Intelligent Investing from Bridgepoint

thepoint

March 2022 | Issue 40

BRAIN BOX

More power to the mind

Keeping it green
How to be smart about carbon reduction

A potent force
PharmaZell CEO on growth, agility and patient welfare

The rules of engagement
Staying ahead as the workplace changes

Change your mind

Most of us would like to be smarter, faster and more insightful than we are. But would we be prepared to have microchips inserted into our brains to become superhuman? Some people have already gone under the knife and, according to the most gung-ho supporters of 'brain computer interfaces', it is only a matter of time before everyone will want one. In 'Brain waves' (page 5), we explore this technology and consider whether and how it can transform people's lives.

Millions of workers are taking a grittier approach to life transformation – they are demanding more from their employers, or quitting their jobs entirely. 'Labour force' (page 15) considers changes in the workplace from the perspective of the employer and employee, and questions how companies can use this time to their best advantage.

Businesses face challenges from an ecological perspective, too, as regulators, investors, customers and yes, employees, all demand that companies reduce their carbon footprints and become more sustainable. Some business leaders are embracing this trend; others worry about how it might affect their bottom line. In 'Smart reduction' (page 30), we assess how firms can improve their environmental credentials and drive growth at the same time.

The retail industry has been forced to think particularly hard about growth, amid rapid shifts in consumer habits that have reshaped the sector. But even though many predicted the pandemic would spell the end for physical stores, the truth is far more multilayered, as *The Point* discusses in 'Channel hopping' (page 10).

Bridgepoint has been busier than ever since the previous edition of *The Point*. In July, we became a public company, listing on the London Stock Exchange, to further our growth as a global alternative asset manager.

We have completed multiple investments and exits since then. As we highlight in 'Ins & outs' (page 2), we have made some exciting acquisitions, such as PTV Group, which specialises in tech-enabled traffic management products; Achilles, which uses technology expertise to facilitate supply chain management; and Fenergo, a leading provider of software solutions for the financial services industry. We have also achieved several significant divestments, including Element Material Technology and Miller Homes, among others.

And finally, for anyone who has been tempted to invest in a non-fungible token, on page 36 we unpick this red-hot market in 'Is it art?'

We hope you enjoy this edition. Please do send us your feedback at thepoint@bridgepoint.eu ●

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the point

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Bridgepoint exits testing specialist Element

Element Material Technology has been sold by Bridgepoint, following a period of exceptional growth

Element is a global leader in testing, inspection and certification (TIC) services, operating in technically demanding and highly regulated sectors around the globe.

Generating annual revenues of around $1 billion, the London-based company has grown by more 20 per cent a year for the past decade and today operates a network of more than 200 laboratories in 30 countries.

With a team of around 7,000 scientists, engineers and technologists, Element supports businesses from the early R&D stage, through complex regulatory approvals and into production.

The group also benefits from strong global environmental, social and governance tailwinds, with more than 60 per cent of its work directly supporting clients as they strive to become more sustainable.

Bridgepoint partner Chris Busby says: "Element has been bold in its ambition, expanding its expertise to serve more than 50,000 customers worldwide. It is now an undisputed heavyweight in TIC."

Element CEO Jo Wetz says: "Bridgepoint has been an exceptional partner, helping to support a 10-fold increase in our turnover over the past decade."

Element has been acquired by Singaporean investment group Temasek ●

Bridgepoint buys into transport solutions group PTV

Bridgepoint has acquired a majority stake in PTV Group, a cutting-edge software and consultancy firm specialising in traffic management and transport solutions.

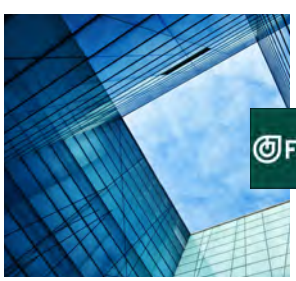
Based in Karlsruhe, south-west Germany, PTV is a leader in its field, with more than 40 years' experience in mobility and logistics. The company works with around 2,500 cities and municipalities, offering traffic simulation and modelling products, real-time traffic management, and analysis and advice on route optimisation.

Bridgepoint partner and head of DACH, Carsten Kratz explains: "With PTV, we are gaining a global leader for our portfolio that enables cities, municipalities and other organisations to meet the social, environmental and economic demands of our time. The company also represents the ideal platform to pursue further acquisitions in the field of intelligent mobility ecosystems."

PTV was previously owned by Porsche Automobil Holding, and the German carmaker will retain a significant minority stake. Lutz Meschke, deputy chairman at Porsche and chairman of the PTV supervisory board, says: "The market for

intelligent mobility and logistics offers enormous growth potential due to the decarbonisation and urbanisation megatrends. In Bridgepoint, with their buy-and-build expertise, we found the right partner for the management team to lead PTV into a very successful future." ●

Risk management firm FCG sold after doubling in size



Bridgepoint Development Capital (BDC) is selling FCG Group, a Nordic specialist in governance, risk management and compliance services to the financial industry.

Founded in 2008 in Stockholm, Sweden, FCG has become a leading player in its field, with more than 270 employees in the Nordic region and Germany. The group provides advisory, outsourcing, technology and fund administration services to customers ranging from fast-growing fintech start-ups to large banks.

"FCG has a talented and highly committed team and its progress during our ownership has been impressive. The group has more than doubled in size, expanded its service offering, added tech capabilities and software solutions, and has grown internationally. The team is now well placed to continue its growth ambitions and development under new ownership," says BDC partner Johan Dahlfors ●

Miller Homes moves on after sales volumes soar

Premier regional housebuilder Miller Homes has been sold by Bridgepoint

The company is one of the UK's most established housebuilders, known for building high-quality, sustainable developments on the edge of towns and suburbs.

The firm has grown substantially since being acquired by Bridgepoint in 2017, expanding into new areas, completing two strategic acquisitions and increasing annual house sales by more than 30 per cent.

Jamie Wyatt, partner and co-head of UK investment at Bridgepoint, says: "We are delighted to have supported Miller Homes and its management in growing the business. Under our period of ownership, the number of houses sold rose annually to around 4,000, revenues exceeded £1 billion for the first time and profits increased by almost 50%."

Fast-growing games firm backed by BDC

Bridgepoint Development Capital is investing in Plug In Digital, a top distributor and publisher of popular video games.

Based in Montpellier, France, the company has grown by more than 50 per cent annually over the past five years, helping studios and publishers to distribute their games worldwide and publishing its own titles across a range of platforms.

The group's portfolio spans a variety of top genres, with recent successes including The Forgotten City, centred on ancient Rome.

BDC partner Olivier Nemsguern says: "Plug In Digital is well positioned in a really exciting market and has built a great brand in the indie publishing space. We look forward to working with the company during its next chapter of development."

BDC buys supply chain expert Achilles

Achilles, a global authority on supply chain risk and performance management, has been acquired by Bridgepoint Development Capital.

With more than 30 years' experience and sector-leading technology, Achilles helps businesses to make supply chains more sustainable, efficient and ethical, thereby mitigating risk and driving growth.

Bridgepoint's investment will enable Achilles to expand both organically and through acquisition, delivering new capabilities in areas such as diversity and inclusion, health and safety, supply chain mapping and environmental, social and governance oversight.

BDC director Matt Legg says: "Supply chains around the world are under increased pressure and scrutiny, creating opportunities for companies that are able to provide data-driven solutions to ensure more sustainable and ethical services. Achilles, with its global platform, breadth of risk coverage, in-house audit capabilities, and depth of data validation, provides a compelling proposition to its customers."

PharmaReview wins support for expansion

Bridgepoint Growth has partnered with PharmaReview, a specialist supplier to the life sciences sector, to accelerate future expansion and development.

Founded in 2011, the company works with some of the world's largest pharmaceutical companies, ensuring that promotional materials are medically accurate and comply with ethical, legal and regulatory requirements. The group also ensures that documents make scientific sense and that all claims are backed up with references to accurate and up-to-date sources.

Ralph Carter, co-founder and director of PharmaReview, explains: "We are a successful and growing business, and we need help with that growth."Fellow co-founder and director Tessa Pugh adds: "Bridgepoint brings depth of experience in expansion and will work with us to help us realise our potential."

Bridgepoint acquires software group Fenergo

Fenergo, a leading provider of software services for financial institutions, has been acquired by Bridgepoint.

Established in 2009, Fenergo has developed an award-winning platform, delivering know-your-customer and client lifecycle management software solutions to some of the world's largest banks.

Bridgepoint's support will accelerate investment in the firm's software-as-a-service strategy and product line development. Fenergo generated revenues of $107 million in the year to March 2021 and further robust growth is expected, given the increasing role of compliance and digitalisation throughout the financial services industry.

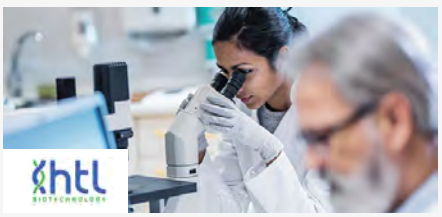
Bridgepoint partner David Nicault comments: "Continued pressure on financial institutions to improve their compliance work, while at the same time managing margins and increased regulation, has created the need for integrated digital solutions that help to reduce operating costs, improve capital allocation and ensure compliance with regulations. We look forward to working closely with the management team at Fenergo as they build on their success to date and realise their full growth potential."

