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BRICKENDON

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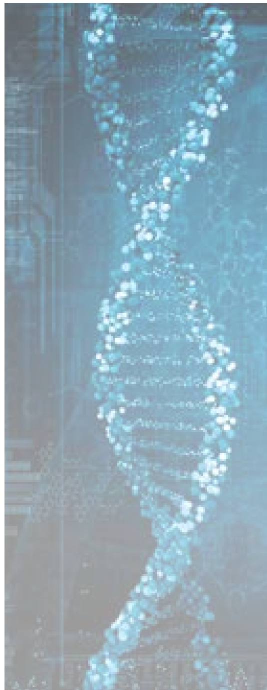


Chris Burke, Managing Director
BRICKENDON CONSULTING

WITH 2016 ALREADY UPON US, BRICKENDON CONSULTING'S MANAGING DIRECTOR CHRIS BURKE CONTEMPLATES THE OUTLOOK FOR THE COMING YEAR.

2016 is set to be a year of clarity and contradictions for Brickendon and its clients as we are faced with an increasingly turbulent world. Uncertainty and consistency together will feature strongly.

Across the global business community we have increasing uncertainty, with the "sure thing" of the past decades - China's continued explosive growth - coming to an end and increased volatility hitting global stock markets. Add to that the aftermath of the massive change in fortunes we saw in 2015 within the commodity sector, with prices down around 75 per cent from their peaks, and change will no doubt be a strong feature of 2016. There will be a clear impact on the sector's profitability and its future investment decisions, which may in turn lead to political instability in commodity dependant economies.

We have interest rates travelling in different directions on opposite sides of the Atlantic, with the US most likely raising rates, whilst European countries are at best sitting tight, with some moving to negative levels. Here in the UK, we also have the uncertainty around a potential BREXIT and what this would mean for the British economy.

Faced with these challenges, it is with some apprehension that I mention the one major certainty facing financial firms in 2016, continued regulatory reform. Some of 2016 will see the actual implementation of regulation, whilst other areas will be more focused on preparing for future topics like MIFID II, ring-fenced bank and the Fundamental Review of the Trading Book (FRTB).

At Brickendon to meet these challenges faced by our clients, we expanded our management team in December 2015, bringing in Executive Director James Aitken. We have also continued to build out our service offerings to meet the needs of our clients across our key capabilities of Advise, Change and Do. We are focused on expanding our business into new global markets, and during the first half of 2016 will grow our international offering.

We look forward to working with you all in the coming year and facing the challenges of 2016 together.

BUBBLES GO POP

We are no strangers to economic crises. From the first recorded crisis in the 1600s to the most recent housing bubble which nearly destroyed the entire global financial system, we have become accustomed to these destructive forces wreaking havoc in our economy.

So why do bubbles occur and can we put a stop to them?

A bubble develops when excess money flows into an asset or asset group causing its price to rise beyond a reasonable level. The first recorded such incident occurred in the Netherlands during the early 1600s and involved tulips. Basically, tulips became so popular that their price soared, reportedly to a point where some bulbs cost more than 10 times the annual wage of a skilled worker.

Fortunes were made overnight as people sought to acquire tulips by any means possible, and lost just as quickly when the bubble burst and prices plummeted.

Fast forward almost 400 years to the tech, or dot-com, bubble of 2000. This time the price of technology stocks soared despite many companies operating in the red. Speculation around the future earnings of these companies pushed up stock prices to unsustainable record levels in very short periods of time.

The most recent asset crisis is the financial crisis of 2007-8, which thanks to its overarching impact on world finances has become known as the global financial crisis. It is considered by many to have been the worst financial crisis since the great depression of the 1930s and threatened the collapse of many large financial institutions. Stock markets dropped, housing markets collapsed and unemployment for many prevailed. Prompted in part by overzealous lending encouraging extreme borrowing and pushing up prices, the fundamentals were the same as most previous bubbles and, so it seems, follow a recurring pattern.

The question is, now that most of the world has emerged out of the other side, have the appropriate lessons been learnt and will we able to stop something similar happening again?

Brickendon's wise men were asked where they thought the next risk of a bubble lies. Here are their responses:

"The slump in the oil price will lead to a financial crisis. So not a bubble, more a contagion."
Alan Vear

"The next bubble will most likely result from plummeting oil prices. These will in turn lead to a bubble bursting in the Middle Eastern economies, which will heavily impact the financial world that is dependent on the region."
Bala Ethirajalu

"The continuing increase in house prices will lead to the introduction of crippling multi-generational debt as already seen in parts of Asia, and the increasing scarcity of rare metals used in modern technology will drive up prices beyond the reach of the general population, making landfill sites the new gold mines."
Dean Gammage

"Analysts are worried that Government debt will become unsupportable, leading to higher interest rates as Government credit ratings decline. This could impact the consumer credit markets and lead to a further housing crisis, particularly in the UK which escaped relatively unscathed compared to the USA."
Nathan Snyder

"Everything has slowed down so much as a result of all the regulation and capital requirements that I can't see a bubble being blown. However, if I had to choose one area, then my view is that it will probably be when interest rates start to rise and people begin to find it hard to pay their mortgages. This could in turn lead to a crash in house prices unless it is handled very carefully."
Lalin Liyanage

"I envisage a US dollar currency appreciation bubble due to increased interest rates in the US, a slowdown in China (renminbi depreciation), depreciation in the Euro and the Russian rouble falling below its current levels. Together these events would lead to a US dollar recession."
Chris Burke

"In my view FinTech is the area to watch, and particularly P2P, especially in developing countries. These firms are lean, innovative and not bogged down with trends from the past. They spot efficiency weaknesses and exploit them. They may begin partnering with the big banks, but will quickly outgrow them and evolve into their own entities that redefine how things are done. Institutionalism is a false shelter from the innovation that is coming. Those who don't embrace the changes will get left behind."
James Aitken

WHY CHANGE FAILS:
PART 3 OF 3 – TECHNOLOGY

In this final part of the article series, we look at technology-related factors that contribute to the failure of change initiatives. We will specifically focus on the less obvious perspectives, from hidden complication, through to loss of control and how consumers generally determine how, or indeed whether, to embrace technology-led change.

Firstly let's consider technical debt. The term technical debt is of course familiar to many, and has been an all-too-common part of technical vocabulary since coined by Ward Cunningham, creator of the first wiki, back in 1992. In essence, it's the additional cost that will be incurred in the future as a result of 'quick and dirty' changes made now. For example, each new addition at this stage, such as the installation of a third-party application on the PC or allowing users to develop their own software, will typically make future change more difficult.

Additionally, the older the technical debt, the more expensive it can often be, as it becomes increasingly difficult for new staff to unpick. So, although technical debt doesn't directly prevent change, it can significantly increase change drag. Sometimes, that ever-increasing change drag becomes accepted as the cost of delivery, but sometimes it can reach the tipping point that pushes time and cost to the point that they become unacceptable to the stakeholders.

Secondly, let's consider shadow IT. Often also referred to as stealth IT, personal IT or just the consumerisation of IT, this is the increasingly used term that describes technology solutions that are used within organisations without explicit technology organisational approval, or often even awareness. While it's an interesting topic in its own right, it also can be seen to be a factor in change failure for a number of reasons:

- Budgetary diversion: Estimates of shadow IT costs within many enterprise organisations vary depending on the source, but figures of 20 per cent of the total IT spend are not uncommon. Gartner figures even indicated that this number may rise to as much as 35 per cent. Although often spent with the best of intentions for each instance, it also represents a significant amount of funding that is then not available for enterprise technology delivery or subject to any enterprise licensing efficiencies.

- Requirements starvation: In many cases, the requirements being met by Shadow IT are not on the book of work for the enterprise technology teams, typically because the view is that it would take them too long to deliver it and that what is already in place will suffice. As users and teams strive to protect existing shadow IT functionality – be that a macro, a report, a cloud solution, MI, or something more involved – invisible change anchors can resist enterprise change that would degrade or attempt to replace shadow functionality.

