THE BUSINESS KNOWLEDGE NETWORK

THE CONFERENCE BOARD

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Uncertainty Biggest Threat To World Stability: SyCip

Washington SyCip is founder of Asia's largest accounting and consulting firm, SGV & Co. He is also a Trustee and a Vice Chairman of The Conference Board. He is no stranger to crises. While he was working on his doctorate at Columbia University, Pearl Harbor was bombed. He joined the U.S. armed forces and later was sent to India to break Japanese codes. He has been a major force in East Asian business growth. When many business leaders seek new opportunities in East Asia, they are told: "Go see Wash." Mr. SyCip met recently in New York with Randall Poe for this interview.

Washington SyCip

Q: What's the biggest threat to economic stability?

SyCip: Uncertainty. This uncertainty is seen almost all over the world. The U.S. economy holds the key because what happens in the United States has an impact on the rest of the world. Unfortunately, the U.S. economy was already in a downturn before the events of September 11th. It will take a while to get confidence levels back up. But I'm an optimist. I think we could see a turnaround by the middle of 2002, if there are no further major incidents.

Q: In your travels, where do you see economic strength?

SyCip: India, Russia, and China are holding up remarkably well—especially China where there is continuous yearly improvement. You see this in business growth, in housing, in restaurants, and in the things consumers are buying. Even tourism is strong. Millions of Chinese now travel regularly to visit destinations throughout China and an increasing number of prosperous Chinese are traveling abroad.

Q: Any suggestions for improving relations with the Muslim world?

SyCip: Eventually, the question of a Palestinian state must be resolved, which, of course, will not be easily accomplished. It would certainly help the current situation if leaders from major Muslim nations, such as Pakistan, Iran, Indonesia, Malaysia, and Egypt, speak out strongly against terrorism. This type of leadership could help unite Muslims in the cause of peace. This may produce very positive results.

Q: How is The Conference Board helping business during the present uncertainty?

SyCip: By keeping executives informed about what companies are doing to grow and survive during these difficult times. Conference Board research about changing business practices and economic conditions is especially valuable. The need for executives to

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Is Globalization Drive Stalling?

Shrinking global trade, weak world economies, and continuing fallout from September 11 are causing some companies to re-think their global strategies.

Robert Kramer, The Conference Board's expert on corporate organization, reveals that more companies are trying to regionalize and localize their operations. Companies are showing a more cautious approach to investment, intensifying cost containment, beefing up security, and examining discipline in their profit centers.

While few companies want to return to the top-heavy regional operations of yesteryear, many executives say regional headquarters can add real value in merger and acquisition activity, new business development, human resources support, and strategic planning.

Kramer cautions that failure to work out satisfactory structures to meet current problems is likely to lead to more downsizings, de-layering, outsourcing, and a greater reliance on alliances.

General John M. Keane, Vice Chief of Staff of the United States Army, discusses the Army's response to terrorist attacks and what business can learn from the military at a special Conference Board Human Resources Conference.

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share experiences has never been greater, and this is an area where The Conference Board excels. Its conferences are an important way of making business aware of what is happening in different industries and in different parts of the world, not just in the United States and Europe. Many of the leading corporations in all parts of the world read the economic forecasts of Gail Fosler, and use these as guidelines for their own planning.

Q: Do you see new opportunities for The Conference Board in China or Japan?

SyCip: There are clearly opportunities there for the Board. China and Japan are the two largest economies in Asia. But the language issue must be resolved. You may have to translate your research and other publications into Chinese or Japanese to reach the top business leaders.

Q: Are you still trying to instill more professional management in Asian companies?

SyCip: Oh yes. Many listed companies still have dominant family interests. They must combine family and professional managers and be more transparent if they are going to expand. If Asian companies insist on family management, regardless of the competence of their children, they will be in trouble sooner or later. It's just not possible to have generation after generation of very competent children who are interested in managing business firms.

Q: Are you seeing growing interest in corporate governance issues in Asia?

SyCip: Yes. As more Asian business leaders are educated in western universities, more U.S.-styled business models will evolve. That means more interest in issues involving boards of directors. China now has 21 companies listed on the New York Stock Exchange. There is interest there in many governance issues. And this is also true in Japan and the rest of Asia.

Q: How do you stay on top of what's happening in the U.S.?