Bridgepoint is investing in Fenergo alongside French private equity firm Astorg. Fenergo founder and CEO Marc Murphy says: "Both Astorg and Bridgepoint have enormous experience and credibility in our sector – something I am keen to leverage over the coming years."

Exit for biopolymer manufacturer HTL

Fast-growing biotech and industrial firm HTL Biotechnology has been sold by Bridgepoint.

Founded in 1992, HTL provides customised, pharmaceutical-grade biopolymer solutions, used in areas such as ophthalmology, rheumatology, urology, dermatology, and medical aesthetics. A supplier to leading pharmaceutical and



medical device companies worldwide, HTL was the first company to industrialise the bioproduction of hyaluronic acid, a natural lubricant that is found in eyes and joints.

Bridgepoint partner Vincent-Gaël Baudet says: "We're delighted to have worked with the HTL management team, driving the company's transition as it became a biotechnology platform of scale, and a leading R&D partner to pharmaceutical companies around the world. We wish the management team every success as they embark on the next exciting chapter of their development."

Sustainability specialist ACT wins investment backing

Bridgepoint is investing in ACT, which helps companies and organisations around the world to reduce their carbon footprints.

Founded in 2009, ACT operates from offices in Amsterdam, New York, Shanghai and Paris, offering more than 70 sustainability products worldwide.

The company also supports high-impact climate projects that deliver renewable certificates and carbon credits, helping local communities to generate revenue while conserving their essential ecosystems.

ACT co-founder and CEO Bram Bastiaansen says: "With a partner like Bridgepoint, we can create new economic opportunities in local communities around the world, while ensuring today's leading organisations can meet even the most ambitious sustainability targets."

Bridgepoint partner Olivier van Riet Paap adds: "The market in which ACT operates is forecast to grow rapidly. We have an exciting opportunity to back a true ESG-led innovator and leader in its field, and to help it to expand market share and pursue international growth in its core markets."

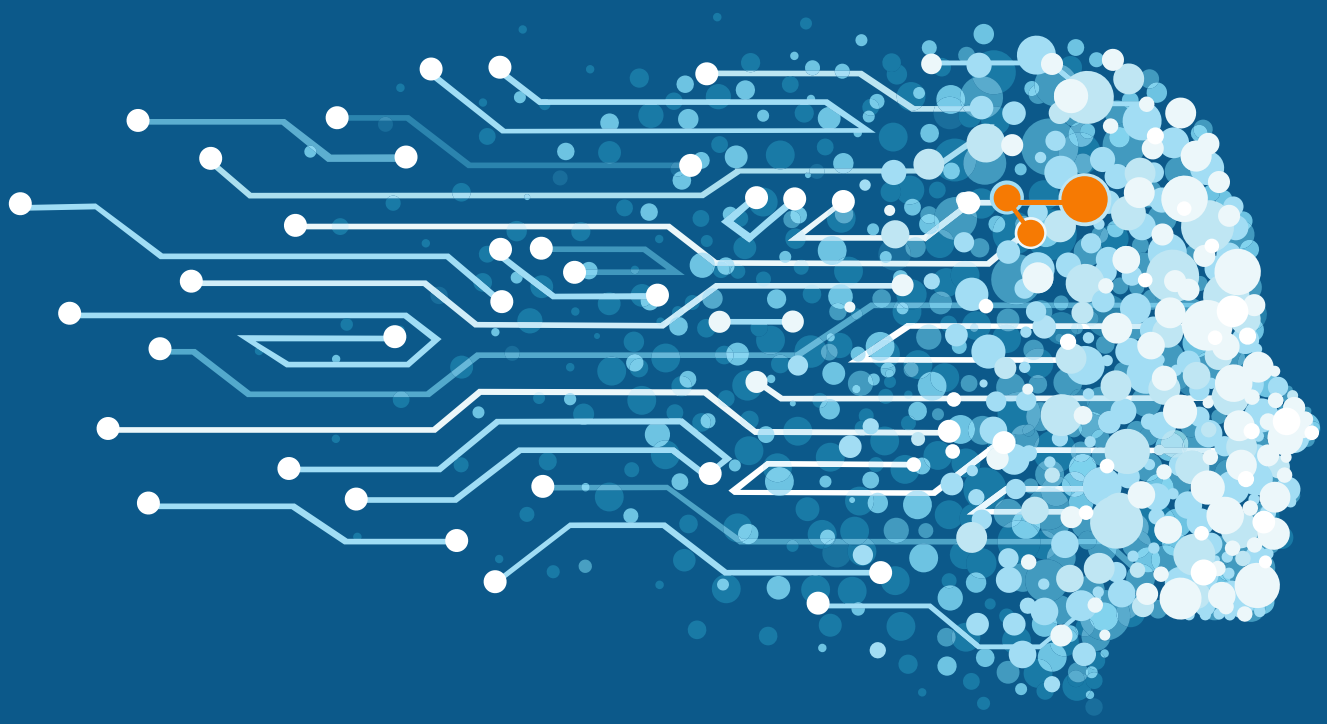
Bridgepoint has taken a minority investment in ACT

Food brand itsu poised for growth

Asian-inspired food brand itsu has established a strategic partnership with Bridgepoint. The deal will support the restaurant group's growth ambitions, including the creation of 100 new outlets and 2,000 jobs in the UK alone over the next five years.

itsu has grown rapidly in recent times, with total sales for 2022 forecast to be well in excess of £170 million. The company operates in the UK, France and Belgium and its grocery business – supplying supermarkets and health food stores – is growing at around 70 per cent annually.

Bridgepoint partner Benoît Alteirac explains: "We see a global opportunity for itsu. The company combines affordable and convenient food with an outstanding operational model, coupled with deep-rooted brand values."



Brain waves

Science fiction has long played with the idea of devices that enable people to perform an action simply by thinking about it. Brain computer interfaces are turning that vision into a reality – and the potential is vast.

> **The electrodes will not restore movement. Instead, they will read brain signals, which will be sent via Bluetooth to a smartphone-sized device that interprets and converts them into actions**

Last April, a monkey played a video game simply by using its mind. Not long before that, researchers at the Battelle Memorial Institute restored the sense of touch to a paralysed man by implanting a microchip in his brain. And Meta CEO Mark Zuckerberg has predicted that people will one day be able to type with their mind thanks to "brain-reading" devices that the company is developing.

Welcome to a mini-industry that is having a moment: brain computer interfaces, or BCIs. The concept is much as it sounds: technology that melds computers with the most complex machine of all, the brain.

Restoring quality of life

The possibilities are almost limitless. Tesla CEO Elon Musk, whose start-up Neuralink was behind the video game demonstration, has predicted that BCIs will enable us to become one with artificial intelligence (AI), allowing us to plug in directly to the entirety of the web to access whatever we want instantly. The technology, he says, will "secure the future of humanity relative to AI".

There is just one catch: inserting Neuralink's chip inside your head requires open brain surgery, a considerable barrier to entry, even in Silicon Valley.

Nonetheless, the concept of BCIs or "neuroprosthetics" has been kicked around for decades, with the Pentagon one of the biggest funders of its foundational research. A technology that can restore quality of life and function for soldiers who come back from war paralysed is a high priority. And now a series of breakthroughs has stoked excitement that a new era is upon us, where a technology that starts out allowing paralysed people to regain certain abilities evolves into a generation of consumer products that become as ubiquitous as the Apple Watch.

Robotic procedure

Musk's optimism apart, inserting electronics safely inside people's heads remains a massive hurdle. Neuralink is developing a robot that can perform the whole procedure, drilling tiny holes into the skull and sewing into the brain tissue thousands of almost invisible polymer threads that are hooked up to a chip that is smaller than a fingernail. Yet even brain micro-surgery brings with it huge risk.

Dr Mary Lou Jepsen – who was once named by *Time* magazine as one of the 100 most influential people in the world – is the founder of Openwater, a San Francisco-based start-up that is working on a non-invasive headset to instantly detect strokes using near-infrared light and sonic data. She warns that the Neuralink robot could cause swelling of the blood vessels that lead to mini-strokes. Jepsen, who had brain surgery in her twenties, knows better than most of her rivals the trauma of such a procedure.

Going for the jugular

But drilling is not the only option. New York-based Synchron has just begun a first-of-its-kind clinical trial, implanting electrodes via an incision in the jugular vein in the neck and guiding them into the brain. The outpatient procedure draws on the well-established technique of finding a major vein elsewhere in the body and then using blood vessels to insert, say, a pacemaker in the heart or a stent in the brain.