- Value Perception: Although success and failure should not be subjective measures, but rather metrics-driven absolutes, the pace of change and flux within many organisations mean that this is often the case. Because the users see and experience the value from Shadow IT, the enterprise IT deliverables can often receive a rather less enthusiastic response. So while this may not necessarily result in failure, it can certainly limit the amount of perceived success.

"Again, the superior technology is relegated to the history books as a failure."

Now let's look at timing. History is littered with stories of technology failure because it's either ahead of its time or may have just missed the moment in time where it could have been successful. So what contributes to this? Well, to get some insights into this we need to look at a few examples:

- Dvorak keyboard. The accepted story is that the qwerty keyboard was specifically designed to slow down typing, so that high-speed typing on mechanical typewriters didn't cause jams. The Dvorak keyboard, in contrast, was proposed by Dr August Dvorak in 1936 to minimise finger motion and reduce errors. Studies show that the Dvorak keyboard is faster, typically a 5-10 per cent improvement over qwerty. So although the Dvorak keyboard arguably is better suited to current technology, qwerty is just too established and the improvements are generally not considered worth the transitionary efforts. So qwerty is considered good enough and dvorak keyboards have passed into obscurity.

- A similar story can be seen when looking back at the birth of home recording and the battle of Betamax and VHS formats from Sony and JVC respectively. Although Betamax was generally considered to have the superior picture quality, early VHS tapes lasted for 2 hours (rather than one for Betamax) allowing for a whole film on one tape. Additionally, Sony focused its marketing on high-end consumers, whilst JVC targeted the larger rental market. In this case, the picture quality of VHS was good enough and it provided additional features to a broad audience. Again, the superior technology is relegated to the history books as a failure.

- Coming more into recent years we can look at Google Glass. Again the perceived failure has nothing to do with the quality and innovation of the technology itself, but rather that consumers didn't really see what problem it was solving and why they should change from what they already knew and were familiar with.

The reasons for looking over such a wide time period and set of lenses is an important one: the facets of human nature, psychology of mass adoption and the perception of success are things that we see in many areas and also consistently over time.

So what is this telling us about human nature and how it applies to both the adoption of technology, and our success with technology change?

In the enterprise IT drive for future-proofing, is there a danger of building a technically superior product that just misses out on success due to over-engineering and subsequent increases in cost and delivery time? Technologists get excited about technology, while consumers, users and stakeholders get excited about what it means to them, their daily lives and businesses.

"perceived failure has nothing to do with the quality and innovation"

As with all change, the first question to consider is whether the change is actually necessary. Is the current solution not good enough? Does the new solution offer significant improvements or additional functionality of value to consumers? Is the transitional effort between old and new worth the benefits? Unless a resounding "Yes!" is received from consumers in response to these questions, then we really shouldn't be too surprised if the technology change is perceived as a failure.

A marvel of innovation it may be, but a failure nonetheless.

CONSUMER-FOCUSED DATA SERVICES

The rise in the availability, and ease of collection, of data has led to the era of Big Data. Large data sets are collected from multiple unreconciled sources and stored awaiting the analysis of data scientists and other professionals. Logical data models are scorned in favour of unstructured data sets that can be combined in multiple ways, limited only by the ingenuity of the analyst.

"questions remain over who manages the original data sets"

Whilst Big Data has been a boon to many, the question of how to handle increasingly large amounts of data continues to be a source of innovation and debate amongst, and within, many large organisations. This is particularly noticeable in the financial industry where regulations are tight and the mastering, stewardship and ownership of data needs to be governed transparently. Still, whilst data sets can be combined into Big Data systems and put to innovative use for competitive advantage, questions remain over who manages the original data sets and how those data sets are merged.

The search for an answer to these questions led several years ago to the rise of the Chief Data Officer (CDO). CDOs were typically given responsibility for the governance and management of data sets and asked to coordinate the large number of staff and systems used to master the data. This focus on regulation and efficiency has yielded significant benefits to the bottom line, but has also had some interesting side effects that now require a different approach. It is now time to expand the remit of the CDO.

One of the key outcomes of the traditional CDO remit has been a focus on the upstream process of data management. Whilst this is absolutely necessary, it has in some cases led to deprioritisation of the use of data downstream in the organisation. In order to recapture this focus, we need to revisit the business case for data management:

Revenue: Drive bottom-line growth by realising first-to-market opportunities and facilitating cross-selling between business lines.

Cost: Reduce costs through commoditisation of complex, structured products and correct classification of instruments to optimise capital allocation.

Regulatory: Comply with regulatory and lineage requirements, ensure prompt and accurate responses to regulatory requests.

STP: Reduce data manipulation and manual fixes front-to-back.

Risk: Increased business intelligence through consistent data to understand systemic risks and opportunities.

In order to achieve these aims, data services need to be focused on data consumption, use, manipulation and propagation throughout an organisation. This involves expanding the reach of CDOs in order to achieve a Consumer-

Focused Data Service. Specifically, there are four key areas of remit that require expansion:

1 DATA GOVERNANCE

Owners, stewards and consumers should jointly manage the Enterprise Data Governance Framework to ensure data is fit for purpose. Most organisations only give consumers a minor role (if any) in data governance. However, active consumer participation is required to both understand the relative importance of the data being managed and to ensure engagement in these areas.

2 STANDARD DATA

Data sets are, in reality, managed based on ownership and distributed in combination based on consumer requirements. The traditional view of data is that it is distributed in the same way that it is mastered. Hence instrument/product data is separated from market data. This puts the onus on the consumer to map between data sets and combine them to meet their business needs. A consumer-focused data service would look for frequently occurring consumer use cases that can be satisfied by combining data sets upstream and distributing the data to the consumer in the format it will be used.

3 DATA INTERFACES

Interfaces are standardised according to technology and data architecture principles. Data model characteristics with bank-wide benefits are identified and retained front-to-back in the firm. Within each data set, there will be a limited number of data elements that it is advantageous to retain. Typical banking examples are instrument identifiers or relationships between parties and accounts. If a bank uses the same instrument identifiers in every system and these are preserved in the message flows, the allocation of collateral in the finance function will be much more efficient as well as reducing the need for manual manipulation of incoming data. In order to achieve this and other benefits, the remit of the CDO needs to be expanded to encompass every data interface in the organisation.

4 DATA AGGREGATION

Data aggregation services are governed centrally to remove duplication and misinterpretation of data. The fourth and final characteristic of the consumer-focused model pulls Big Data and other data aggregation systems into a cohesive centre across an organisation. Big Data is often a victim of its own success and becomes a "solution looking for a problem". By combining data aggregation tools, defining the strategic sources of data and ensuring correct use, the CDO can ensure that the management information is of the highest quality and is generated in the most efficient way.

The consumer-focused data service represents a significant departure from traditional data management thinking. It is the next evolution in the role of the Chief Data Officer and connects the stewards of data with the bottom line growth of the organisation.

Definitions*

Big Data – systems or approaches for combining disparate data sets and using them for innovative analysis. Traditional data capture involved determining the use cases up front and then creating an entity model to store the data. Big Data allows you to capture data with minimal entity model design and then apply multiple use cases as the business need occurs. Big Data is not the same as simply having a lot of data.

Chief Data Officer (CDO) – executive traditionally responsible for leading the governance and management of data sources.

Data Owner – the person or group who can authorise or deny access to certain data and is responsible for approving the processes by which the data is maintained.

Data Steward – the person or group responsible for creating and maintaining the data as authorised by the Data Owner.

Data Mastering – the processes or systems used to manage the data stewards' workflows and store the data

SM&CR IS FAST APPROACHING. WHAT DOES IT MEAN FOR YOU?

