff which they find difficult to jump. Existing big name constancies had grown on the back of services like auditing and this may no longer be possible. We may have reached a point where big consultancy creation never again happens.

The seminar ended with an exploration of the limits of 'impression management' and the impulses behind the demonisaton of management consultants as the 'evil-doers of neo-liberalism'. Reasons advanced included not just the unregulated nature of the field but that, unlike law and finance, there was no apparent underlying corpus of professional knowledge.

Forthcoming in the Novak Druce Centre's Seminar Series

Paula Jarzabkowski, Aston Business School
'Grasping risk: Models, materials and judgment in reinsurance trading'
Thursday 5 May, 4.30 - 6pm, Boardroom, Saïd Business School

Markus Reihlen, Leuphana University of Lüneburg
'Governance of Professional Service Firms: A Configuration Theory'
Friday 3 June, 2.30 – 4.00 pm, Andrew Cormack Seminar Room, Saïd Business School

For details of other seminars in the series, please contact the Centre Manager, Camilla Stack, at camilla.stack@sbs.ox.ac.uk.

All Together Now: The Way Forward for PSFs

In the post-crisis world economy success will come from the fusion of common endeavour and charismatic leadership, argued John Connolly, Deloitte's Global Chairman in his lecture, 'As one – individual action, collective power', at the School on 2nd March.

'I want to talk about a new concept of leadership. In boardrooms around the world I am hearing the same messages: uncertainty about the pace of economic growth, the potential damage of shocks. The financial crisis we have lived through in the last three years has sealed the fate of the old ways. The reputation of business has been battered, and we need to raise its honour again. But along with this we have a fantastic opportunity – to try to imagine a new definition of the very purpose of business.'

Business needs leaders *and* followers who are 'willing and able', Connolly continued. Management theories had mostly been built on the 'able' piece. Capability had spawned a management consulting industry worth billions of dollars today. But the concept of being `willing' had been too often absent.

'In my firm, we first began to think hard about this idea three years ago. We set up a project to explore a pragmatic approach to global co-operation. Our aim was to equip leaders with the ability to connect their strategies with the people in their enterprises. We called it "As One".

'Organisations have a responsibility not only to recruit the smartest people, but be smart about recruiting people with the right skills and experience,' added Connolly. 'Getting the right fit for both is important. A talented person in the wrong culture will not flourish. They may be "able" but they won't be "willing". Motivation in itself is not enough either. Showing your people a clear vision of what you hope to achieve, how you aim to achieve it and how they are a vital part of that strategy will also be critical.

'Does this suggest that the importance of the individual CEO or leader is exaggerated? I feel exactly the opposite. When you examine success across different fields of business you will find an individual leader who delivered at a different level from the competitors.' He cited Sir Terence Leahy in retailing; Lou Gerstner, Bill Gates and Steve Jobs in IT; Sir Martin Sorrell in advertising; and Ford's Alan Mulhally and GE's Jack Welch in manufacturing.

'Leaders cannot expect their people to accept anything that appears to be arbitrary,' Connolly conceded. But he added: 'It's too easy to package a powerful leader into the "command and control" box and position this as a negative.' Leaders also needed the individual qualities of charisma, pride, passion, audacity, drive and optimism.

'You cited only great men,' commented a participant in the Q&A. 'How can we also encourage great women?' 'There is often a real inability to appreciate the differences in style between men and women,' agreed Connolly. 'It is all too easy to focus on the attributes that you see in yourself. If only 20% - 25% of our promotion to partner in any one year are women, that must mean we are missing out on talent.

'You have got to force it to some extent. I believe, if not in quotas, in targets. 45% of the graduates that start with Deloitte are women. A third of our executive is female. And you have got to establish figureheads. We reorganised the board by region, with five members for each region. In each case the fifth seat had to be held by a woman. Many of our women partners were opposed to this initially. But the issue was the younger women coming through in our firm. The more figureheads, board members, mentors and stories we have the better. My sense is that it is starting to work.'

Silicon Valley Comes to Oxford: Conference Report

Europe's leading IT entrepreneurship forum, *Silicon Valley Comes to Oxford* brings together Californian luminaries for a period of in-depth interaction with British entrepreneurs and Oxford faculty and students to explore the impact of previous disruptive technologies, predict likely future developments and consider the possible demise of familiar industries.

Professional service providers make up the 'third arm' of high tech innovation after engineers and capitalists. Silicon Valley is a particular magnet, one to which the firm Novak Druce has recently responded by opening new offices there. So it was entirely fitting that it sponsored this 10th anniversary event of *Silicon Valley Comes to Oxford* on 21 - 22 November 2010 which reflected on the last ten years of innovation and looked ahead to the coming decade.