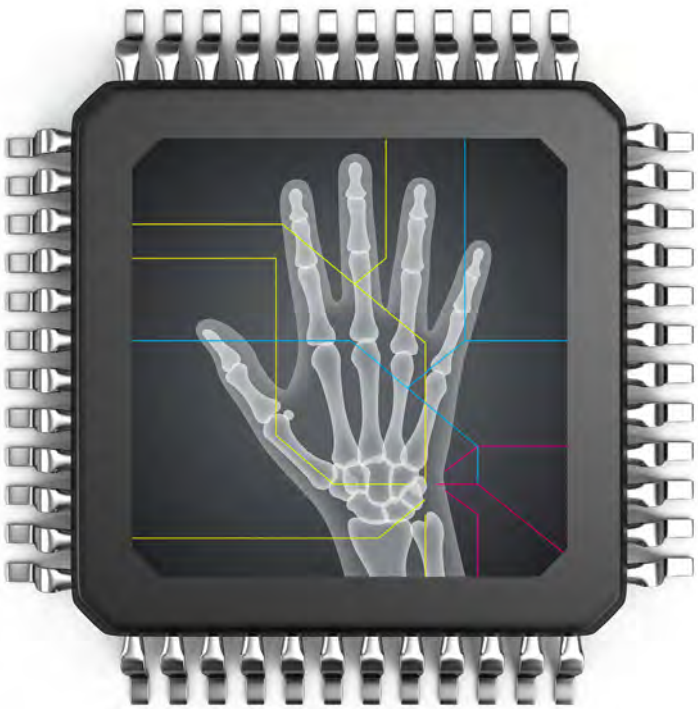
Brain signals via Bluetooth

"This is why we're moving faster than anyone else," says Dr Tom Oxley, Synchron's founder. "There's an entire industry that already exists around delivering technology through blood vessels into the brain. There are 300 surgeons in the US who do open brain surgery. More than 10,000 do these types of blood vessel procedures." The trial will start with up to 20 paralysed people. The goal, Oxley says, is to "digitise intention". The electrodes will not restore movement. Instead, they will read brain signals, which will be sent via Bluetooth to a smartphone-sized device that interprets and converts them into actions on a computer, smartphone or other device. "People who are paralyzed lose the ability to control Microsoft, Google or Apple. Once you give that back, you give them back those powerful systems. That makes a huge impact on their lives," he says.

> **"If someone spends 100 hours in a functional magnetic resonance imaging (MRI) machine, a computer can make an 'atlas' of how their brain reacts and draw on that data to predict what they are going to say"**

Speech prediction

The work builds on technology that stretches back to 2006. A team at Brown University implanted 96 electrodes into a quadriplegic man's motor cortex. The result was that he could move a cursor with his thoughts. Around the same time, researchers at Stanford University produced similar results in a non-paralysed monkey. In more recent



years, researchers at the University of California, Berkeley have shown that if someone spends 100 hours in a functional magnetic resonance imaging (MRI) machine – in effect, the video version of MRI – and watches films or other stimuli, a computer can make an "atlas" of how their brain reacts, based on its use of oxygen. It can then draw on that data to predict accurately what they are going to say.

Superhuman powers

Today, much of the sector's efforts, from Synchron to Neuralink, are focused on those most in need – patients who are paralysed or have suffered a severe brain injury. But enthusiasts are already making breathless predictions of a time when BCIs will impart superhuman powers, be it telepathy or merging with AI.

Industry pioneers remain sceptical, however. Dr Patrick Ganzer led the team at the Battelle Memorial Institute – a non-profit applied science company – which made headlines in 2016 when they "reanimated" Ian Burkhart, a man who had been paralysed in a 2010 diving accident.

Ganzer and his colleagues inserted an implant that interpreted signals from Burkhart's motor cortex, which controls movement.

An intention to, say, grab a cup, was sent to an electrical stimulation sleeve that activated the necessary muscles to complete the action.

> **Ganzer's team was able to interpret faint signals related to the sense of touch. Burkhart, despite severe paralysis, could feel as well as move his hand**

Trade-offs

Last year, Ganzer, now at the University of Miami's Project to Cure Paralysis, went further. His team was able to interpret faint signals related to the sense of touch, which the injury had effectively blocked. These signals were boosted by the implant and sent to a haptic device on Burkhart's hand. Despite severe paralysis, he could then feel as well as move his hand.

Remarkable as these advances appear, Ganzer explains that it is difficult to persuade even severely disabled people to agree to go under the knife. Convincing healthy people? That is a bridge the industry is far from crossing.

"It was really hard to recruit

> **Everything around you is going to include neural measurement: the shows you watch, the news you read, the stuff you write, the friends you have, all of it**

> **Today, efforts are focused on patients who are paralysed or have suffered a severe brain injury. But enthusiasts are already making breathless predictions of a time when BCIs will impart superhuman powers**

patients, even for people that have that desire and need to move their hands again," Ganzer says. "When it comes to making the superhuman versus helping patients that have an injury, I really don't think that the field knows yet how to do the healthy human augmentation. It's hard, and there are all these difficult trade-offs."

Prototype helmets

That does not stop people from trying. Bryan Johnson made a fortune when he sold his payments company, Braintree, to PayPal for $800 million in 2013. Over the past five years, he has ploughed more than $100 million into Kernel, a Los Angeles-based company that last summer began shipping prototypes of a helmet-like device that measures brain stimuli. The company has begun selling the gadget, a bulky series of grey plates packed with chips, sensors and lasers, to researchers.

Johnson believes the helmet will soon become a consumer device, especially as it shrinks in size. As he explains: "The first cell phones were big, too. We are in the direct current of global consumer electronic trends, so we will benefit from all the enhancements by being in this technology stack."

Catalyst for services

The question is, why would the average consumer buy it? Johnson believes the answer is relatively simple: because they can – and there is almost nothing else like it today.

His vision is that, just as the iPhone or Facebook became platforms upon which entire industries have been built, Kernel will catalyse a universe of new services and products centred on neural measurement.

"Within 10 years it might be seen as difficult to comprehend why you wouldn't have brain measurement as a normal routine in your life.

We're bringing this to the mainstream," Johnson says.

Quantifying experiences

To those who are already worried about what social media may be doing to them, this might seem a dystopian vision – a device that measures which parts of your brain light up when you scroll through just-so images of your friends' fabulous lives.

For Johnson, however, it is only a matter of time before we will be able to quantify virtually any experience, matching our feelings to hard data.

"Everything around you is going to include neural measurement: the shows you watch, the news you read, the stuff you write, the friends you have, all of it," he says. "It may sound wacky to us today, but we know, for example, that we become the people around us. What if that was measured? What if you could actually look at the effect that your closest associates, friends and family have on you?"

Such a device could add a whole new dimension to Christmas dinner with the family. Fortunately perhaps, it is not clear how far off that reality is, if indeed it ever arrives ●


.shop
.deliver
.online

Online shopping has come into its own through the coronavirus pandemic, but not all digital offers succeed and not every physical store is a waste of space. Savvy retailers are mixing and matching to derive maximum benefit as their industry undergoes rapid change.

Channel hopping

Retail revolutions only come around every once in a while. Back in the 1950s and 1960s, consumer buying habits changed dramatically as shopping centres sprouted up across suburbia. We are in the throes of a similar upheaval today, as shoppers increasingly choose to make their purchases without bothering to leave home.

Online retail sales in the UK recorded five years' worth of growth in 2020, accelerating the shift away from physical stores that had begun a decade earlier. Surveys and sales data suggest that shopping habits have changed permanently.

A survey of more than 16,000 consumers from 21 countries by consultancy EY found that 45 per cent were visiting shops less frequently, 37 per cent were shopping online for products previously bought in stores, and 26 per cent expected to shop online and pick up in store more often. Such trends have created opportunities for both established retailers and new entrants.

> **Some of the largest and best-known retailers have capitalised on increased demand for e-commerce by offering less mature brands access to their digital infrastructure**

Access to infrastructure

Italian spirits maker Campari, for example, is best known as a wholesale brand. But the group has tapped into a rise in online alcohol sales by investing in Tannico, an online wine and spirits retailer founded in 2013, which saw revenue grow by 82 per cent in 2020. Campari underlined its commitment to the company by funding its purchase of French wine retailer ventealapropriete.com last May.

Some established retailers have capitalised on increased demand for e-commerce by offering less mature brands access to their digital infrastructure.

Minding the Gap

UK-based fashion retailer Next is a case in point. Having launched a home-shopping catalogue in the 1980s, the group has used its multi-decade expertise in the field to launch its "Total Platform". This offers everything a brand needs to

sell online, from warehousing and data management to customer support staff and translations for overseas websites.

US fashion retailer Gap, which announced plans to close all its UK stores last year, has signed up for the Total Platform through a joint-venture deal that is set to go live this year. Other clients include children's outfitter Childsplay Clothing and fashion retailer Reiss, and Next is hopeful that many more retailers in the UK and overseas will follow suit.

Genius move

Marks & Spencer is also using its online platform to serve other brands, such as lifestyle retailers Joules and White Stuff, as well as responsible fashion group Nobody's Child. M&S chief executive Steve Rowe believes these deals have clear potential. Well-chosen third-party brands "enhance the overall offer in areas where we don't have expertise", he says. Nobody's Child, for instance, has become M&S's most popular guest brand online, and the retail chain acquired a 25 per cent stake in the women's clothing group in November.

As Kien Tan, director of retail strategy at consultancy PwC in the UK, explains: "Notwithstanding current logistic pressures, the fact that it all comes to one delivery that you can 'click and collect' from a Next or M&S store means these businesses are using their infrastructure to serve their own customers better. To me, that's a genius way of monetising the infrastructure they have put in place for deliveries."

> **Many of the most successful operators believe that a physical presence complements their online offering**

Exciting time

Smart thinking is in evidence in multiple jurisdictions. In Germany, online fashion retailer About You increased its revenues by 57 per cent to €1.17 billion in the year to February 2021, even as a decline in socialising led consumers to spend less on clothes. The Hamburg-based group used the pandemic as an opportunity to launch in 15 countries from Ireland to Estonia, and it is now developing a business product that allows third-party brands to use its technology and run their own online shops.

Silvia Rindone, a partner for consumer products and retail at accountancy giant EY, believes it is an exciting time for retailers to drive online sales growth, as multiple operators show they are prepared to collaborate with companies seeking to try out new strategies. "Organisations that are really clear on their value proposition and are really under the skin of the target consumer

move with the times – they don't see change as a threat," she says.

