



THE CONFERENCE BOARD

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Fidelity's Pozen Examines Threats to Economic Growth

Robert Pozen is Vice Chairman of Fidelity Investments. Formerly president of Fidelity Management & Research Company—Fidelity's investment advisor for its nearly \$1 trillion in mutual funds—Mr. Pozen is a member of the President's Commission to Strengthen Social Security and a Trustee of The Conference Board. His book, *The Mutual Fund Business*, is widely used in business schools.

In this interview (conducted prior to the events of September 11, 2001), Pozen considers current threats—and positive impulses—to business growth. In this environment, says Pozen—who also offers a look ahead for mutual funds—The Conference Board is a vital resource for business leaders around the globe.

What are the major threats to U.S. business growth over the next few years? The U.S. economy is going through a reduction in the growth of corporate earnings, especially in the telecom and technology sectors. These sectors experienced a large increase in capital expenditures over the last few years, so it may take a while to work off this capacity build-up. The other major threat to the U.S. economy comes from U.S. consumers. So far they have held up pretty well, as reflected in solid housing and auto sales. But consumer attitudes could change if the unemployment rate rises sharply.

What do you see as positive forces that may counter those threats? The Federal Reserve

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Robert Pozen

Growing Clout for Global Investors

As corporations around the world become increasingly dependent on equity fueled by open markets, economic clout is shifting toward investors who have equity stakes—especially those willing to become activists.

A new Conference Board study finds that transnational institutional investors are beginning to evaluate corporate performance by an evolving set of global corporate governance standards. This development is changing how companies and investors do business with each other. Moreover, the towering share of U.S. corporate investments worldwide raises the expectation that U.S. investors will not only have an important say in the standards themselves, but could also make U.S.-style activism the norm among global investors.

Source: *The Global Investor and Corporate Governance: What Do Institutional Investors Want?* Report 1297-01-RR, 2001.

Tony Blair Briefs Conference Board Members in London

British Prime Minister Tony Blair briefed Conference Board Trustees, and chairmen and chief executives of FT 500 companies, at a special Conference Board meeting in London. The Prime Minister was welcomed by Lord Marshall of Knightsbridge, Chairman of British Airways Plc and Chairman of The Conference Board's Board of Trustees.

Lord Marshall organized a series of events for the gathering, which included Conference Board Trustees and CEOs of U.K. member companies. The program featured a boat journey up the Thames, culminating at the Tower of London with the "Ceremony of the Keys" and a private viewing of the Crown Jewels.



British Prime Minister Tony Blair with Lord Marshall, Chairman of British Airways Plc and Chairman of The Conference Board's Board of Trustees.



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has dropped interest rates several times this year and continues to let the money supply expand substantially. These typically have been favorable factors for the U.S. economy. As interest rates drop, the United States has experienced a wave of mortgage refinancings. These are like giving homeowners a monthly tax cut. Finally, there are the real cuts in tax rates, which over time should help stimulate economic growth.

What is The Conference Board's chief contribution to the world business community? The Conference Board is a key source of research and statistics on the U.S. and other world economies. For example, its survey on consumer confidence is watched carefully by business and government leaders. The Board also provides an important forum for in-depth discussion of management issues through its councils and conferences. These have the special benefit of participation from company managers actively involved in the subject matter.

How important is The Conference Board's continuing effort to globalize its membership and research? Very important. It is easy to say that businesses should operate globally, but difficult to do well. The Board can help executives learn how to manage better across continents. In addition, the Board is in the process of expanding its economic indicators to include significant countries outside of the United States. This expansion will create a valuable resource for global economic projections.

As the author of the definitive book on mutual funds, what's ahead for the industry? During the late 1990s, U.S. investors became accustomed to annual returns above 20 percent. The fund industry has to help manage investor expectations to more realistic levels—for example, long-term equity returns in the United States are in the range of 11 to 13 percent per year. At the same time, the fund industry has to deal with the aging of the baby boomers, who will start to reach 65 in 2011. Up to now, fund complexes have concentrated on helping investors accumulate nest eggs for retirement; in the future, they will have to develop programs to help distribute retirement income to fund shareholders.

