

THE
Lighthouse
COMPANY

The 2016 Shipping Forecast

*Leadership insights from the
New World Talent Survey*



The Lighthouse, she stands apart.

Her *bright and tenacious beam*,
relentlessly strong and searching.

Illuminating the sea for those ambitious to reach
new shores, navigating the waves for those who
will travel a different path and protecting those
whose bearings have suddenly become unfamiliar.

This trusted tower, who silently holds all secrets,
demands of you only trust and courage. Over time,
reassuringly familiar and yet, at each dusk,
she shines for you as if for the first time.

*To know she is there is to know where you are and
together to decide where you are going.*

The 2016 Shipping Forecast

“Anyone can hold the helm when the sea is calm”

Publilius Syrus

Welcome to The Lighthouse Company’s annual New World Talent Report.

Now in their seventh successive year, these findings serve to understand the collective opinions, views and inner-thoughts of our industry’s leading lights. With over 600 C-suite level contributors across the advertising, media, marketing and technology sectors, we are able to quantify the key trends identified at the Lighthouse over the past twelve months gained through the thousands of conversations we hold with leadership talent.

The study was conducted by The Lighthouse Company in January 2016, with help and ratification from leading media research specialists, Work Research.

This year, whilst retaining our annual temperature check on the industry, we sought once again to gauge opinion on three distinct emerging themes; Estranged Encounters, Mind Mastery and Tempting Talent.

Underpinning all three of these topics is a very clear understanding of the impact of human capital in driving growth and success. As we look to our future, both professionally and personally, individually and collectively, it is wise to remember what got us ‘here’ may no longer get us ‘there’.

In this ever changing landscape our ambition at the Lighthouse remains to shine a guiding light on our collective voyage ahead.

Our 2016 Barometer Points to ‘Broadly Buoyant’

Our New World Talent Survey serves to identify and ratify key trends within the advertising, media and technology space, many of which we have been observing over a number of years. As a constant tracker of the thoughts and opinions of our industry’s leaders, the year on year changes can be as surprising as they are illuminating.

Encouragingly this year, a number of factors indicate that our top talent pool is in a healthy position. First of all, as individuals, they are significantly more fulfilled today than they have been at any time over the past five years. In 2013, 51% of leaders indicated that they were professionally fulfilled in their current role, and following two years of a dip, this rocketed to 68% in 2016. Considering the wider global context of unrest and uncertainty, there is a general sense that our leaders are feeling more content with stable roles, good pay and bright prospects.

The factors that would influence, inspire or attract our leaders to make their next career move also point to a more content group of individuals. While key hygiene factors such as company growth prospects (50%), company leadership (42%) and financial package (47%) rank unsurprisingly highly, 2016 saw significant increases in two other, arguably more personal, factors:

- Firstly the need to broaden experience (up 9 percentage points on 2015 to 53%) reflects our 2015 findings of leaders’ desire to be in Horizontal Hybrid roles, utilising many skills rather than being a specialist.
- Secondly a greater work/life balance (up 6 percentage points to 23%) is something that we’re seeing more demanded by candidates – it’s really refreshing to see hyper-growth businesses, such as Snapchat and Spotify, offering greater levels of personal flexibility to attract top talent.

WHERE TO NEXT?

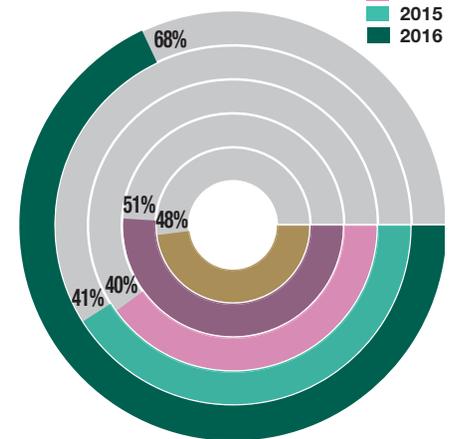
2016’s findings provide further evidence that our industry churn rates remain stable, in line with the past two years. The proportion of our leaders thinking about leaving the industry, moving companies, seeking promotion or even starting their own business are consistent with levels seen in 2015 and 2014.

But when forced to think about where in the industry they would most like to work next, the media owner side remains the clear favourite, despite an 8 percentage point drop year on year to 30%. While other destinations remain broadly in line with previous years’ scores, the dramatic rise comes with the desire to move client side. In 2014, only 7% of respondents saw this as their next move – while in 2016, this has almost doubled to 12%.