Rindone recommends that online retailers give themselves time to experiment and be courageous. "Be honest and say when you didn't get it right, and consumers will go on the journey with you," she suggests.

A different planet

Forward-thinking European retailers are looking to China for inspiration. There, social media influencers can rapidly make products go viral. Li Jiaqi, a 29-year-old livestream salesman, is known as the "lipstick brother" because he once shifted 15,000 lipsticks in five minutes. In October, he sold goods worth $1.9 billion on the first day of an annual shopping festival run by Chinese online giant Alibaba.

According to Rindone, retail in China is "a different planet. We did some deep consumer surveys there about three or four years ago. Chinese consumers are different because they are not worried about sharing data at all, so they actually adopt certain behaviours faster than people would in the West."

Know your customer

Rindone suggests, however, that marketing has becoming significantly more sophisticated among Western consumer goods companies as they have started to employ new, younger teams. "Digital natives are now old enough to work and they influence the way that social media is used to drive marketing activities," she explains.

The use of social media influencers is definitely increasing, but retailers are advised to proceed with caution. "You really need to know your customer base. Younger consumers in particular are not forgiving. If you get the tone wrong, if you don't get the influencer right, you're gone, you're out," Rindone believes.

Get it right, however, and the rewards can be considerable for retailers and their influencers. Fans of fast-fashion brand Nasty Gal are lapping up photos of Amy Joseph, a Chicago-based influencer with 82,000 followers on Instagram. Joseph's fan base is small compared with those of "mega influencers" – people with a million or more followers – but analysis of this world suggests that "micro influencers" often have greater traction when it comes to persuading consumers to buy. Armed with this knowledge, Nasty Gal has developed an affiliate programme offering people with an online following the chance to earn a seven per cent commission for sales generated.

> **Nasty Gal has developed an affiliate programme offering people with an online following the chance to earn a seven per cent commission for sales generated**

Money to spend

Attracting visitors and converting those visits to sales has always been critical, but it is likely to become even more critical, as the pandemic eventually becomes less virulent, restrictions ease and consumers have more choice about where and how to shop.

"Generation Z women do shop online – they love Depop and all of

> **Li Jiaqi, a 29-year-old livestream salesman, is known as the 'lipstick brother' because he once shifted 15,000 lipsticks in five minutes. In October, sold goods $1.9 billion on the first day of an annual shopping festival**

> **The two big segments that really like shopping online are younger, techie people, often male, and busy people, particularly parents. The good thing about these cohorts is they generally have a lot of money to spend**

these kinds of retailers. But if you ask them their preference, they actually prefer stores," says Tan. "The two big segments that really like shopping online are younger, techie people, often male, and busy people, particularly parents. The good thing about these cohorts is they generally have a lot of money to spend, so if you want to serve them, you have to be online."

Online retail also becomes a prerequisite for brands whose competitors are online. "You've got to be there to keep up with them and because you need to be in the same comparison shop," Tan suggests.

Physical presence

Footfall in cities and shopping centres is still well below 2019 levels in many places, with a number of larger cities particularly hard hit as more people work from home, fewer tourists come to visit, and public transport continues to be viewed with caution.

However, even online-focused retailers are attracted to an element of physical space. Amazon spent nearly two decades as an online-only retailer, but launched its first store in Seattle in 2015 and has since opened hundreds more, acquiring the Whole Foods Market chain along the way.

More recently, online fashion retailer Boohoo acquired department store chain Debenhams out of administration in early 2021. Boohoo said at the time that it would keep the Debenhams website but close all of its stores. It subsequently spoke of opening one small Debenhams store to help secure deals with leading beauty brands and market the website.

Complementary role

Established out-of-town retailers can also see the allure of high-profile space. In October, Swedish furniture retailer Ikea took advantage of tough high-street conditions to acquire a flagship store on London's Oxford Street that will sell products ranging from sofas and lampshades to meatballs.

With online specialists getting physical and out-of-town retailers gaining a foothold in city centres, it seems that well-located sites still have a role to play in 2020s retail, even if the larger store groups are reducing their estates. Many of the most successful operators believe that a physical presence complements their online offering, enabling them to offer click-and-collect services, convenience purchases, easier returns and an experience that cannot be recreated online.

Shared space

"Some stores are turning into mini distribution centres. Retailers that have had a physical footprint over the pandemic have had an advantage in terms of being able to fulfil and ramp up their capability quite quickly.

Conversely, some pure online players that have been looking for a footprint in big metropolitan areas have really struggled to secure access to store space," says Rindone. She predicts more sharing of store space between retailers in the future.

E-commerce clearly predates the coronavirus pandemic, but online shopping was given a once-in-a-generation uplift through successive lockdowns and Covid-inspired restrictions. Adaptations have been fast and furious, but many believe we are still in the foothills of change. The retail revolution almost certainly has a long way to go ●

Labour force

The workplace is in the throes of rapid change. Employees are quitting in droves and, among those who stay, expectations are shifting and demands are increasing. For many firms, this is a source of consternation, but the new trends can prove beneficial for company output, productivity and morale.

Here, *The Point* explores the changing world of work from the perspective of both employee and employer.

First, in *What workers want*, we assess the incentives most likely to attract, retain and motivate staff.

Second, in *Fresh perspectives*, we consider why so many workers are leaving their roles and how companies can use the *Great Resignation* to their advantage.

What workers want

Companies once thought they were treating staff well by offering them an extra day off at Christmas. Then free drinks, wellness rooms and time-out space became de rigueur in certain sectors. Today, employee benefits have entered a new phase.

Cutting-edge companies have frequently managed to grab the headlines by offering cool or quirky incentives to employees – from table tennis, pool tables and beer kegs to perks of a more personal nature. Some years ago, Apple, Facebook and Google added egg-freezing to their corporate benefits as part of an effort to attract and retain high-flying female staff. The tech giants, which have traditionally suffered from a dearth of senior women, may have meant well, but the benefits still attracted accusations of cynicism and even sexism.

Today, as the workplace faces pressure from multiple sources, companies of every hue are being forced to think more deeply about how best to attract talent. "In this environment, businesses need to consider what employees really want, rather than what just sounds cool," says Zofia Bajorek, senior research fellow at the Institute for Employment Studies.

"You can offer as much free fruit, yoga and Indian head massages as you like. If you then throw people back into the lion's den – with a bullying manager, no autonomy and an excessive workload – don't be surprised if these initiatives fail to improve employee wellbeing and staff decide to leave."

Eager for autonomy

The focus on wellbeing has become more acute since the pandemic began, but change was in the air even before then. Younger workers in particular were looking for a more flexible approach to working – including the potential to work from home or even from abroad, on occasion. "A generation of digital natives was already eager for more autonomy regarding where and when they did their work," says Renée de Boo, partner

> **Some firms are actively helping staff to set up ergonomic home offices – providing free or subsidised office furniture**

for people and change at accountancy giant KPMG in the Netherlands. "But while the technology was already there to permit this, a lot of companies were worried that giving this kind of freedom would lower productivity. The pandemic has proved that this is not the case."

The pandemic also appears to have made many workers less prepared to tolerate unsatisfying or restrictive jobs. "A bit of distance from the office has given many people a new perspective. The most talented employees are demanding more from their employer across a range of dimensions and beyond pay – whether in terms of working environment or flexibility," says Ashley Whipman, director at interim executive firm Oakwood Resources.

A place for collaboration

This can start, he says, with a rebellion against "the battery-farm approach to offices, in which as many cubicles as possible are crammed into the smallest amount of space".

A beautiful office, by contrast, can help both to attract and retain workers, argues Catherine van der Heide, a principal at architecture and design firm Hassell. "If the workplace isn't somewhere you have to be, it must be somewhere you want to be," she says. "But a beautiful office won't succeed on its own."

The office can also act as an embodiment of a company's values – such as openness, sustainability or a commitment to employee health. One of Hassell's recent clients, a health insurer, aimed to create a workplace that would enable workers to leave healthier than when they arrive.

"The office was hardwired for health," says van der Heide. "In addition to a wide variety of work settings, outdoor sports courts and edible gardens, a ramp from the building's main entrance spirals upwards from street level, giving employees easy access to bike storage on their way in. This makes both a symbolic and practical commitment to encouraging employee health and wellbeing," she says.

Office designs can include a range of costlier options too, such as gyms, swimming pools, wellness suites and free day care for children. However, research suggests that these might not always represent an efficient use of resources. In 2020, Hassell surveyed 2,300 workers around the world, asking them to pick the five amenities that they would value most from a long list of features, ranging from dog day care to more green space. "One of the most striking features of the results was

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that a lot of the high-end, nice-to-have amenities were the least popular," says van der Heide. Many of the pricier perks – even conveniences such as a personal concierge and on-site childcare – tended to rank poorly.

"The two most wanted perks were free lunch and a shorter commute," she says. "Right behind them were a host of practical considerations, with people selecting options such as more space to focus, more space to collaborate, and better meeting facilities."

Consultation is key

This goes to the heart of what many experts consider best practice when it comes to corporate perks of all kinds – companies need to talk to their employees about what they want. "Consultation is key to find out what is important to people," says Bajorek. "This gives companies a clear and evolving idea of what really matters to their staff. Questions can include asking how often they would ideally like to come into the office. Are they comfortable with hot-desking? And would they use a corporate gym if it were offered?" Failure to consult, Bajorek argues, means that companies can waste money on pointless perks.