If, amidst the avalanche of regulatory changes coming down the pipeline, the UK's Senior Managers & Certification Regime regulations have not yet hit your radar, you are probably not alone. As is usual with these regulatory changes, consultation on the final rules is still ongoing and the impact on companies, both in time and cost, is still unknown.

Still, the fact that discussions are ongoing should not be interpreted as an excuse to do nothing. While it is typical of regulatory changes that final rules and interpretations remain unclear even after the legislated effective date, the effective date itself is typically fixed by legislation.

"the impact on companies, both in time and cost, is still unknown"

Since the Financial Conduct Authority (FCA) published the final SM&CR rules in July 2014, changes in the form of clarifications continue to be released. Some of these changes are significant, such as the announcement by HM Treasury in October 2015 to extend the applicability of the SM&CR regulations to all financial services firms and not just the banks.

The SM&CR will replace the Approved Person Regime (APR), which was introduced via the Financial Services (Banking Reform) Act 2013 as a series of amendments to the Financial Services & Markets Act 2000 (FSMA). The intent of the APR was to introduce the recommendations of the Parliamentary Commission on Banking Standards (PCBS), but its effectiveness has since been universally criticized, including by the PCBS.

As it stands, the SM&CR comes into effect on 07 March 2016 with three key components:

1. The Senior Managers Regime (SMR) will replace the APR and apply to individuals in roles known as Senior Manager Functions (SMFs). Most existing Approved Persons will need to be transitioned into a new SMR role, while any new hires into SMFs or material changes to an existing SMF will require new regulatory approval. Thereafter, these SMF roles will require annual recertification as to the incumbent's continuing probity.

2. The Certification Regime is similar to the annual recertification of SMFs, except that it applies to a broader base of individuals who, although not deemed SMFs, nonetheless perform a function the regulator deems capable of causing harm to the firm or its customers. These roles are referred to as Serious Harm Functions (SHFs) and the individuals are referred to as Certified Persons. The key difference between SMFs and SHFs is that appointments of individuals to SHFs do not require approval by the regulator as SMF appointments do.

3. The Conduct Rules define behavioural standards to which individuals in SMFs and SHFs will be subject and will need to formally acknowledge. These rules replace the Statement of Principles under the current APR.

The effect of this is that individuals in SMFs will require prior approval by the regulator, while individuals in SHFs will require formal approval by the firm. The Conduct Rules will apply to both, as will the requirement to recertify these individuals at least annually. The intent is to broaden the base of individuals to whom the Conduct Rules apply, while reducing the number of individuals requiring approval by the regulator.

To allow a manageable transition to the SM&CR, banks will be required to comply with the regulations for new or materially changed SMF roles from 7 March 2016, and within 12 months from then for all existing SMF and SHF roles. Meanwhile, firms are required to provide names of individuals to be transitioned from the APR to the new SMR by February 2016.

"the cost and effort of this new process should not be underestimated"

The FCA estimates that Senior Managers occupying SMFs will make up around 10 per cent of the total number of approved individuals under the SM&CR, with the remaining 90 per cent being classified as individuals in SHFs. This shift in volume from the regulator to firms will impose costs in three broad forms to be met by firms:

1. Documentation required for Senior Managers in SMFs is significantly more detailed and onerous than for the APR equivalent. It includes a new "Statement of Responsibility" form, which has been the subject of recent criticism.

2. Some roles currently covered by the APR will not be covered by the SMR, but will be covered by the Certification Regime for SHFs, which firms will need to manage. Those roles, plus others defined by the regulator as SHFs, will increase the volume of roles for which firms are responsible, which will require ongoing monitoring and recertification.

3. The cost of training, systems and processes to record acknowledgements by individuals, as well as the recertification of both SMFs and SHFs, will all be additional costs to firms.

The one key difference between the APR and the SM&CR that has been welcomed by banks during the consultation process is the removal of the "reverse burden of proof" that applies under the APR. This imposes an obligation on the individual to prove they took appropriate precautions to prevent a breach or allow a breach to continue. By contrast, the SM&CR places this burden on the regulator, who will be required to show that the individual failed to take appropriate action.

The cost and effort of this new process – and its likely impact on what will probably become an important HR function – should not be underestimated.

HOW TO AVOID RAID SPAGHETTI

Do you know the difference between a risk and an issue? Are you sure? Managing them is a basic function of any project manager, but many misunderstand the difference. As a result, after a few months of diligently recording risks and issues in a RAID log, we end up with a confusing list of interrelated – and often duplicated – problems.

Here's how such risks typically come up →

The consequence of not understanding the difference between them is that Issue Logs tend to become a type of 'active work list', while Risk Logs contain a mix of risks, issues, and actions with no distinction between them. The problems arise when it comes to managing them, as you'll be trying to apply risk management techniques to items that are not actually risks.

Consequently, a 'Risk that the BRD is not approved in time' is dutifully added to the Risk Log, the PM also tries to reach out to move things along, and the Sponsor gets a few days' notice that there is a problem that needs their intervention. We can only hope they're not on leave or at an offsite!

Throughout this article, we will use the following definitions of risks and issues:

- Risk *is an event that may occur which may have an impact on the project.*
- An issue *is something that has happened or definitely will happen and has to be dealt with*

BA

The BRD has been out for a week now and I've not heard back from the reviewers yet.

PM

We only allowed a 2-week turnaround for this – better chase them up.

BA

I've already reached out but only a couple have got back to me so far.

PM

Hmmm. There's a risk this might not get finalised in time and hold up the Design phase.

BA

Agreed – it should probably go on the Risk Log and be escalated to the Sponsor.

Given these definitions, the main problem with the example risk, is that it is only one instance of a more generic set of potential events. The real risk has a broader scope than the review of a single document and would be better recorded as '*risk that key artefacts are not approved in good time*'. If left unchecked, the Risk Log will list multiple such items for other similar documents – Project Charter, Design Spec, Functional Spec, Tech Spec, et al – none of which are relevant for the duration of the whole project. If you replicate this approach to other types of risks, with each specific example being logged, the result is an unmanageable Risk Log.

In a perfect world, where every conceivable risk is identified up front, all issues that arise during the project could be directly linked to the realisation of a risk event. In reality, we don't record every conceivable risk; if we did, we would have a massive list of risks – the vast majority of which would have low probabilities and impacts. We therefore accept that some issues will arise from risks that we didn't log up-front, either because of their low probability and impact or simply because we didn't think of it at the time. If too many issues arise from a subsequently identified risk, it can be added to the Risk Log to help manage future potential occurrences or to avoid such recurrence completely.

The landscape is slightly more complicated than this when we factor in assumptions and dependencies, but for the purposes of this discussion we can consider their causality relationship with issues to be consistent with that of risks. This is viable since assumptions and dependencies could be stated as risks if we chose to manage them as such. For example, an assumption might be that 'stakeholders will review key documents in a timely manner', which could be stated in risk terms as 'the risk that stakeholders do not review key documents in a timely manner'. Either way, the causality of issues arising is the same.

Now that we have a common basis for understanding the causal relationship between risks and issues, let's look at how risks are managed. All project managers should be familiar with the quantification of risks by the dimensions of probability and impact, the product of which gives the 'risk score'. However, even these simple concepts are sometimes misused – particularly in the context of their mitigation.

A risk response is defined for each risk that describes what action the project will take to reduce its probability of occurrence and/or its degree of impact should it materialise. Each such approach is categorised as one of accept, avoid, mitigate or transfer. A full risk response plan will also include actions the Project Manager can take immediately in the event a risk is realised. This is particularly important if that action has a budget, schedule or scope impact.