SyCip: I keep informed through media and through many other sources. As you know, the Wall Street Journal, the Financial Times, and Herald Tribune together with their sister publications are read by many Asian business leaders. And, of course, I regularly read The Conference Board publications and Gail Fosler's monthly reports. She's been right so often that you have to follow her analysis of economic developments.

Melodee Mahoney, Senior Program Manager, Center for Learning, GE Capital, at The Conference Board's 2001 Human Resources Conference. This meeting was presented in collaboration with the United States Army.

At a meeting of The Conference Board's Council of Chief Legal Officers, David Boies (right), lead legal counsel in the U.S. Government's lawsuit against Microsoft, and Jon Groetzinger, Senior Vice President and General Counsel of American Greetings Corporation.

Growing Corporate Clout for Board Compensation Committees

Compensation committees are gaining clout. Since these committees determine pay for performance, grant stock options that can dilute shareholder value, and buy back company stock to enhance share prices, their members have a growing impact on overall corporate strategy. A new Conference Board study shows how these committees function and provides some decisive "do's" and "don'ts" regarding compensation practices. A growing worry is whether the members of these committees have enough expertise to effectively monitor compensation programs and whether they are too dependent on CEOs and outside consultants.

The study is based on the experiences of The Conference Board's Working Group on the Compensation Committee of the Board.

Source: The Compensation Committee of the Board, Research Report R-1306-01-RR, The Conference Board

Knowledge Management: European Growth Force

While knowledge management is no automatic highway to growth, many companies are effectively mastering it to create new products and services and to boost profits. The Conference Board's 3rd Knowledge Management Conference in Brussels this fall focused on a variety of approaches being used to improve the sharing of crucial information within organizations

Already part of the culture at Unilever and other leading firms, it has become a major driver of growth. It's also a key part of business strategy. Victor Newman, Chief Learning Officer of Pfizer Research University: "Business strategy and knowledge management are two sides of the same coin." But he warned that if knowledge management doesn't bring real value and a competitive advantage, it should be rejected. It's not what you know but what you share that counts.

The Conference Board newsletter is written by Randall Poe and Carol Courter.
Based on an original design by Scott Adams

Helping Companies Profit from Tough Times

The Conference Board is offering a new online program to help companies profit during tough economic times. The new course—"Managing Through a Volatile Economy"—provides a wide range of management experience, insights, and strategic tips.

The program is designed to help companies deliver timely, cost-effective knowledge to their managers and other employees. The Board is working with Corpedia Education, a major player in the growing e-Learning market, which has partnering agreements with Peter Drucker, Tom Peters, and The Deming Institute, to provide exclusive content for its programs.

To find out how you can utilize this new resource, contact John Oldfield at 212 339 0366 or email John.Oldfield@conference-board.org.

Board Councils Meet in Paris, Munich, Rome

Three prominent Conference Board councils met this fall in Europe. The Pensions Council met in Rome for an overview of the changing pension scene in Italy. Philip Cuddeford of Towers Perrin noted that the cost of the state pension system has been reduced by several reforms but is still too high. He cited new reforms underway, and the need for a private pension system in Italy.

The European Council on Investor Relations met in Munich to hear from three leaders in the Munich investment community: Christine Winkler, fund manager at Activest; Konrad Becker, sell-side analyst at Merck, Finck & Co.; and Günter Pollersbeck, journalist at Börse Online. Also, the European Council of Telecommunications gathered in Paris at a meeting hosted by Jonathan Stretch, Vice President of AT&T Business EMEA.

Responding to Terrorism: A New Resource

Critical business responses to terrorism and other issues are now available from The Conference Board. The Board's new reports—entitled Executive Action—deliver rapid information on a wide range of issues.

The new service pinpoints vital resources for executives covering safety and security issues, human resources problems, operational challenges, customer relations and branding issues, and community involvement.

If you haven't yet profited from this timely information, go to the Board's website: www.conference-board.org.

Alan Wexler, Vice President and Managing Director, Technology and Communications, Sapient Corporation, addressing the Board's Wireless Conference.

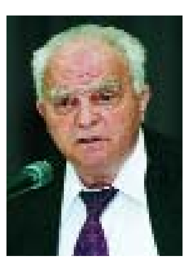
Top Wireless Firms Eye New Growth Strategies

The world's leading wireless companies gathered in New York for The Conference Board's Wireless Conference. More than two dozen senior executives examined the explosive, but erratic, growth of wireless technologies and prospects for the next year. Sessions focused on the growing cellular war for carriers, new distribution channels, and why Japan and Scandinavia are maintaining their technological edges.