Demand for flexibility

Employee surveys reveal time and again that workers increasingly aspire to a high degree of flexibility. Most want the opportunity to work from home if they choose to and a growing number are also calling for flexible hours and even four-day weeks. This shift in attitudes has a profound effect on how the workplace itself is viewed. In response, more progressive companies have gone beyond seeing the office as somewhere that employees conduct functional tasks, instead regarding it as a place for collaboration and creativity.

"The proportion of office space used for individual work used to be 60 per cent on average, with the remaining per cent dedicated to collaborative work," says van der Heide. "We've now seen this flip entirely to the opposite proportions. We won't come to the office just to collaborate, but the proportion has shifted."

Virtual inspections

With choice at the forefront of employees' minds, offices are increasingly likely to feature state-of-the-art audiovisual equipment, enabling seamless virtual collaboration with those working from home. "Particularly with travel becoming more challenging during the pandemic, we have seen more companies investing in virtual augmented reality or drones instead of sending executives to distant factories or other facilities," says Gerard Osei-Bonsu, a managing partner and integrated mobility leader at professional services firm EY in Switzerland.

Royal Dutch Shell, for example, has generated online three-dimensional simulations of oil platforms, making it possible for engineers to inspect facilities from home. And David Prinselaar, the head of manufacturing at paint maker Akzo Nobel, has inspected more than 100 plants since the start of the pandemic by using high-definition augmented reality headgear.

"This kind of technology wouldn't be considered a perk, per se, but it certainly helps with work-life balance for executives who are often jet-lagged. Plus, it cuts down on the cost of business travel and carbon emissions for the firm," says Osei-Bonsu.

> **If the workplace isn't somewhere you have to be, it must be somewhere you want to be**

Change in culture

On a more basic level, companies have been reconceptualising the office, he says. Instead of being a space where workers were supervised while they conducted their tasks – much like a factory with staff clocking-in – the office is increasingly viewed as place to spark creativity. "More forward-looking firms have become more flexible about exactly where and when functional tasks are completed," Osei-Bonsu adds.

The demand for such flexible working is forcing many companies to rethink their corporate culture, management and leadership, says de Boo. "Many old-school managers had a strong desire to see their staff present in the office and were sceptical that they would be productive unless they were carefully supervised. Now companies need a new variety of leader, more willing to trust and motivate teams that are not always in the office. This kind of change really has to come from the top of an organisation," she says.

Some firms are making the commitment to hybrid working more concrete, says Maarten Slokker, senior manager in de Boo's team. They are actively helping staff to set up ergonomic home offices – providing free or subsidised office furniture.

Unlimited holiday

Perhaps the final frontier of such experiments in flexibility is the unlimited holiday allowance. This concept was made famous in human resources circles by Netflix, which started the experiment long before the advent of Covid-19. Bynder, a Dutch cloud-based platform for digital marketing, adopted unlimited paid leave in 2016, with founder Chris Hall explaining that the perk reflected the firm's commitment to "giving our people more freedom when it comes to a better work-life balance". After the policy was introduced, the number of days of leave taken rose by 11 per cent – but productivity increased as well.

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Increased anxiety

Since the pandemic began, the radical notion of unlimited leave has become a more popular talking point in human resources circles. But, as utopian as unlimited holidays might sound, such concepts could test the limits of the new ethos of worker flexibility. UK-based human resources software firm Charlie HR also instituted this policy, but it ended up returning to a more traditional 25-day holiday allocation. The company's human resources chief, Amy Cowpe, recounts that while the policy aimed to empower staff fully, it ended up heightening anxiety, with employees becoming unsure of what was acceptable. Some members of staff, typically the younger ones, took far less than their entitlement, and ended up compensating for those who were bolder in taking holiday time.

Bigger reforms

The pool and table tennis tables that became commonplace in the offices of tech innovators are now more difficult to find. But experiments such as unlimited time off suggest that companies are willing to contemplate far bigger workplace reforms.

"More extreme options such as unlimited holidays might go the way of the office pool table," argues Whipman. "In most cases, such perks look a bit like gimmicks that may not really help get the best out of your talent. Instead, cutting-edge firms are looking for more balanced ways to create a workplace that attracts and retains top employees." However, the flexibility to work from home, once a rare perk, looks likely to become mainstream in the post-pandemic world ●

Fresh perspectives

Employees have been leaving their jobs at unprecedented rates in recent months. But, while mass departures may fill businesses with dismay, there are genuine advantages to be gained from staff churn – provided the process is managed effectively.

The Great Resignation is viewed in some circles as a collective Damascene moment. After months of pandemic-induced soul-searching, the scales fell from workers' eyes and they suddenly understood the most important things in life: their jobs and the daily commute not being among them. More mundane explanations include pent-up demand – 2020's resignations simply happened in 2021 – and continued uncertainty pushing people out of sectors such as travel and hospitality.

Whatever the explanation, workers are walking. According to research by management consultancy McKinsey, 19 million US employees left their jobs between April and September last year, leading to widespread talent shortages.

The UK reported 1.2 million job vacancies last October, up from 400,000 before the pandemic, while in Germany, two-thirds of company decision makers say they are struggling to find skilled workers. Nor is there much indication that the trend is slowing down – McKinsey found that 40 per cent of employees in its global sample were at least somewhat likely to leave their jobs within the next six months.

Productivity drain

Such antipathy can cause serious disruption for employers, particularly those who need to scale up operations quickly as the economy

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rebounds. The average cost of hiring and training someone new is $4,000, but it is harder to put a price on the productivity drain that often accompanies a settled employee leaving, or the impact of existing team members taking the slack while a position is unfilled. In some cases – for example, losing someone with vital specialist skills or customer relationships to a competitor – the challenge can threaten a company's very viability.

With employee retention a pillar of most organisations' talent strategies, it's easy to see why the Great Resignation is making a lot of people nervous. But for businesses with a more considered approach, this mass exodus could present an opportunity.

Fruits of collaboration

After all, for most people who quit, replacements are eventually hired. They might be more motivated, skilled and creative, generating new ideas and perspectives that could revitalise an organisation where staff turnover has been low and complacency has set in.

Research shows numerous benefits of introducing fresh blood in different contexts. One study in the journal *Science* examined almost 20 million academic articles and two million patents, finding that teams with the most citations and patents were generally cross-functional and involved newcomers. Another paper, in the *American Journal of Sociology*, showed that leading theatrical writers and directors had their best results when they collaborated with new talent, rather than working with the same old team year after year.

Knowledge lost

The optimum level of employee turnover can vary widely, too. Jeff Phipps, senior vice president at multinational software company ADP, aims for a churn rate of between eight and 12 per cent a year for knowledge workers. "Below that, you definitely lose the fresh perspectives, while above it you start to see engagement and client experience suffer as knowledge is lost.

And a greater burden is placed on longer-tenured staff while their new colleagues get up to speed."

Important though the turnover rate is, retention is more than just a numbers game. Quitting can be good for the business, or it can be bad – it depends on who is leaving, why they are leaving and what happens next.

Lack of objectivity

It is tempting to see this primarily in terms of which employees quit – clearly, it is better to retain top performers. However, Phipps cautions against companies making performance management part of their retention strategy. "There's this idea that you can build a clear view of who are your most talented people and who has a lesser impact, and that from there you can reward and promote the best and 'manage out' the poor performers," he says.

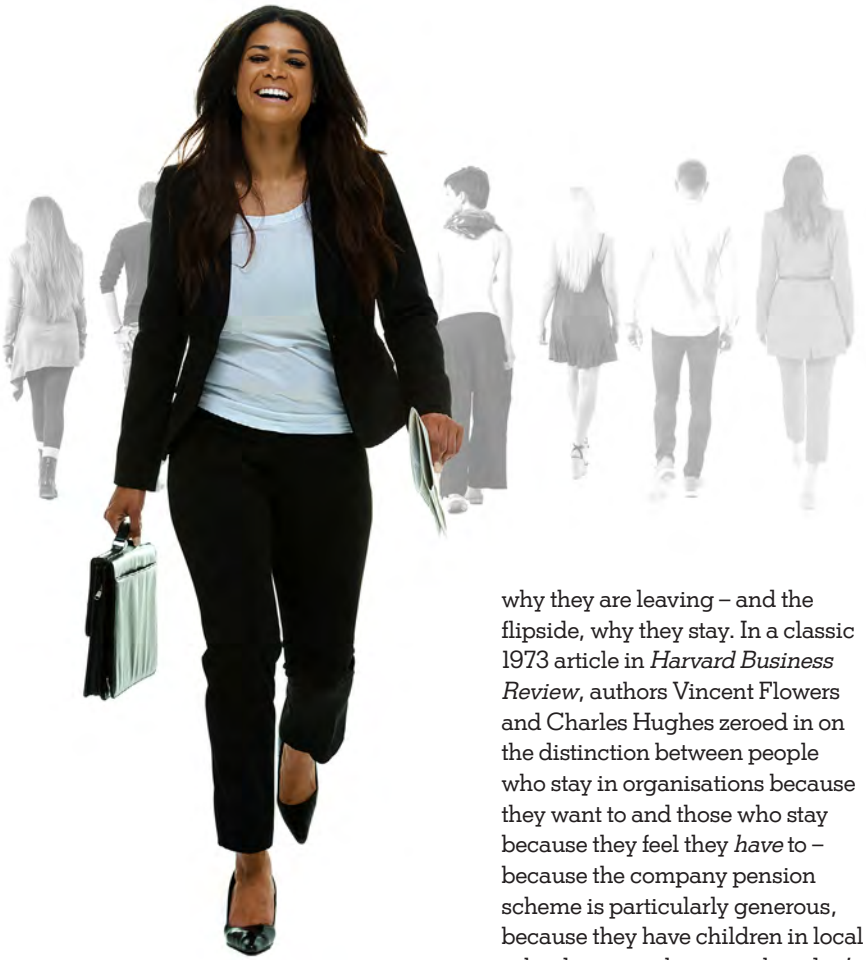
"There are many problems with this approach. The measures lack objectivity, managers are not very good at rating and the focus tends to be on the individual, not the team", Phipps says.