This summer in Hong Kong, a special Conference Board meeting on sustainability drew business leaders from throughout Asia/Pacific. Shown left to right are: Lily Yam, Secretary for the Environment and Food, Government of the Hong Kong Special Administrative Region; Edén Woon, Director of the Hong Kong General Chamber of Commerce; and Marjorie Yang, Chairman of the Esquel Group of Companies.



Michael Eskew, who will become the Chairman and CEO of UPS in January 2002, addressing The Conference Board's Strategic Alliances meeting.

Changing Company Culture: The Irish Dilemma

When the European Council on Human Resources met in Dublin in June, members examined new paths companies are taking to change their cultures. John Guinan, Director of Human Resources for Retail Banking and Distribution at the Bank of Ireland (the meeting's host), said that too much time is devoted to writing the company's values while the leaders fail to demonstrate those values. "Exceptional business performance," he said, "will be achieved only through exceptional leadership and people management."

The keynote speaker, Paul Haran, Secretary General of the Irish Department of Enterprise, Trade, and Environment, described the transformation of the Irish economy into today's successful "Celtic Tiger." But he warned that complacency is the greatest danger to continued success. To avoid this, he predicted growing investment in education at all levels, creating more intellectual capital for the future.

Nielsen is Board's New Nordic Director

Niels Erik Nielsen is The Conference Board's new Director of Associate Service for the Nordic Region (including Denmark, Finland, Iceland, Norway, and Sweden). He replaces Jani Törnqvist, who will continue his long association with The Conference Board Europe as a project director for a number of European Councils.

Nielsen, a Dane, began his career with one of the Board's longest-standing members, A.P. Møller. He has also held management positions in Denmark, Singapore, Taiwan, Ghana, the United Kingdom and the United States for such major international companies as General Electric and Marsh & McLennan.



Gail Fosler, Chief Economist of The Conference Board, addressing the Board's Paris business briefing.



Top Board Economists Meet Chinese Experts

The Conference Board's top economists and China's economic policymakers met in Beijing to discuss challenges and opportunities facing the United States and China. This "Sino-U.S. Economic Forum" was initiated by the Chinese government and co-sponsored by China's Academy of Macroeconomic Research, the State Development Planning Commission, and the Center for China and Foreign Group Enterprise Development Studies.

Conference Board Chief Economist Gail Fosler and Director of Economic Research Robert McGuckin explained the need for microdata and economic measures to assess ongoing reforms in China. Chinese economists provided updates on economic developments in China and explored ways in which The Conference Board and China can cooperate in future activities.



Beefing Up Communications: The View From Sweden

TietorEnator Corporation, a leading supplier of IT services in Europe, hosted The Conference Board's European Council on Communications for its meeting in Stockholm. The company's Deputy CEO, Ake Plyhm, examined the business case for strong employee communications.

Eric Osterberg, TietorEnator's Senior Vice President of Corporate Communications, put on one of his former hats as a business journalist to share insights on the theme of effective communication in Sweden. He revealed a menu of dos and don'ts when dealing with the Swedish media. "Build long-term relationships; keep regular personal contacts; educate yourself and position yourself as an authority; keep away from high-tech lingo in press releases; and don't offer extras, trips, and expensive gifts to media partners," he said.



Bart van Ark,
Director of
International
Economic
Research at The
Conference Board
and Professor in
the Economics of
Productivity and
Technology Policy
at the University of
Groningen.

New Conference Board Chair at University of Groningen

Professor Bart van Ark, Director of International Economic Research at The Conference Board and Professor in the Economics of Productivity and Technology Policy at the University of Groningen, keynoted a special meeting this spring at the University of Groningen, The Netherlands. It marked the debut of The Conference Board Chair in the Economics of Productivity and Technology Policy.

In his lecture, van Ark questioned whether Europe is fully utilizing new advances in information and communication technologies. He underscored the urgency of investment so that the old economy can benefit from the new economy.

Knowledge Management a Hot Issue in the U.K.