Risk Response:

1. Accept – do nothing
2 Avoid – remove possibility of risk occurring through changes to project scope, cost or plan
3 Mitigate – reduce probability or impact as much as is considered reasonable
4 Transfer – engage an external individual or group to take on the responsibility for managing the risk's probability and/or impact

One way in which risk quantification can be misused, is where a distinction is not made between pre or post response. In practice, there should actually be two assessments of probability and impact – one with and one without the risk response. It is also typical to consider and present multiple response options for each risk. By doing so in a consistent way, the Steering Committee can adopt strategies that keep the project within its risk appetite, either by reducing the probability of the risk occurring, or accepting that the risk is likely to occur and as far as possible mitigating the impact.

To see how this would work, let's apply these principles to create a mitigation plan for the earlier example: the 'risk that key artefacts are not approved in good time'. There are a few ways in which this type of risk could be mitigated:

- Document review periods will be specified in the Project Charter and agreed by all approvers
- Document approvers will nominate a delegate authorised to approve documents in their absence
- Document approvers and their delegates will receive documents requiring approval at the same time
- Documents will be structured by stakeholder groups to focus the review efficiently
- Changed documents will contain a change summary to allow approvers to quickly see version differences
- The project team will host document walk-throughs per stakeholder group for each major version release
- Minor document version releases will not require re-approval, but approvers may revoke their approval within one week of release if the changes are not agreed

Despite these efforts, some approvers may still not be as timely as required, but the measures should minimise the number who need to be chased. A practice to counter this type of issue, which has unfortunately become fairly common, is to add a principle such as 'lack of objection within the agreed review period will be taken as approval'. While this 'presumption of approval' may avoid delays in the short term, it can lead to significant problems later – such as during UAT when the non-responsive approver suddenly realises what's about to be implemented. As we know, the cost of reversal late in a project can be severe.

What difference would adopting this approach make in the BRD example? The PM/BA conversation might instead go something like this:

BA

The BRD has been out for a week now. Three approvers didn't attend their walk-throughs and I've not heard back from them yet.

PM

Let's chase them up and notify their delegates that they may need to approve this.

BA

I've already reached out but one of them is on leave until the end of the month.

PM

Hmmm. The document approval risk has been realised here. I'll raise an issue and ask the Sponsor to chase them up. If we don't receive their approval in time, I'll ask the Sponsor whether we can proceed without it.

One of the main differences between this conversation and the previous one is that the PM and BA have an immediate action plan that has already been agreed to by the tardy approver and the Steering Committee. Not only does this save time, it also gives the Sponsor options, including: give the tardy approver a gentle nudge, or allow the project to progress without their approval, or have someone else provide approval, or extend the approval window.

Whatever the outcome, the project team has covered their tracks, followed the agreed plan, maximised the number of approvals received, and – most importantly – not surprised anyone. If the outcome is anything other than receiving approval by the deadline, the PM should also record the outcome for posterity (and to counter corporate amnesia) in the Decision Register.

Because the risk is recorded up-front in the Risk Log with the approved risk response, the result from a traceability point of view would be:

1 Creation of an issue when it became apparent the risk was about to be realised,

2 A cross-reference from the risk to the issue and backwards from the issue to the risk,

3 Closure of the issue when resolved either way, including a summary of the outcome, and

4 Recording any significant decisions made in the Decision Register, also referencing the issue.

Finally, here are some handy guidelines to bear in mind to help treat risks and issues consistently:

1 Risks are potential events that may or may not occur during the lifecycle of the project.

2 Issues arise as risks are realised (whether recorded in the Risk Log or not), dealt with and resolved.

3 Keep risks generic – the same risk may create multiple issues. If you can't do this, it's more likely a dependency or assumption.

4 Avoid categorising risks as being resolved. By definition, issues are resolved; risks are not.

5 Log refers to managed lists (e.g. Risk Log, Issues Log), while register refers to static lists recording outcomes (e.g. Scope Change Register, Decisions Register).

6 Consider carefully whether to record a log item as a risk, assumption, or dependency; their relationships to the Issues Log are similar, but they are managed differently.

7 Categorise your risks to allow volume, and criticality MI, to be generated over time to provide insight into weak areas that are causing issues on the project. Category examples include Resources, Technology, Process, Governance, Scope, and so on.

8 Don't give your Sponsor last minute notice so that it's too late for them to do anything! Managing risks effectively gives you a pre-agreed set of actions you can take; not doing so means you're managing each risk event in an ad-hoc manner.

ENGLAND'S GREEN AND PLEASANT BONDS

If there is one topic that keeps cropping up no matter which circles you are in, it's the environment. As individuals we are encouraged to 'think green' in our daily lives and recycle, car share or reduce our energy consumption. It's on the politicians' agenda as demonstrated by December's Climate Change Summit, and together, this overall increase in environmental awareness is fuelling demand for green or ethical investments.

In fact, in January this year the City of London, the municipal authority which runs the capital's financial district, launched a Green Finance Initiative (GFI), with the aim of making the capital a focus for such investments in the same way it has become a centre for Islamic finance and Renminbi trading. Sir Roger Gifford, chairman of the GFI said the group will focus on how to mobilise the capital required to implement both the UN's sustainable development goals and the Paris climate change agreement.

According to the Climate Bonds Initiative, a record $41.8 billion worth of so-called green bonds were issued across the world last year, an increase of 14 per cent on 2014 and a massive jump compared to the 2012 figure of just $2.6 billion.

So what is a green bond?

Green bonds were initially pioneered by the World Bank and refer to debt issued with the aim of funding environmentally-friendly initiatives. These include a wide variety of projects from clean energy or low-carbon infrastructure projects like water treatment and wind and solar farms, through to the development of under-utilised brownfield sites, which are under developed and often contain low levels of industrial pollution.

To put it simply, green bonds are short-hand for green building and sustainable design projects. Their aim is to encourage sustainability and their tax-exempt status makes them more attractive than a traditional bond.

Principles of Green Bonds:

- Use of Proceeds: Green project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified by the issuer
- Process for Project Evaluation and Selection: The issuer should outline the decision-making process it follows to determine the eligibility of projects using green bond proceeds
- Management of Proceeds: Bond proceeds should be appropriately tracked by the issuer using a formal process
- Reporting: Issuers should provide, at least annually, a list of projects that bond proceeds have been allocated towards, including a description of the projects, the amounts disbursed and the expected environmentally sustainable impact (as confidentiality and/or competitive considerations allow)

To qualify for green bond status, the development must take the form of any of the following:

1. At least three quarters of the building needs to be registered for LEED (leadership in energy and environmental design) certification
2. The development project must be receiving at least $5 million from the municipality or State
3. The building must be at least one million square feet, or 20 acres in size

Green bonds are no longer the niche product they once were, with many large banks, including Indian bank IDBI, Dutch bank ING, Societe Generale and HSBC, now offering them to investors. As their popularity increases, regulation may become an issue.

"green bonds are becoming increasingly respected investments"

In January 2014, a group of banks launched the Green Bond Principles aimed at standardising practices for issuers and investors and improving transparency. The principles specify sectors in which green bond proceeds can be invested, including in renewable energy, energy efficiency, sustainable waste management, sustainable land use, biodiversity conservation, clean transportation, and clean water.

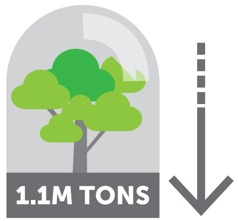
The voluntary principles, developed with the support of the investor group Ceres and in consultation with investors and issuers such as the World Bank and IFC, already have the support of 55 of the largest investors, bond issuers and intermediaries, including Bank of America Merrill Lynch, Citibank, Credit Agricole, JP Morgan Chase, Goldman Sachs, HSBC and SEB. The aim is to provide issuers with guidance on the key components involved in launching a credible green bond, to aid investors by ensuring availability of information necessary to evaluate the environmental impact of their green bond investments, and to assist underwriters by moving the market towards standard disclosures which will facilitate transactions. The International Capital Markets Association (ICMA) serves as the secretariat for the Green Bond Principles.