In other words, employees don't exist in a vacuum. If they seem to be treading water, they may have been stifled by a dysfunctional line manager or culture.

It's imperative to diagnose and fix those kinds of issues before assuming that an individual is automatically at fault.

Focus on reasons

A wiser approach may be to focus less on who leaves, and more on



> **For businesses with a more considered approach, this mass exodus could present an opportunity**

why they are leaving – and the flipside, why they stay. In a classic 1973 article in *Harvard Business Review*, authors Vincent Flowers and Charles Hughes zeroed in on the distinction between people who stay in organisations because they want to and those who stay because they feel they *have* to – because the company pension scheme is particularly generous, because they have children in local schools or even because they don't believe they could get an equivalent job elsewhere.

"Many a company works for low turnover because it thinks a low rate implies that its employees are pleased with their jobs – and, a fortiori, productive. This is not necessarily true," they wrote. To ensure that employees are staying for the right reasons, the study concluded, companies should strengthen "good" reasons to stay, such as job satisfaction, and reduce "bad" reasons, such as inertia.

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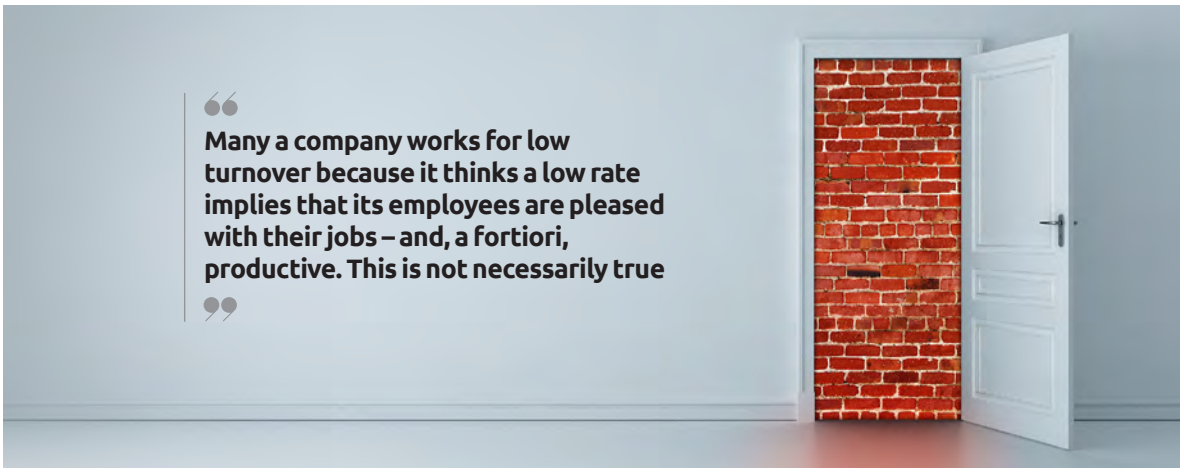
Paying staff to leave

The paper may have been written nearly 50 years ago, but its findings hold good to this day. Take Amazon, which has been running a "pay to quit" scheme for more than a decade. Under the programme, employees are offered between $2,000 and $5,000 to leave – the only proviso being that they can never work for the company again. "We want people working at Amazon who want to be here. In the long term, staying somewhere you don't want to be isn't healthy for our employees or for the company," the e-commerce giant explains.

There are less dramatic solutions, such as pitching pay levels at a rate that is good enough to attract talent but not so good that people join – and stay – for the wrong reasons.

Gaining new skills

Octopus Energy exemplifies the point. One of Europe's leading unicorn companies, its valuation increased from $2 billion to



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$5 billion over 2021, while the headcount doubled to 2,000. Yet head of operations James Doyle says that competitors routinely pay 20 per cent more than Octopus does. He explains that the employer value proposition is based on knowing what people fundamentally look for in a job rather than just the amount they are paid. "We're not the most competitive in pay, but there's a lot of movement here. You never stay still with us. As long as you're continuing to gain new skills and exposure to different parts of the business, there's no cap on where you can go," Doyle says.

Development opportunities

Octopus's rapid growth puts the business in a privileged position, because it can provide more development opportunities, a priority for many employees. But that creates other issues. People regularly leave Doyle's division for roles elsewhere in the company, a situation some managers might regard as infuriating.

Doyle prefers to view it differently. "There's huge value in people moving around, so from a retention perspective it's really important not to get in the way of that, but to get in front of it," he says. As a firm, Octopus advocates promoting people before they feel ready and encouraging teams to work together to create company-wide development opportunities.

Sense of progress

This is clearly more difficult for businesses that aren't growing terribly fast. One solution is to keep the structure fairly flat, so that people are able to work on projects that broaden their skills and experience without having to apply formally for a promotion. Another is to create levels within roles. US restaurant chain Waffle House, for example, has three degrees of grill cooks, from "grill operators" to "master grill operators" to "rock star grill operators", giving people recognition and a sense of progress without them having to change jobs.

What else gives people a good reason to stay? The McKinsey survey is telling in this regard. The top three reasons for quitting were, first, not feeling valued by the business (cited by 54 per cent of respondents); second, not feeling valued by their manager (52 per cent); and third, not feeling a sense of belonging at work (51 per cent).

Loss of purpose

As Phipps explains: "By building teams that leverage and value all participants, they find what they do rewarding, perform at their best for the long haul and are unlikely to leave.

People love to be part of a winning team that has a clear purpose. I believe the Great Resignation is about a loss of purpose and a failure of organisations to see that and respond to it."

The pandemic has taken away the inertia that held so many employees in place, often for far too long. This may cause disruption, but for those businesses that value their people, give them opportunities and instil a sense of purpose and belonging, there will be huge opportunities, too.

Smart operators advocate that firms should stop seeing attraction and retention as separate or even antagonistic tasks. If employers concentrate on being attractive to proven talent and prospective fresh blood for the right reasons, rather than trying to hold them in or force them out, they can get the best of both worlds ●

The right

chemistry

Dr Sylke Hassel has been a shop assistant, a tourist guide, a laboratory assistant and a maths tutor. Now, she is chief executive of PharmaZell, a Bridgepoint-backed maker of active ingredients for the pharmaceutical industry.

Sylke Hassel was just 15 years old when she realised that her dream of becoming a dancer would never turn into reality.

"I was performing in Swan Lake and I was a head taller than all the other swans. I was more like a duck," she says. "But I still love dancing."

Dynamic and spirited, Hassel decided to focus her energies elsewhere, soon developing a keen interest in health and wellbeing: "From the age of 16, I was interested in everything that makes you sick and everything that makes you well again," she explains.

Rare experiments

She began research into cancer and malaria while still an undergraduate, before taking a PhD at the University of Würzburg in Bavaria and the Ludwig Institute for Cancer Research in Uppsala, Sweden.

"I split my time between Sweden and Germany, conducting rare experiments into cancer research. But I worked a lot with radioactivity, so I spent most of my days in a basement covered from head to foot in protective clothing. People ran away when they saw me. It was rather lonely," she explains.

For Hassel, the research also seemed far removed from her true passion. "I wanted to make the

> **"From the age of 16, I was interested in everything that makes you sick and everything that makes you well again"**

research was quite disconnected from that. I wanted to become closer to the end product and I wanted to work more with people," she says.

Focus on medicines

Nearly 30 by now, she began to apply for jobs in the pharmaceutical industry. Most companies were looking for qualifications in economics or business as well as a PhD, but management consultancy McKinsey was the exception.

"I wrote and asked if they were interested in taking on people who wanted to focus on the pharmaceutical industry. They said that they were. But my first project was not in pharmaceuticals. It was in trucks. At first, I thought, 'That's a strange name for a protein.' Then I realised they really were talking about lorries," she jokes.

> **"I love thinking and I love challenges. So yes, we made a big commercial effort, but we also changed the way people worked. We dared to think differently"**

Playing catch-up

The assignment taught Hassel the basic tools of consultancy, but she wanted to return to her area of expertise. A project in healthcare insurance followed and she then worked on multiple pharmaceutical projects, with clients ranging from small biotech firms to multinational drug giants and products ranging from treatments for rare diseases to over-the-counter medicines.

"I worked across the entire industry, from big pharma to biotech and across the product lifecycle – research and development, operations, strategy, commercial and market access. I loved my job, but I was travelling all the time, leaving home at 5am on Monday morning, returning at 10pm on Friday evening and spending a lot of the weekend catching up on work that I had missed during the week. Then I fell pregnant and I thought it wouldn't be fair to spend so much time away with a little one," she explains.

Intellectual exchange

While on maternity leave and musing about her future, Hassel was approached to become head of global strategy at Sandoz, the generic drugs arm of pharmaceutical group Novartis.