Consignia, formerly the United Kingdom's Post Office, hosted the second meeting of The Conference Board's European Council on Knowledge Management, in Rugby, England. A highlight of the meeting was a tour of Consignia's Innovation Laboratory and an introduction to technologies for the future. The meeting focused on strategies for winning commitment of the CEO and top management to knowledge management strategies, and for measuring and demonstrating the value of knowledge management projects.

Americans Face Lowest Earnings Gains in a Decade

With inflation rising and salary increases holding at 4 percent both this year and in 2002, Americans' real earnings gains over the next two years will be the smallest in a decade. A Conference Board report finds that inflation will wipe out most wage increases.

In 2001—for the eighth year in a row—salary increases in the United States will average 4 percent and will remain at this level through 2002.



Gail Fosler, Senior
Vice President and
Chief Economist of
The Conference
Board, addressing
the Sino-U.S.
Economic Forum in
Beijing.

U.S. Commerce
Secretary Donald
L. Evans (left) with
Conference Board
President and CEO
Richard E.
Cavanagh at the
Washington
ceremony for the
Ron Brown Awards
for Corporate
Leadership.



Corporate Headquarters Facing Problems Spurring Troops Into Action

Corporate headquarters, the “leadership engines” of business, are encountering serious challenges in motivating their business units to carry out new headquarters-led initiatives.

A Conference Board study of leading firms in the United States and Europe finds that two factors—corporate culture and reluctance to change—are stifling efforts to implement these initiatives. Widespread decentralization, which has pushed down decision making in many organizations, is also a major barrier.

Headquarters-led initiatives are triggering an unusually high level of frustration and disappointment, often producing only partial success or ending in outright failure. Only 56 percent of the executives surveyed say they have a clear understanding of the role and authority of their company's headquarters.

Says Dr. Robert J. Kramer, an expert in corporate organization at The Conference Board, “It is no surprise that business-unit managers resist when headquarters asks or pressures them to cooperate with headquarters-led synergy projects. The stage is set for hard bargaining, and even conflict, between the parties.”

Source: Organizing for Global Competitiveness: The Role of Corporate Headquarters and Its Leadership in Organizational Integration, Report 1291-01-RR, 2001.

Why Mergers Don't Always Deliver Growth and Revenue

While many mergers don't generate growth, a new Conference Board study finds that some companies are profiting from both mergers and acquisitions.

The study, which provides tips garnered from companies that have strong merger track records, says that top-line growth is the key driver in most mergers.

The study describes how companies plan and plot mergers, showcasing strategies from four major companies—Arrow Electronics, Medtronic, Tyco International, and The Williams Companies. It underscores the urgency of keeping top talent aboard as mergers take shape. As one merger-savvy expert warns: “Competitors will try to cherry-pick the best employees in the target company. During the due diligence period, the acquiring company should make retention offers to key employees, especially the star salespeople, who could be lured away by the competition.”

Source: Executive Insights: Merging and Acquiring for Growth, Report 1298-01-RR, 2001.



The Conference Board's Global Advisory Council, which advises the Board on economic issues, meets in London. The Council is chaired by W. Craig McClelland, Chairman and CEO (retired) of Union Camp Corporation, and Paul A. Volcker, former Chairman of the Federal Reserve.



Dr. Victor Zarnowitz, Senior Fellow and Economic Counsellor at The Conference Board.

Zarnowitz Wins Major Economic Award

Dr. Victor Zarnowitz, a Conference Board economist, has been named a winner of the Butler Award, one of the most prestigious awards conferred to an economist. The award was presented to Dr. Zarnowitz by the New York Association for Business Economics.

As the fifth Conference Board economist to receive this award, Zarnowitz joins previous Board winners Alan Greenspan, William B. Franklin, Al Sommers, and Ed Fiedler.

Dr. Zarnowitz is an advisor to the Board's economic research program and its analysis of business cycles and their indicators. He is also one of six economists who comprise the Business Cycle Dating Committee of the National Bureau of Economic Research, which certifies whether and when the United States has entered an economic recession.



Federal Reserve Chairman Alan Greenspan examines economic trendlines for The Conference Board's Council of Financial Executives in Washington.