Going forward it remains to be seen how the market develops, with new entrants into the sector such as India and China pledging large amounts of investment. According to one commentator, by issuing green bonds you are explicitly telling everyone you want to channel your capital allocation towards low carbon or green activities, both of which are becoming increasingly respected investments in the financial community. For some, it is a chance to show they care about our planet's future and thus play a greater part in providing finance, and receiving finance, for future projects.

Examples of green bond-supported projects:

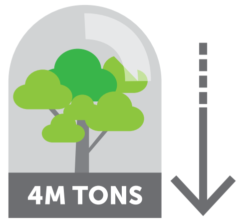
Indonesia

A geothermal project supported by World Bank green bonds is designed to increase access to affordable, clean energy and also reduce 1.1 million tons of greenhouse gases every year.



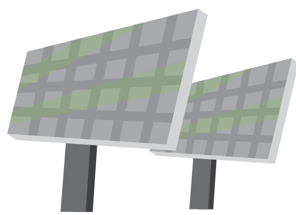
China

Monies raised from green bonds is helping to reduce costs through improved energy efficiency in factories and is expected to cut greenhouse gas emissions by 4 million tons a year.



Mexico

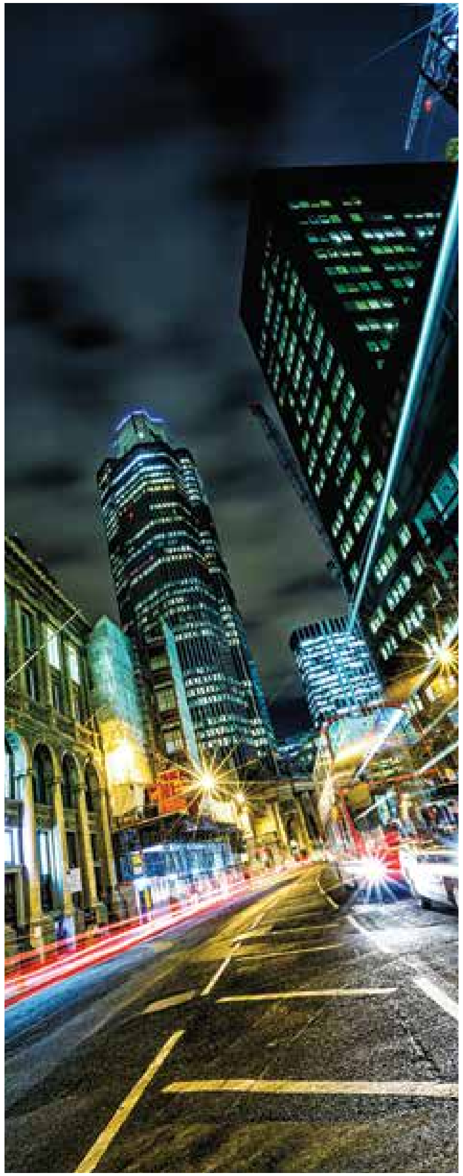
International Finance Corporation (IFC) green bonds are supporting a new large-scale solar power facility in Mexico that doesn't require subsidies and will meet the energy needs of 164,000 people while creating jobs and reducing dependency on polluting diesel generators.



India

IFC green bonds are helping a company recycle e-waste from computers, discarded mobile phones and other electronics that can be harmful to the environment and to peoples' health.

IS IT THE END OF BANKER BASHING?



For some it has been an enjoyable pastime, criticizing bankers for a lot more than they are actually in a position to take credit for. After all, someone has to take the blame for the fallout of events in the financial sector. Is it really however, Britain's bankers that should foot the bill, and if they do, are the consequences more than the UK's financial centre can take?

Some, including so it seems our current Chancellor George Osborne, may just think so.

Following in the footsteps of comments made by Osborne in his Mansion House speech in July last year, the UK's financial watchdog late last year decided to ditch its review of Britain's banking culture. The review had been intended to determine whether programmes to shift culture in retail and wholesale banks were driving the right behaviours. It focussed on a range of issues such as bankers' pay, appraisal and promotion of middle management, and how concerns were dealt with.

"someone has to take the blame"

Despite much praise and support for the initiative when it was first announced, the Financial Conduct Authority (FCA) said in December it was abandoning its assessment of culture at retail and wholesale banking operations in the UK, citing the uniqueness of each company and the difficulty in making adequate comparisons.

Banking culture has long been the source of much criticism. Whether it's the foreign exchange and Libor rate-rigging scandals, the mis-selling of insurance products to consumers or the inflated staff bonuses, there is much for uninitiated onlookers to get their teeth into. Any whiff of a financial crisis and the "rotten banking culture" is an easy scapegoat.

One of the big issues has always been the high levels of remuneration received by many of the banks' senior staff and the message that this portrays to other members of the same workforce and in particular, the customers.

Even its own industry body, the British Bankers Association, recently warned that banks in the UK should face internal consequences for failing to tackle the lack of diversity in the workplace to help end the sector's 'pinstripes and braces' reputation.

"banks should help end the sector's 'pinstripes and braces' reputation"

However, announcing his plans to ease the pressure on the banking sector, Osborne said: "Our financial services industry in Britain has, in recent years, been seen as part of the problem – now it must become part of the solution."

He went onto say: "I want Britain to be the best place for European and global bank HQs. It's in our national interest to be so."

These comments come as speculation continues over the best place for large global banks to have their headquarters. It is probably no coincidence, that HSBC has said it is considering moving its headquarters out of London, and that Credit Suisse and Deutsche Bank have both announced plans to lay off large numbers of London-based staff. Other financial centres have made no secret of the fact they would like this business, and if their environment is friendlier towards the banking sector, then it is not difficult to predict the outcome.

As one commentator said, HSBC can justifiably blame an anti-big business, specifically anti-bank, mood amongst politicians, media and public as another factor in wanting to leave.

However, not everyone is happy with the decision. On hearing the review had been scrapped, Labour Shadow Chancellor John McDonnell told the press: "This will be a huge blow to customers and taxpayers who are all still paying the price for the failed culture in the banking sector that's been widely attributed to be among the main causes of the crash and the scandals over Libor and price-fixing."

He isn't alone. Speaking to the Financial Times late last year, several MPs expressed concerns that the review had been stopped, saying it was important that consumers could feel confident in the people running their banks.

Bankers' bonuses have always been a particular bone of contention with the general public, with most believing the large amounts paid are far removed from the realities of most people's lives. Earlier this year however, several banks said that plummeting trading revenues are affecting the bonus pools, with one report in the Financial Times even suggesting that Credit Suisse's investment bank bonus pool was down 30 per cent. John Cryan, Deutsche Bank's new chief, has even come out and said he doesn't understand why bonuses motivate staff and warning that its third quarter $6.2 billion loss would be factored into payouts.

The FCA has said that the culture in financial services firms remains a priority, but that it believes the best way to achieve success in this area is to engage individually with firms.

Since the election, the UK government has sought to move away from its post-financial crisis emphasis on tighter regulation, towards a more emollient stance on the city. The appointment of a new head of the FCA to replace Martin Wheatley, who had a reputation for being particularly hard on bankers, reiterates this stance.

"Bankers' bonuses have always been a particular bone of contention"

However, given the global nature of banking operations and in particular the tight regulations under which they operate, it is difficult to see what impact these changes are going to have.

Noone in Britain has yet been tried for their role in the financial crisis of 2007-08, but does that give the authorities the right to give up on the wrongdoers?

The question is, has the culture actually changed and are the rights of the consumer being adequately respected?

In short, there is no doubt that HSBC's announcement that it is placing its tax domicile under review caused a shockwave through government, reminding it that the banks provide 7.4 per cent of British GDP.