Sandoz was based near Munich, where Hassel lived, and she knew the team through her work at

McKinsey. The new role seemed opportune, particularly as her responsibilities included interacting with Novartis and executing turnarounds of underperforming divisions, countries and regions within the Sandoz group. It was 2013 and Hassel's son had just turned one when she joined the business.

"In some respects, it worked out very well. When I was at home with my son, Frederik, I would work for free for McKinsey because I really missed the intellectual exchange, so it was good to get back to work. But I probably started at Sandoz at the wrong time," she says.

Long-term responsibility

"Frederik had just begun to go to nursery, he was teething and he was ill a lot, as children are when they start at day care. We ended up employing three nannies so there was always someone to look after him when he was sick. It was tough, but we worked through it. Luckily, I had no problems travelling for work because Frederik was happy when I left and happy when I came back," she says.

Even though Hassel enjoyed her time at Sandoz, she began to yearn for something slightly different. "Doing turnarounds was great, but it was frustrating to have to give the businesses back just as they were starting to flourish. I wanted to be the one with long-term responsibility for the profit and loss," she explains.

Protein shake-up

In 2016, she was approached by Lonza, a Swiss contract development and manufacturing group. "I had come across them over the years and only heard good things about the business, so when they asked to meet me, I was super-excited. I wasn't really planning to go there, I just wanted to meet them. But I went to have a chat and left with a job offer," Hassel says.

In 2016, she became global heard of Lonza's mammalian and microbials business, the largest division in the group, focused on the production of proteins for use in research, development and drug manufacture.

When Hassel joined, revenues were SFr 600 million. Within three years, sales had doubled.

"I love thinking and I love challenges," she says. "So yes, we made a big commercial effort, but we also changed the way people worked. We dared to think differently."

Time for change

By 2020, Hassel had improved working practices throughout her business and driven sales growth around the globe. She started to feel that it was time for a change and was introduced to PharmaZell, a contract manufacturer specialising in the production of active ingredients for generic medicines.

The company had been acquired by Bridgepoint in February 2020 and the incumbent CEO was looking to retire, leaving the role open for someone new. Based in Raubling, a small town near Munich, the group supplies pharmaceutical firms with active ingredients for conditions ranging from colds to eczema to inflammatory bowel disease.

Known for the quality of its compounds, PharmaZell also helps clients to formulate drugs in different ways and provides regulatory advice around the sale of goods in different jurisdictions.

Indian competition

"I liked the agility of the business. I liked the entrepreneurial culture and I liked their technological expertise," Hassel explains.

> **"It's less about how many stars and stripes I have compared to you and more about what can be done with the business, how it can be developed and the freedom to deliver change"**

"Manufacturing for the generic drugs industry in Europe is not easy because you face intense competition from India and China, so the only way to stay ahead is by constantly challenging how you work and making it better. That's PharmaZell – it's faster, more efficient, greener and cleaner than the competition," she adds.

Hassel joined the company in May 2021, shadowed the outgoing CEO for three months and took the helm in August. With 1,000 employees, the company was significantly smaller than the Lonza business that she had come from, but this did not bother her unduly.

Freedom to deliver

"I think women have a slightly different approach. It's less about how many stars and stripes I have compared to you and more about what can be done with the business, how it can be developed and the freedom to deliver change. I had a clear mandate from Bridgepoint to develop the business and fundamentally, I am more attracted by challenges and people than absolute sales volumes," she says.

Hassel has already begun to deliver against her mandate. In September 2021, PharmaZell entered into exclusive negotiations to acquire Novasep, a contract drug manufacturer based in Lyon, France.

Broad product suite

The combined business, headed by Hassel, generates revenues of

> **"I would like our customers to think of our combined business as their go-to partner when it comes to technological challenges around manufacturing and production"**

Name: Sylke Hassel

Born: Würzburg, Germany

Educated: Julius-Maximilians University, Würzburg, and the Ludwig Institute for Cancer Research, Uppsala

Family: Married with a nine-year-old son. "My husband teaches maths and natural sciences to nurses and childcare professionals. He is an inspiration because he knows how to talk to different audiences."

Hobbies: Yoga, running, walking, dancing, crime novels and travel. "I love to visit different places and I try to go at least once a year to Rome, where I studied Italian between school and university. I also love cooking, drinking cocktails and dancing with friends. I live through my senses."

First job: Selling trinkets in a tourist shop in Dinkelsbühl, Bavaria. "I had lots of part-time jobs. When I was a teenager, my parents decided they would no longer finance my ugly taste in fashion, so whatever I wanted, I had to work for! I was a tourist guide, sold tickets in museums, made brushes for painters, milled soil in a lab and tutored kids in maths and Latin."

Car: An Audi and a BMW. "My passion is for vintage cars. I have the steering wheel of a 1950s Mercedes and perhaps one day I will get the whole car or maybe an Aston Martin DB6 or a very old Porsche. My son is mad about cars, too, so we spend a lot of weekends at car shows and I'm good friends with several local car dealers!"

almost €500 million and has close to 2,000 employees operating across Europe, India and the US. The two companies are also highly complementary.

"Like us, Novasep is technologically sound and based in Europe, but it focuses on patented drugs, whereas we are more involved with off-patent drugs. From our clients' perspective, therefore, our product suite is now much broader and there are many opportunities for cross-selling," Hassel explains.

Meeting challenges

Looking ahead, she is both ambitious and excited about the future.

"I would like our customers to think of our combined business as their go-to partner when it comes to technological challenges around manufacturing and production. We are also extremely well placed as specialists in highly potent molecules that go into drugs for cancer and autoimmune disorders," she says.

Of course, there are challenges, from the merging of Novasep's culture with that of PharmaZell to coping with fresh outbreaks of Covid-19.

"It's all doable, but we will need to navigate carefully through the next few months. That said, I am extremely optimistic about the future. There will always be a need for pharmaceutical products, but beyond that, my principal motivation is patient welfare. We can always make life easier for patients and that is what we should strive to do, through excellent quality, innovation and a constant drive to do better," Hassel explains.

Different mindset

PharmaZell's operational expertise is well known, but Hassel believes that she can generate change in terms of culture and awareness of environmental, social and governance (ESG) issues.

"I am a very strong believer in diversity. I don't want to sit in a boardroom with seven clones! I've seen that sort of leadership team and I've also seen how fruitful diverse teams can be, not just in terms of gender but also in terms of background, education and experience. I like to bring in people from different industries and professions. Our CFO comes from a consumer goods background, for instance, and I love to work with lawyers, because they are super-sharp and they have a different mindset," she says.

> **"I am a very strong believer in diversity. I don't want to sit in a boardroom with seven clones!"**

Striving for improvement

An ESG team has been appointed, a mapping project has been undertaken to gauge where the business is today and create targets for the future, and work is ongoing with customers.

Hassel says: "Our customers expect us to look at sustainability and so do I. Making pharmaceuticals is no excuse for not striving always to improve our processes. For me, awareness of ESG is just the beginning. It gives you the right to play at the table."

Smart reduction

Businesses are under pressure to reduce greenhouse gas emissions, but achieving meaningful results can seem challenging, particularly in today's uncertain world. Nonetheless, forward-thinking companies are managing to drive change in a way that improves both their environmental impact *and* their bottom line.

Early in 2021, global media group Forbes set out to rank companies that had successfully reduced their carbon emissions while growing profitability. Some criteria were set: the companies had to be from the US, they had to have a market capitalisation of more than $5 billion, and from a starting point of more than 100,000 tons of annual carbon dioxide (CO_2) equivalent emissions in 2017, they needed to have made huge strides in the past few years. It sounded simple.

"Going in, we figured these criteria would produce a list of more than 100 companies. But green growth is harder than it looks," says Isabel Contreras of Forbes. She cites public utility Edison International and timber business Weyerhaeuser, which ranked 10th and 21st respectively on the Forbes list but increased their earnings by less than two per cent between 2017 and 2021.

Focus on sustainability

In the end, Forbes found half the number of companies that it originally intended for its Green Growth 50. At first glance, the struggle seems to suggest that reducing carbon emissions does not go hand in hand with growing profits. But for the very top scorers, the opposite appears to be true: those who did best in the rankings said they were able to increase profits not despite but precisely because of their focus on sustainability.

"We look at everything we do through a sustainability lens because our patients, customers and consumers are actively seeking more sustainable solutions," says Stephan Tanda, president and CEO of Aptar, which makes dispensers for medicines, food and consumer products. Aptar took the number one spot for boosting its profits by 28 per cent while reducing emissions by 60 per cent from 2017.

> **Governments don't impact what we do that much. Consumers, patients and customers demand what we do**

Call for change

Reducing its environmental impact is not immediately obvious for a company whose products are often made out of plastics. Even so, more than 60 per cent of Aptar's manufacturing facilities are now set to be listed as landfill-free, while the company recently introduced a metal-free lotion pump that is entirely recyclable. The driver for Tanda is not regulation but profit:

> **Among Europe's 2,000 biggest quoted companies, emissions reduction was discussed during half of all last year's earnings calls**

"Governments don't impact what we do that much. Consumers, patients and customers demand what we do," he explains.

There is no doubt that investors are also calling for change. Among Europe's 2,000 biggest quoted companies, emissions reduction was discussed during half of all last year's earnings calls, according to consultancy group Accenture.