The impact of the internet on society and business is only just beginning, Silicon Valley entrepreneurs agreed. From their vantage point as leaders of organisations like *Google*, *lastminute.com* and *Twitter*, they identified a collective surge that is moving faster than conventional knowledge sources in governments and academia can handle. 'We're just at the beginning of hockey-stick growth' said Biz Stone, founder of Twitter, commenting on the speed with which information is being democratised.

IT investor Saul Klein said that the internet had already had a profound effect on ephemeral aspects of our lives like shopping but soon access will become ubiquitous and its impact unforeseeable.' Business models will be fundamentally transformed. 'There is now a distinct business model called 'figure it out as you go, and create value on the way' which turns traditional business wisdom upside down,' concluded one participant. Saïd Business School Professor David Upton agreed: 'Banks should not be looking at traditional competitive threats like other banks but at the disruptive players like Google.'

'We haven't seen the Twitter or eBay of the energy or healthcare market but it's coming,' added Nick Hughes, whose M-PESA mobile banking tool has twenty million users in Kenya. 'We could also see a new global balance, whereby the developed world learns from the less developed. Emerging markets will move straight away to these low-cost minimum impact technologies, because there is no infrastructure.'

It is the spread among unexpected types of user that is astounding, agreed participants: 'There are five billion mobile handsets in the world now and 1.2 billion are owned by people with poor literacy and no bank account,' commented a top Google executive. 'The way technology is bringing inclusivity is incredible. We are getting into the humanity layer, way beyond the use of technology.' Twitter's Biz Stone agreed that users, not technology, are the drivers: 'It's not us at Twitter that are doing it. It's not about algorithms but what people themselves are doing with it. I want Twitter to be a triumph of humanity.'

However access is not expanding equally in all markets. Brent Hoberman, founder of lastminute.com argued this often acts to the detriment of the organisations placing barriers around the internet. He highlighted Rupert Murdoch's joining with Apple to create pay walls around media: 'You take yourself out of the conversation by building walls. Openness, or mutualisation as some call it, is more powerful.'

Closing the conference, commentator and author Mike Malone reflected on the success of *Silicon Valley Comes to Oxford* itself, which over the last ten years has generated its own entrepreneurial ecosystem of networks and companies. Klein had the last word: 'Forget Apple versus Microsoft,' he said. 'We're gearing up for the greatest technology fist fight ever - Facebook versus Google.'

Viewpoint: Chris McKenna on Tax Havens

'According to the most recent rankings, the small British Overseas Territory known as the Cayman Islands is the fifth largest financial centre in the world. With more than ten thousand hedge funds incorporated in the Caymans and 1.5 trillion dollars in liabilities, its 60,000 residents enjoy a per capita standard of living higher than that of the United Kingdom. All of which begs the obvious question: how and why did the world's largest economies allow this to happen when they could have intervened at any time?

‘The rise of international tax havens, of course, is much more of a political history than one of traditional economic development. And at its heart is an important distinction that casual commentators often fail to recognize; national sovereignty assures countries that they can shape their tax system as they would like since one cannot force another country to stop offering low rates of taxation to individuals or corporations based in that jurisdiction. But what was remarkable during the rise of tax havens in the 20th century was their insistence (and the tacit agreement by other industrial nations) that these countries could refuse to release the names of foreign nationals who deposited funds in their banks. Money leaving a jurisdiction, which clearly had to be registered and accounted for by international banks in transit, was never tied to the individuals and/or organisations that retained control of those funds. The general practice of using smaller colonies or principalities to shield oneself from taxes has a long history, but the rise of direct taxation of income (both personal and corporate) and not simply trade, accelerated the growth of tax havens in the 20th century.

‘In a chapter of my book, *Partners in Crime*, I will trace the political arguments, originating in Switzerland and Liechtenstein in the 1920s, that gained traction after the Nazis came to power in Germany, that argued for banking secrecy. In a similar fashion, despite the clear loss of taxes within the OECD, the most powerful arguments for ending banking secrecy in recent years have not been economic but political – that banking secrecy abets international terrorists as they move capital around the world. This chapter, like the rest of my book, concerns the history of white collar crime and its relationship to the evolution of corporate reputation and business professionals. For it was the professionals – lawyers, accountants, bankers, and consultants – who devised the complicated structures that tax havens adopted and persuaded investors that these islands were safe havens for capital. Whether in Monaco, the Channel Islands, Bermuda, or the Caymans, the willingness of people to deposit their funds in offshore accounts secure in the belief that they could never be traced, has led to the ascendancy of a few small countries to become among the very richest in the world.’