"They realise the regulatory pendulum has swung too far," Simon Culhane, chief executive of the Chartered Institute of Securities and Investment, told the Scotsman. "They are empathising a bit more with the banks, deciding it is not a bad idea to be more sensible and low-key."

Still, whatever the catalyst for the change in stance, one thing is certain. While ministers may have softened their views, the banks have not physically changed. It therefore remains to be seen how the financial sector will react to the loosening of their chains.

MILLENNIALS VS GEN X: WORK-LIFE BALANCE OR BLEND?

If you think you're happy with the way things are at work, be warned, it may not stay like that for long. More and more of the millennial generation – those born between 1980 and the early 2000s – are progressing up the workplace hierarchy and are expected to account for half of the global workforce by 2020.

While an injection of young, fresh energy into the workplace should be a good thing, the outlook and desires of many of this generation are very different from those of their predecessors. Current business leaders are going to have to work harder to ensure these individuals remain challenged and interested in their jobs. Moreover, once the millennials themselves reach managerial positions, you can expect some serious changes in the way businesses operate, with their attitudes and expectations taking a bit of getting used to.

"Younger candidates are more confident in their own abilities and much more aware of what options are available to them," says Lee Pittaway, director and head of recruitment at Brickendon. "In many situations it is the employer having to adjust rather than the candidate."

According to Chip Espinoza, a public speaker and co-author of Managing the Millennials, tension is currently growing between GenerationX, those with birth dates ranging from the early 1960s to the 1980s, and the Millennials. He believes it is partly due to the fact that the first wave of Millennials are in the process of being promoted into management and in many cases will have the same title and pay as their peers, but with 10-15 years less experience.

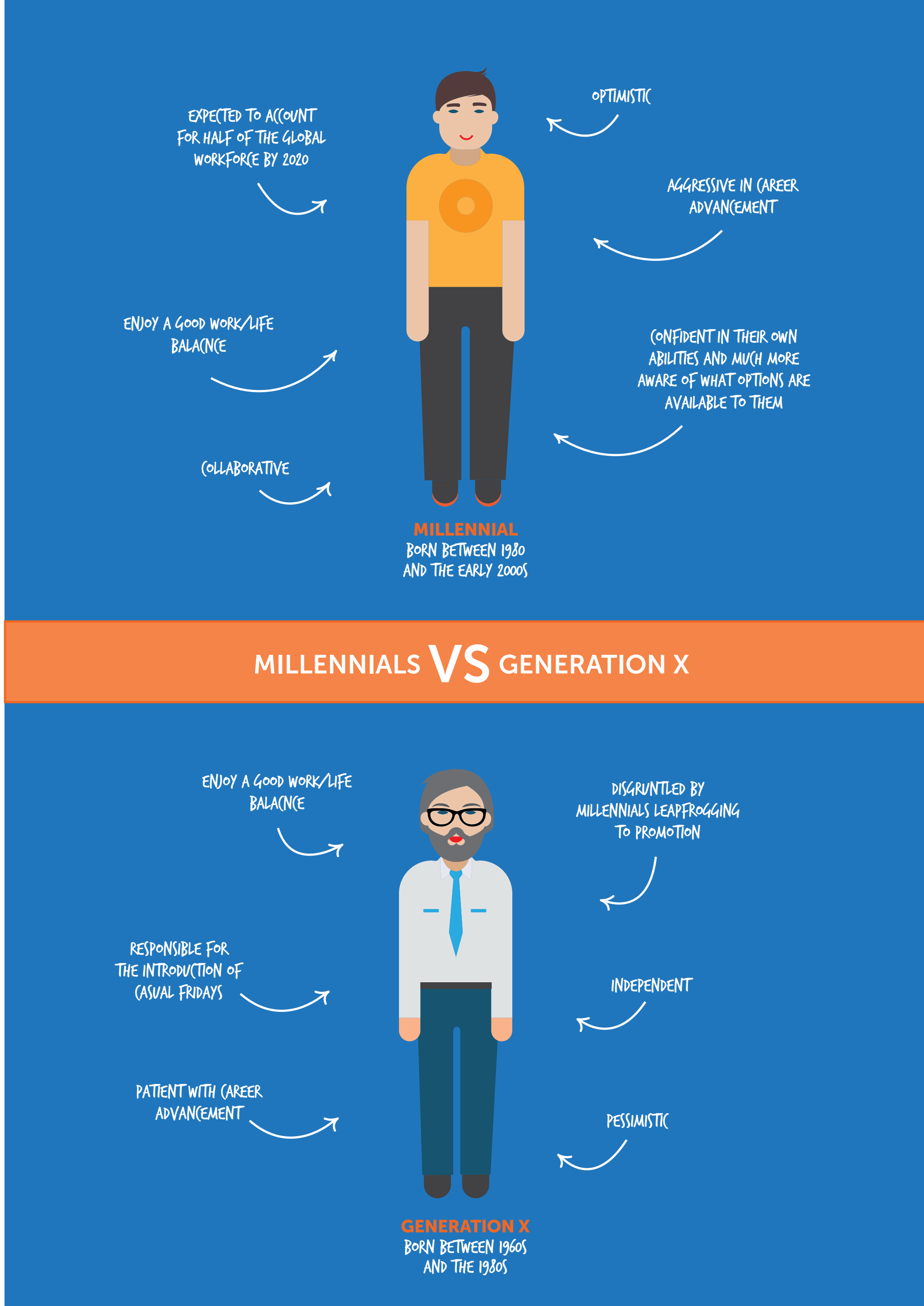
Where GenerationX waited patiently for the Baby Boomers (people born between 1946 and 1964) to get out of the way, Millennials are not so polite and are trying to leapfrog them. In group norm theory, the dominant group gets to set the agenda, and there are now more Millennials at work than any other generation, Espinoza told Brickendon.

"you can expect some serious changes in the way businesses operate"

The two generations do have their similarities though, with both wanting to have a life outside of their career and neither finding their identity in titles or how hard they work. They also both appreciate a casual work environment, with GenerationX being responsible for the introduction of casual Fridays.

However, Espinoza believes there are also some significant differences. GenerationX is a highly independent generation, who prefer figuring things out and tackling problems on their own. The 'sink or swim' type of training works well with GenerationX who are very comfortable with ambiguity. They are also pessimistic by nature and are the first generation that doesn't think they will have a better lifestyle than that of their parents.

By contrast, ambiguity is kryptonite to Millennials, who require lots of detail and clearly articulated expectations. The 'sink or swim' style of training most definitely doesn't work with them, says Espinoza. Millennials tend to prefer to work in teams and are highly collaborative.



They are highly optimistic and believe they will have a better lifestyle than that of their parents.

"Where GenX desired work-life balance, Millennials are pushing for work-life blending," Espinoza told Brickendon. "They don't mind accessing work during their personal time but they want to access their personal lives at work.

"GenX had to be very patient with respect to career development (opportunity, upward mobility and promotions), but Millennials are incredibly impatient and expect opportunity and upward mobility to come early and often.

"Millennials are way more aggressive with respect to career advancement."

"There will be a sibling rivalry of sorts"

Most importantly, Millennials value a balanced life and want flexibility, they want to be employable and they desire stability. They want a people-focussed workplace, with no more annual reviews and an end to nine-to-five working. Productivity will no longer be measured by hours at your desk, rather by frequent informal feedback sessions.

Still, despite the differences, Espinoza is confident the two generations are compatible provided the tensions are addressed.

"There will be a sibling rivalry of sorts," he says, adding that due to the cohort size, Millennials will continue to get more attention. Moreover, he warns GenerationX not to sit around and wait for the Millennials to adapt to their ways because they won't and they will be left frustrated and ineffective as leaders.