Investor belligerence

Investors are also increasingly minded to hold companies to account when they fail to live up to expectations – even if that means going through legal channels. Last May, a court in the Netherlands ruled that oil giant Shell's emissions reductions plans were inadequate and that, by 2030, the company must cut CO_2 emissions by 45 per cent from 2019 levels. This was the first time a company had been legally obliged to align its policies with the Paris Agreement, according to Friends of the Earth, which brought the case alongside six other organisations and more than 17,000 Dutch citizens.

Shell is appealing the ruling, but other major oil companies have also been hit by growing investor belligerence, including Chevron and Exxon Mobil, two of the largest oil and gas groups in the world.

Meeting standards

Exxon Mobil was forced to elect three climate campaigners to its board last summer after activist hedge fund Engine No.1 managed to unseat existing board members with support from institutional investors and shareholder advisory firms. BlackRock, one of the investors that supported Engine No. 1, said in a note that the new board members would bring "fresh perspectives and relevant transformative energy experience" in order to evaluate "the risks and opportunities presented by the energy transition".

Investor vigour in Europe and North America indicates that, for many, it is no longer enough for companies to comply with the law: they have to meet standards set under global climate policies such as the Paris Agreement. Shell, for example had previously said it

> **When it comes to scope 3 emissions, companies have to become more creative**

wanted to reach net-zero by 2050, a target that is legally binding for European countries under EU climate law. Under the terms of the ruling in the Netherlands, Shell has to move much faster. Nor can companies shift responsibility for change to governments – investors and the courts alike expect them to take on that themselves.

Falling short

Nevertheless, a staggering number of companies are failing to live up to blanket pledges. By August 2021, almost a third of the 1,000 largest listed companies in Europe had set a target for reaching net-zero greenhouse gas emissions by 2050, but, according to Accenture, just nine per cent were on track to reach their targets.

Management consultancy Oliver Wyman and non-profit organisation The Climate Group believe there are three major ways that companies can cut emissions. The first is to look at them across three groups or "scopes". Scope 1 concerns direct emissions from owned assets; scope 2 focuses on indirect emissions from the generation of electricity, steam, heating and cooling; scope 3 covers indirect emissions that occur all along the value chain, from investments to employee commuting to waste disposal.

While companies find it easiest to generate carbon savings within their own operations, most carbon emissions tend to occur further down the supply chain in scope 3. Mike Peirce, director of corporate partnerships at The Climate Group, explains: "The places where the big emissions happen are often not the most effective places for action."

Measuring the scale of the problem is the first step towards addressing this discrepancy. With that in mind, the Carbon Trust climate change advisory

> **DPD Group has cut carbon emissions not just by using electric vehicles, but also by improving its communication with customers so they can more easily redirect deliveries**

group has devised a way for small and medium enterprises to measure their carbon footprint comprehensively.

The process requires a year's worth of data, including fuel consumed by the organisation, electricity consumed on site and top-ups of fluorinated greenhouse gas used in air conditioning and refrigeration equipment.

Light-bulb moments

Once this stage has been completed, the next step centres on emissions reduction. Here, approaches vary enormously. Looking down the Forbes Green Growth 50 list, for example, firms in different sectors have attacked the process in very different ways.

Church & Dwight, the consumer goods company that owns baking soda maker and toothpaste brand Arm & Hammer, has eliminated PVC in packaging, and is offsetting carbon emissions by planting a million trees in the Mississippi River Valley. It comes in at number three in the Forbes Green Growth 50.

Pharmaceutical giant Eli Lilly has reduced emissions and cut costs by swapping old light bulbs for LEDs at three of its plants, while fellow drugs specialist Bristol Myers Squibb heats its office in Munich with geothermal energy alone. Altria, the company behind Marlboro cigarettes, uses renewables to meet just 2.3 per cent of its energy needs, but it is focused on cutting waste from cigarette butts.

Net-zero dairy farms

When it comes to scope 3 emissions, however, companies have to become more creative. Rather than exiting the dairy

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industry, Nestlé is investing in decarbonising it by fostering thousands of net-zero dairy farms, which recover cow manure for fertiliser and capture the methane that cows produce. Steel group Nucor is aiming to reduce the emissions associated with raw materials so it can deliver net-zero steel. The company is also investing in the development of renewable energy sources, recycled steel facilities and advanced high-strength steel that will enable vehicles to reduce emissions. "The green economy is being built on steel," says president and CEO Leon Topalian.

The Climate Group and Oliver Wyman also suggest that companies tackle the root causes of their carbon emissions. Logistics firm DPD Group, for example, has cut them not just by using electric vehicles, but also by improving communication with customers so they can more easily redirect deliveries and thereby reduce failed delivery attempts. And furniture giant IKEA has launched circular services in several markets, reusing old products and creating items in modular form so that customers can replace individual parts when they need updating, rather than replacing the entire article.

Financing change

Perhaps surprisingly, climate experts believe that companies should not automatically take capital and resources out of high-carbon businesses. A true "transition mindset" means that companies need to invest in these areas in order ultimately to reduce emissions.

Some banks, for example, continue to lend to fossil fuel companies in order to finance plans for change. "If the oil and gas companies you have exposure to have a good shot at transitioning, then you might even see increased financed and facilitated emissions in the near term," says Val Smith, chief sustainability officer at US bank Citi. "Our theory of change is that we transition with our clients, and that will require capital."

Clear objectives

Reaching net-zero carbon emissions in business operations by 2050 will involve a doubling of the pace of reduction by 2030, and a further acceleration beyond, according to Accenture. Some industries have more to do than others. Oil, gas and chemicals, automotive, transportation, storage, construction and manufacturing account for more than 40 per cent of company emissions worldwide.

Nonetheless, all businesses have to transform to meet the growing challenge of climate change. "Targets work," says Jean-Marc Ollagnier, CEO of Accenture in Europe. He advises that net-zero emissions should be managed like any strategic business priority, with companies setting clear objectives to drive organisations in the right direction, plus regular check-ups to monitor progress and correct the trajectory as appropriate. "Net-zero by 2050 – let alone sooner – will be feasible only with swift, decisive action in this decade," he says ●

Is it art?

Art has attracted controversy for centuries, but even the most fervent aficionados of the modern variety might balk at the latest trend to hit their world. Journalist Rhymer Rigby explores NFTs and questions whether we should all be investing in this market.

Exciting times in the pointless economy. Late last year, it was reported that an NFT yacht had just sold for 149 WETH. But what does this even mean? Let's start with the currency. WETH means "wrapped Ethereum" and Ethereum is a kind of cryptocurrency, like Bitcoin. Wrapping it means you can use it on a non-native blockchain, which makes it more versatile. Got it?

Great. Well the yacht isn't real either. It exists only in a virtual world called The Sandbox. The good news is you can use the yacht (which has a hot tub) to visit islands that are also NFTs, where there are villas, which are NFTs. The bad news is the game hasn't been released to the public yet. And there are all sorts of rumours about the buyer being unreal, too. But in money we all understand, 149 WETH is about $650,000.

So what is an NFT? The initials stand for non-fungible token. A Bitcoin is a fungible token, like a dollar. You can use it to buy stuff, and one Bitcoin is worth the same as any other Bitcoin (although its value fluctuates wildly against old-fashioned currencies). Like Bitcoins, NFTs are stored on digital ledgers (blockchains). The difference is their fungibility. You cannot use a virtual yacht to buy things, just as you cannot use a real yacht to buy things.

Right. Welcome to the 2020s. NFTs are quite exciting. If you're in the art world, they are the current big thing. They are also big in music, virtual worlds and, perhaps inevitably, porn. Collins Dictionary made NFT its word of the year, describing an NFT as "a unique digital certificate, registered in a blockchain, that is used to record ownership of an asset such as an artwork or a collectible".

Some people are certainly making money from them. In the run-up to Christmas, digital artist Pak sold 266,445 NFTs for an eye-watering $91.8 million. Twitter founder Jack Dorsey sold his first tweet as an NFT for $2.9 million – to a Malaysian businessman, who said people would realise the true value of the purchase in years to come. Some of the most expensive NFTs are the Cryptopunks. Originally given away for nothing, these look like punk characters in a 1980s video game. The cheapest now costs more than $300,000.

As might be expected, the market is moving fast – and in strange, disruptive ways. Recently, a former Christies auctioneer joined forces with crypto experts to buy a Banksy for $12.9 million. The plan is to sell 10,000 pieces of it as NFTs, offering fractional ownership of a real piece of art via blockchain.

Of course, as with Bitcoin, there are plenty of critics. Like many crypto assets, NFTs have a hefty carbon footprint. Some say they're a fad. Others call them a pyramid scheme. The more thoughtful talk of speculative bubbles and artificial scarcity. Website PC Gamer memorably described the yacht sale as "the latest development in the NFT techno-financial trash fire none of us are allowed to look away from". They have a point.

So, should you buy an NFT? Well, you might make a lot of money, or you might lose the lot. There's plenty of fool's gold in the digital hills – and, one suspects, plenty of fools. Still, if you want to play in a kind of digital Wild West, go for it.

Actually, I'd go one further. Buy an NFT from me. I've created a one-off piece of digital art with my cat, Fernando (opposite). It's on Opensea – an NFT marketplace – and it's yours for £15 or the crypto equivalent. You can buy the whole thing for a fraction of the cost of a fractional Banksy. Who knows, it might even be worth £30 one day ●

"Fernando"

Rhymer Rigby
Non-fungible Token
2022

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