AGENDA 2001

THE CONFERENCE BOARD



U.S. Calendar

The 2001 Marketing Conference
Marketing Metrics and Execution
November 1-2, 2001
The Waldorf=Astoria, New York, NY

The 2001 Purchasing Conference
Internetworking for E-Sourcing Excellence
November 8-9, 2001
The Waldorf=Astoria, New York, NY

Issues-Oriented Workshop
The Power and Promise of Corporate Philanthropy
November 14-15, 2001
Roosevelt Hotel, New York, NY

People Solutions 2001
Optimizing Employee, Customer, and Business Performance
November 28-29, 2001
Hotel Inter-Continental, New York, NY

The 2002 Corporate Image Conference
Building and Sustaining Your Image, Brands, and Reputation
January 15-16, 2002
Grand Hyatt, New York, NY

The 2002 Strategic Management Conference
Ways to Improve Profits, Growth, and Innovation
in This Changing and Connected Economy
January 16-17, 2002
The Waldorf=Astoria, New York, NY

The 2002 Employer Healthcare Conference
Healing What Ails Your Employee
February 7-8, 2002
Marriott Marquis, New York, NY

The 2002 Leadership Conference on
Global Corporate Citizenship
February 11-12, 2002
The Waldorf=Astoria, New York, NY

The 2002 Global Human Resources Conference
Strategies to Identify, Attract, Develop, and Retain
Future Leadership Resources
February 13-14, 2002
The Waldorf=Astoria, New York, NY

The 2002 Organization of the Future Conference
From Ownership to Strategic Purpose
February 28-March 1, 2002
The Waldorf=Astoria, New York, NY

European Calendar

The 2001 Corporate Image Conference
Living the Brand Promise with your Stakeholders
November 7-8, 2001
Royal Garden Hotel, London, UK

2001 European Performance Measurement Forum
The Link Between Performance and Pay
November 28, 2001
ABN-AMRO Holding N.V., Amsterdam, The Netherlands

2002 European Environment Forum
Assessing Science's Role in Environmental Policy Making
January 16-17, 2002
ATOFINA, Brussels, Belgium

Asia-Pacific Calendar

Leadership 2010: The Future of Women in Business
February 19-20, 2002
Sydney, Australia
February 21-22, 2002
Melbourne, Australia

Knowledge Management Conference
April 11-12, 2002
Shangri-La Hotel, Singapore

2002 Shared Services Conference
April 16-18, 2002
Shangri-La Hotel, Singapore



At The Conference Board's sustainability meeting in Hong Kong (left to right): Alois Flatz, Head of Research at SAM Sustainable Asset Management; Euan Marshall, Business Development Director at ASRIA; Chandran Nair, CEO of ERM Asia Pacific; and Margaret Chin-Wolf, Principal and Senior Portfolio Manager at Nexus Asia Investment Management Pte Ltd.



Minoru Makihara,
Chairman, Board of
Directors, Mitsubishi,
at a special meeting
of The Conference
Board and the Japan
External Trade
Organization.



Gayle Wiley,
Human Resources
Executive, Diversity,
EMEA, IBM Euro-
coordination,
France, at the
Board's European
Work-Life
Conference in
Brussels.



Steven Miller,
President,
Chairman, and CEO
of Shell Oil,
addressing a
Conference Board
meeting on how
companies are
facing tough issues
in the workplace.

For more information about any of these events, please contact customer service at 212 339 0345,
or visit our Web site at www.conference-board.org.

The Conference Board welcomes the following new members:



THE CONFERENCE BOARD

Accenture Company Limited
 Agfa-Gevaert N.V. (Europe)
 Anne Arundel Community College
 Ault, Inc.
 B2eMarkets
 Banco Popular de Puerto Rico
 Bass Hotels & Resorts
 Blattner Brunner
 Bon Appetit Group (Europe)
 Caltex Services Pte. Ltd.
 Campbell Soup Company (Europe)
 Carilion Foundation
 Carlow College
 CarnaudMetalbox S.A. (Europe)
 Carter Holt Harvey Ltd.
 Center for Creative Leadership
 CheckFree Corporation
 Chubb Insurance Company
 CITIC Pacific Ltd.
 Citizens Bank
 Coca-Cola China Ltd.
 Confederation of Danish Industries (Europe)
 Corning Cable Systems
 D'Arcy (Europe)
 Debevoise & Plimpton
 Deborah Hopen Associates, Inc.
 Defense Acquisition University
 Deloitte Touche Tohmatsu
 Descartes Systems Group (Europe)
 Deutsche Lufthansa (Europe)
 Dixons Group (Europe)
 Drake University
 E.ON AG (Europe)
 EBS Dealing Resources, Inc.
 Edwards Lifesciences
 El Paso Electric
 EnBW Transportnetze AG (Europe)
 Essent N.V. (Europe)
 Experian
 FreeMarkets, Inc.
 Gate Gourmet Holding (Europe)
 Gentiva Health Services
 Guinness Ireland Group Ltd. (Europe)
 HFC Bank plc (Europe)
 High Industries Inc.