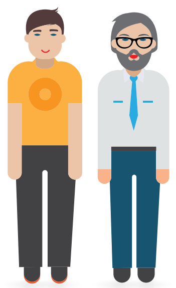
While GenX can, according to Espinoza, be credited with the move towards a better work-life balance - casual Fridays, telecommuting, virtual teams, teleconferencing and automation, their small numbers mean that more progress has not been made in the areas of gender equality pay.

By contrast, the Millennials will not be working in the shadow of a huge generation, and as such should, says Espinoza, be able to make changes to suit their needs.

For Deborah O'Sullivan, a director of Ten2Two, a recruitment agency that specialises in flexible working, adapting work to suit your life, is not something that is just confined to the younger generation. She believes more and more people are now seeking flexible or part-time work to fit in with their home lives or different interests.

"Initially it was just mums looking for flexible work to fit around their children," says O'Sullivan. "Now, and particularly since the recession, many more people are seeking flexible work for a wide variety of reasons."

If this is the case, then there is greater hope for the millennial generation to get what they want from the workplace, and in turn their lives. After all, if they are the ones running the shop, then they should be able to give themselves what they want.



A BIT OF COMPETITION IS HEALTHY....

There is very little in life that isn't a competition, and if you want to get the best results, encouraging a competitive edge is often the best way forward.

Up steps Kaggle, an online forum that runs grown-up competitions for data scientists. The aim is to solve problems ranging from how to automate the process of recognising endangered species, such as individual right whales, through to developing an algorithm to automate measurements that are key indicators of heart disease (the cause of more than 30 per cent of deaths around the world).

"a soundboard to collaborate and exchange ideas"

Founded in 2010, Kaggle boasts a community of several hundred thousand experts from more than 100 countries and 200 universities in such quantitative fields as computer science, econometrics, statistics, maths and physics, as well as in a variety of industries including insurance, finance, science and technology. Kaggle relies on the fact that there are countless strategies that can be applied to any predictive modelling task and it is impossible to know at the outset which technique or analyst will be most effective.

In addition to the competitions, these braniacs use Kaggle as a soundboard to collaborate and exchange ideas. There's no membership fee to join. The company makes its money (although not much at the moment – it recently laid off a third of its staff and closed its energy industry consulting business) by charging

the sponsor of each competition to post a data problem. It also offers competitions for academic institutions free of charge, which helps broaden its community of experts. The competitions are open to anyone who can offer a solution to the problem and reap either the company-sponsored financial reward or simply the bragging rights for having found the best solution.

In effect, it is a form of crowdfunding for problem-solving. Instead of capital, companies are looking for top experts to solve a problem. Kaggle not only provides the experts without the high costs of consulting fees, it also pitches experts against each other in a bid to come up with the best solution. The motivation isn't just about getting paid for providing a service, it is also about proving your expertise – there is a Kaggle ranking featuring a list of those who have come up with the top solutions.

According to some reports, companies such as American Express and the New York Times have begun listing a Kaggle ranking as an essential qualification, and last year even Walmart ran its own Kaggle competition in a bid to overcome the recruitment crisis it was facing in the area of data analytics.

Potential candidates were provided with a set of historical sales data from a sample of stores, along with associated sales events, such as clearance sales and price cuts. They were asked to come up with models showing how these events would affect sales across a number of departments. As a result, several people were hired into the analytics team.

One newspaper report cited a recruiter for Walmart's technology division praising the Kaggle competition for opening up the retailer's recruitment process to a much wider range of candidates. He said individuals who wouldn't necessarily have been considered for an interview based on their resumes alone have now joined the company and are offering a great insight with a different skillset.

"A form of crowdfunding for problem-solving"

Similarly, US insurance giant Allstate used Kaggle to invite programmers to develop a new car accident injury algorithm. The eventual winner was reportedly 271 per cent more accurate than the company's existing model.

Given the wealth of resource available to anyone willing to approach a problem solving exercise in this way and the vast amount of money many companies spend trying to recruit the right staff, it isn't surprising that more and more organisations are turning to this method. In the same way that startups use sites like Kickstarter, Crowdcube or Seedrs to target interested individuals for money to help run their business, companies and organisations can target interested individuals to take advantage of their minds and aptitude.

As one commentator stated, Kaggle provides a multitude of approaches that can be winnowed to the technique that ultimately proves 'best of breed' and most effective. And given the competitive world we live in today, who wouldn't want to be the best?

MONEY, MONEY, MONEY. GOING, GOING, GONE.

"Paper money eventually returns to its intrinsic value – zero."
(Voltaire, 1694-1778).

Never mind predicting this in the 1600s, it could be happening shortly in Denmark if the country succeeds in its plans to ban physical cash.

In May 2015 the Danish parliament proposed a law that would allow stores to refuse to accept cash payments in exchange for goods and services. While the plan has not yet passed into law, there is growing support from the economic community for ridding the world of paper cash.

In a discussion paper published in 2014, Harvard economist Ken Rogoff argued that eliminating cash would allow law enforcement to crack down on illicit activities, as the anonymous nature of paper money allows transactions to evade the attention of law enforcement.

Conversely, others argue that eliminating what has in most countries become a core symbol of the monetary regime could disrupt common social conventions. Add to that the obvious risk of electronic currency to cyber-attack and infrastructure failure, and concerns that the tracking and traceability aspect violates our basic civil liberties, and the vision of a world confined to plastic cards, cryptocurrencies and contactless payment systems seems harder to grasp.

Still, evolution and change is nothing new in the world of money. Today money is considered to be a clearly identifiable object of value that is generally accepted as payment for goods and services and repayment of debts within a market. Jump back 11,000 years, and money in the form we know it today didn't exist. Goods were exchanged through a barter economy - a cashless economic system involving the immediate exchange of goods and services. In those days, money was basically cattle and crops.

Unlike today's monetary transactions, activity relied on the double coincidence of wants. For example, a dairy farmer and a builder would only engage in exchange when the farmer required some building work and the builder required dairy produce. Even in the event that the farmer held a surplus of the item required by the builder, there would be no trade if the farmer had no need for any construction work.

The oldest archaeological proof of money seems to have occurred along coastal regions of the Indian Ocean and China around 2,000 BC. It took the form of cowrie seashells, which had all the characteristics desirable of money: durability, handiness, recognisability and divisibility. This made them convenient for trading, and by comparison to other means of exchange such as foodstuffs or exotic feathers, were unlikely to spoil with handling or fall prey to vermin. Their perfect and distinctive form also meant they were almost impossible to forge. The shells exhibit a natural hole through the middle, which meant they could be strung into larger combinations for trade, and easily transported and exchanged.

"physical exchange of this money and gold was not actually required"

The Chinese were at the forefront of monetary developments and from 1,000 BC started to mint metallic money in the miniaturised shape of artifacts, such as the cowrie shell, but also knives and spades. However, the earliest coins were formed in Lydia in Western Turkey in 600 BC, and much like the later coins, were round in shape and made from precious metals. These Turkish coins soon became commonplace across Europe, with the rise of international trade around the Mediterranean.

As time went on, the Florentine Florin, first issued in 1252 and made of gold, became the most commercially used coin, overtaking silver bars. It was so popular in fact, that within 150 years, 150 European states had issued their own copies of the gold bullion coin, leading to the creation of a very successful banking system.

Again though, China had got there first. In 1,000 AD, before the first Florin was made, the Song dynasty had already started experimenting with paper money, which was set at a certain exchange rate for a particular commodity. The notes were soon unpopular as this new concept of fiat money – inconvertible paper money made legal tender by a government decree - made it far too easy for the dynasty who backed the note value to manipulate the economy with inflation.

The following Yuan dynasty reintroduced a more robust system, in which paper money flourished once again, so much so, that the Italian explorer Marco Polo, reintroduced the concept back to Europe.