Minerva Tautoco-Hobbs, Director of Advanced Technology at Answerthink, told the meeting that the name of the game has become quality. "It's the quality of the mobile services provided, as well as the technology, that will drive the wireless market." She and others cited research showing that while companies in both the United States and Europe view mobility as important—less than 25 percent say they will pay more than they do now to acquire it.

Dean Douglas, General Manager, IBM Wireless e-Business Services, Americas, at the Board's Wireless Conference.

Gordon Swanson of Microsoft, chats with Minerva Tautoco-Hobbs of Answerthink, at the Wireless Conference.



Victor Zarnowitz

Zarnowitz: Recession Likely to be Short

While the United States has fallen into its first recession in a decade, a consensus is building that it will be both mild and short. The terrorist attacks this September clearly deepened the economic downturn, says Conference Board Economic Counselor Victor Zarnowitz, one of six members of a special committee at the National Bureau of Economic Research that officially determines the beginning and end of recessions. But he notes that The Conference Board is forecasting growth of about 1 percent next year.

Top Bush Advisor Warns About New Spending Spree

Mitchell E. Daniels, a top economic adviser to President Bush and Director of the U.S. Office of Management and Budget, said that the government is being deluged with spending requests.

He told business leaders at The Conference Board's Annual Meeting that in the aftermath of the terrorist attacks and amid a weakening world economy, a massive increase in government spending could pose a further threat to the U.S. economy. "It might be autumn everywhere else, but in Washington, it's springtime for big spenders," Daniels said. "Overnight, a climate of fiscal restraint has been dispelled. We now face a great risk of runaway spending, the erosion of the long-term surpluses we have been anticipating, and the erection of a much larger permanent federal government."

He said government funds are now "the target of opportunistic spending sorties masquerading as 'emergency' needs."

Mitchell Daniels, U.S. Budget Director, meets the press at The Conference Board's Annual Dinner in New York.

Technology Keeps U.S. in World Productivity Lead

It's using, not making, information and communications technologies that keeps the United States ahead of the rest of the world in productivity gains. Europe and many other parts of the world continue to lag.

A new Conference Board study shows that while the United States scored sharp gains in productivity during the last half of the last decade, most major European countries suffered declines. The reason is not worldwide dominance in production. Although the United States leads in the production of computers and semiconductors, such countries as Finland and Japan have competitive advantages in wireless communications equipment and robotics.

"The gain in U.S. productivity is due more to the use of information and communications technology than its production," says Robert McGuckin, Director of Economic Research at The Conference Board.

While under-investment in new technologies and structural rigidity keeps Europe behind, the study says reforms and the introduction of the euro could give Europe a long-needed lift.

Source: Perspectives on a Global Economy: Making The Most of the Information Age – Productivity and Structural Reform in the New Economy, Research Report R-1301-01-RR, The Conference Board

Barbara Babcock, Corporate Vice President and President of e-Business Services at Unisys, described her company's new strategy to drive Internet business at a Conference Board meeting in New York.

Top Financial Executives Meet in Madrid

Top European financial executives examined latest globalization trends at a Conference Board meeting in Madrid. Members of the Board's European Council of Financial Executives heard leaders from the energy and financial services sectors discuss emerging strategies to spur globalization.

José Luis Palomo, Director of Finance at Endesa, said his company has solidified its leadership position in the energy field and is expanding into new markets and new businesses. "Globalization," he said, is "an unstoppable trend." Georges Ugeux, head of the New York Stock Exchange's international division, said international trading now accounts for 11 percent of all trading and is growing. He said recent developments signal further growth in the global equity markets.

Conference Board Indicators Now in Nine Countries

With the launch of new economic indicators in Spain, The Conference Board now produces Leading Economic Indexes for nine nations.

Besides the United States and Spain, the Board's indexes now cover France, the United Kingdom, Germany, Korea, Japan, Australia, and Mexico. Within the next year, more than 15 nations will be in The Conference Board's global indicators network. For the first time, these timely new indexes provide early warning systems for recessions and make it easier to compare the economic health of different nations.