Hunter 2000 S.L. (Europe)
 IDEC Pharmaceuticals
 Incentive Systems
 Insead – Asia Campus
 Integra Consulting Team
 InterDigital Communications Corp.
 Interra Software India Pvt. Ltd.
 Invensys plc (Europe)
 Irving Oil Corporation
 Itochu International Inc.
 Janus
 J-Phone Communications Co., Ltd.
 KBC Bank & Insurance (Europe)
 L & T International Corp
 L&T Information Technology (Europe)
 Liberty Shoes Ltd.
 Lock Haven University
 Loomis Fargo Co.
 Louisiana Lottery Corporation
 Lynn University
 Marquard & Bahls AG (Europe)
 Midwest Generation EME LLC
 Montefiore Hospital and Medical Center
 Monterey Institute of International Studies
 Mycom Berhad
 National Institute of Standards & Technology/Manufacturing
 Nebraska Department of Economic Development
 New Scale, Inc.
 Novo A/S (Europe)
 Novozymes (Europe)
 Nurseryworks Ltd. (Europe)
 Pacific Investment Management Company (PIMCO)
 Pameco Corporation
 Peppers and Rogers Group
 Perfect Commerce, Inc.
 Petronas Penapisan (Melaka) Sdn Bhd
 Pfeleiderer (Europe)
 Piderit & Partners
 Polskie Koleje Panstwowe SA (Europe)
 Premier Oil Plc (Europe)
 Queensborough Community College
 Redcats (Europe)

Reputation Technologies, Inc.
 Rockefeller & Company, Inc.
 Royal Melbourne Institute of Technology
 Saint Joseph's University
 San Jacinto College South
 Sapient
 SembCorp Industries
 Shenandoah University
 SICS (Europe)
 Smiths Group Plc (Europe)
 Somerville and Associates, LLC
 Sony Entertainment Television India Ltd.
 South African Tourism
 South Texas Community College
 Spherion Corporation
 Sponsor Management Consulting (Europe)
 Standard Chartered Bank Malaysia
 Standard Commercial Tobacco (Europe)
 Standard Register
 Susan G. Komen Breast Cancer Foundation, The
 Swiss Re (Europe)
 Swiss Re Life & Health (Europe)
 Symantec Corporation
 Syngenta (Europe)
 Temasek Holdings
 Texas Health Resources
 The Greenery International B.V. (Europe)
 The Morgan Crucible Company (Europe)
 Top Human Technology
 Turkish Industrialists and Business (Europe)
 Uniq plc (Europe)
 United Distillers De Mexico, S.A. de C.V.
 Universidad Carlos III (Europe)
 University of Saint Thomas
 University of Tampa
 Vasu Tech Limited
 Vertex Pharmaceuticals Incorporated
 Vytra Health Plans
 Watson Wyatt Hong Kong Limited
 WellMed, Inc.
 Widgetwonder
 Xoma
 Yellow Pages Publishers Association



Business leaders tour Normandy, France, during a special Conference Board briefing with military officers and political experts. The combination of tours and meetings focused on leadership and strategic issues that have implications for business executives.



Ron Berenheim, The Conference Board's expert on business ethics (center), addressed a special briefing in the Philippines on resisting corrupt practices. With him are Felipe Alfonso, President of the Asian Institute of Management (left), and Sandy Prieto-Romualdez, President and CEO of the Philippine Daily Inquirer (right).