By this time, the scene had been set for modern day monetary systems, and through the centuries, as metals became the preferred medium of exchange, the banking concept was soon established to store and manage this wealth. The state governments implemented standardisation on the coin weight, shape and purity and on receipt of monetary value from clients, would issue receipts detailing the clients' ownership. These receipts were soon traded themselves and it quickly became obvious that the physical exchange of this money and gold was not actually required. This allowed banks to hold reserves that were fractions of their deposit liabilities (otherwise known as fractional reserve banking) and hence generate money through further investment of the held capital.

Whether the traditional barter system was ever particularly successful is not important. What is interesting, is that even in the modern system, the barter economy has taken to periods of resurgence, facilitated by the increase in economic uncertainty, high unemployment and rising national debts. This has been further facilitated by the growth of individual marketplaces through the internet, making it much easier to find the coincidence of wants as previously discussed.

While the idea of a monetary system without paper money is currently unlikely – according to Payment UK, cash payments in Britain still account for half of all retail payments, there is no doubt that as smartphones and new technologies continue to proliferate, cash will become less important. Even debit and credit cards are likely to become less attractive once a faster and more secure form of payment comes along, removing concerns such as identity theft, which has traditionally plagued banks, retailers and other intermediaries.

"US retailers reportedly lose around $40 billion a year due to the theft of cash

Take Uber for example: the taxi firm's cashless settlement system means that the drivers never get robbed by passengers, ending a curse as old as the city taxi itself. In the US, retailers reportedly lose around $40 billion a year due to the theft of cash and banks lose another $30 million or so in robberies.

Still, a cashless monetary system will no doubt generate its own problems. After all, the French government's attempts to limit the ability of common citizens to obtain cash in the country – since September last year residents have been unable to make cash payments higher than €1,000 or convert to other currencies above €1,000 – failed to stop the horrific attacks in Paris in November, which killed more than 125 people and injured many more. Moreover, there are significant societal barriers to a cashless system such as how those most vulnerable in society will cope.

Going forward, all eyes will be on Denmark to see if it succeeds in its endeavor to create a cashless economy. If it does, then all that remains to be seen, is who will be the first to follow suit.

One of the most famous coins is the so-called piece of eight – historical Spanish dollar coins minted in the Americas from the late 15th century through to the 19th century. Made of silver, they were in nearly worldwide circulation by the late 19th century and were legal currency in the US until 1857. The Spanish dollar coin was worth eight reales and could be physically cut into eight pieces or bits, to make change, hence the colloquial name, pieces of eight.

These coins have long been associated with pirates, because they were a common target for the outlaws, as large amounts were regularly shipped from the American colonies to Spain. Many pirates became rich intercepting ships carrying pieces of eight. The buried pirate treasure of legend is often said to include the coin.

THE PRICE IS RIGHT

In 1999, Coca-Cola ran a trial with a limited run of vending machines that responded to changes in outside temperature. Speaking to Brazilian magazine Veja at the time, the firm's chairman, M. Douglas Ivester said people wanted more soft drinks when the weather was warmer, making it fair that they should be more expensive. A year later in 2000, Amazon experimented with charging different customers different prices for the same product.

In both these cases, there was a media backlash and the experiments were ended. Public apologies were issued and it felt like consistent pricing was here to stay. However, large corporations have consistently tried, and in some cases succeeded, in removing price tags. Notably in 2011, Michigan repealed its price tag legislation, allowing grocery stores to no longer print price tags on their products.

> *"everyone should be equal before price"*

Consistent pricing is a relatively recent invention. Throughout most of history, haggling has been the norm. It was up to the seller to understand their costs and margins, to weigh up each customer and to negotiate a price. Similarly, customers had to understand the variations in cost for each item and haggle to achieve a price that they thought was fair. This is known as first-degree price differentiation.

The pioneers of price tags and consistent pricing were the Quaker communities in the US. John Wanamaker opened one of the first department stores in 1876 and attached price tags to every product. Wanamakers in Philadelphia was a revelation and quickly developed a reputation for honesty and fair dealing. John Wanamaker's motivation was largely religious. He believed that as everyone is equal before God, then everyone should be equal before price. But there were other benefits as well. Previously, a clerk's apprenticeship could last years before a store owner was willing to let them haggle with customers over the cost of goods. Now, such an apprenticeship could be shortened. A clerk at Wanamakers needed to know the product, but had no need of negotiating skills. There was also a marked increase in speed per transaction, allowing for greater throughput and revenue.

Price tags started to disappear a little over a hundred years later. In 1980 the US Congress passed a bill to allow airlines to charge fares at their own discretion, rather than having them set centrally. This immediately led to the variable airfare.

At first, airfares were simply set based on consumer demand – if an airplane was not fully booked, the price would decrease as it got nearer to take-off. Soon the complexity increased and the prices optimized. Airfares are now set based on season, time to take-off, fuel futures costs, profile of typical passenger for that route, competition and many other factors.

Today, variable pricing of holiday items such as airfares, hotels and car rentals is largely accepted and with the majority of the market online, price fluctuations happen minute-to-minute. However, there are a number of other areas where prices are already variable without being so obvious. For example, whilst Amazon no longer experiments with differential pricing between consumers, the cost of its goods is continually changing over time as supplies increase and dwindle and demand changes. Multiple sellers mean that competing pricing algorithms are changing the price of goods many times a day.

"price fluctuations happen minute-to-minute"

The benefits of differential pricing for companies are clear. They can shift product under multiple conditions and create a true market for their goods, leading to much higher revenues. They are also information-rich compared to consumers, allowing them to get the better end of the deal. In situations where they are not information-rich, they can tilt the balance in their favour. A great example of this is three-part tariffs for mobile phone contracts. These are normally structured along the lines of "x per month line rental, y per month free calls and z per minute of calls after that." These tariffs are largely nonsensical and serve little purpose other than to make relative comparisons difficult for consumers and allow companies to retain or gain consumers based on vague projections of usage.

"it is easy to see a future where there are no fixed prices"

There are however also great advantages for consumers, allowing individuals to pay the price that represents the value they place on the product. There are other opportunities for consumer advantage as in The "Reserve Bar Stock Exchange" that opened in London in 2015. This bar operates three internal markets for Beers, Spirits and Alternatives, with prices fluctuating depending on the demand within the bar. It also features a quote system with a mobile app that allows you to fix the current price from your phone at the point that you place your order.

As online retailing overtakes in-store purchases – 2015 is expected to be the first year where online shopping exceeds bricks and mortar shopping totals – and both consumer and vendor information sets become larger and more easily accessible, it is easy to see a future where there are no fixed prices. The price tag historical 'blip' may soon be over. What lies ahead is not a return to haggling, but an expansion of financial market thinking to even the most mundane everyday transactions.

Contributors

Bryan Adare
James Aitken
Navi Aulakh
Chris Burke
Bala Ethirajalu
Dean Gammage
Paul Heffernan
Divya Jhaveri
Lalin Liyanage
Danielle Loblack
Paul Metcalfe
Lee Pittaway
Claire Shoesmith
Nathan Snyder
Ivan Toniolli
Alan Vear
Richard Warren

Brickendon is a management and technology consultancy firm that provide solutions to solve our clients internal and external challenges. Founded in 2010, Brickendon has grown rapidly and now has a broad and growing client base for whom our main aim is to improve their business.

Through our Advise, Change and Do categories, we foster a culture of innovation, constantly challenging our consultants to think laterally and develop new approaches to solve problems in new and innovative ways. We continually invest in research and knowledge management to ensure that Brickendon consultants are informed, motivated and expertly trained to deliver high-value services to our clients in the ever-evolving business and IT landscape.

We are committed to our people and fulfilling our goal of providing bespoke, innovative solutions for our clients.

Contact us at:

LEVEL 30, 40 BANK STREET
LONDON E14 5NR
T +44 203 693 2605
E INFO@BRICKENDON.COM
W WWW.BRICKENDON.COM

BRICKENDON