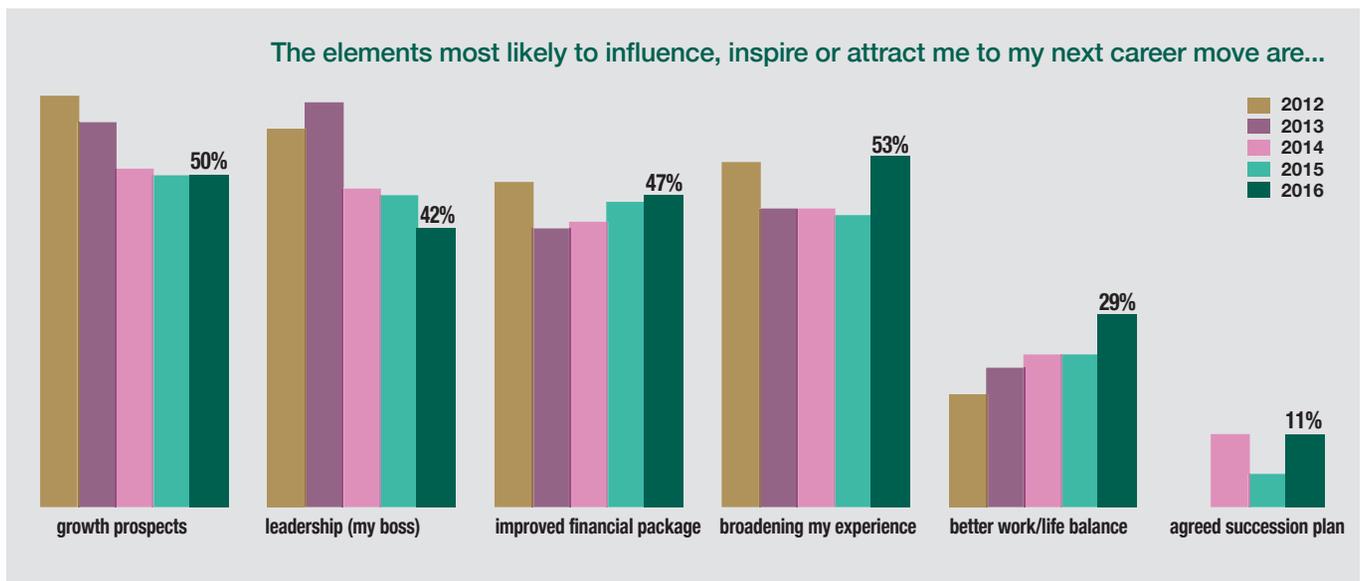
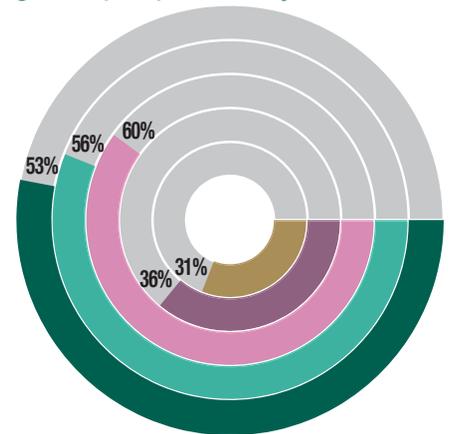
In previous years we have seen a sharp decline in the proportion of leaders who would choose to take their next role in an agency – this year however, we’ve seen this stabilise. It also looks like the age of the agency specialist is gone (e.g. digital, integrated) as these disciplines have been incorporated into the larger media and creative agencies – as a specific option they rarely feature on anyone’s next move.

We also asked our leaders, what kind of company, when knowing what they know now, they would choose to lead. In 2015, 30% of them stated a ‘start up’ – a score that has tumbled 12 percentage points this year to 18%. We suspect the effect of the ‘green eyed

I’m feeling fulfilled in my current position...



I’m feeling confident about the likely growth prospects of my business...



monster' directed at those with early share options in some of our now hugely successful industry brands is on the wane. Perhaps unsurprisingly, greater remuneration parity across the board and a desire for increased work/life balance has seen many shun the potential start up millions to name the 'media owner' as the hindsight choice winner of 2016 (rising 6 percentage points to 25%).

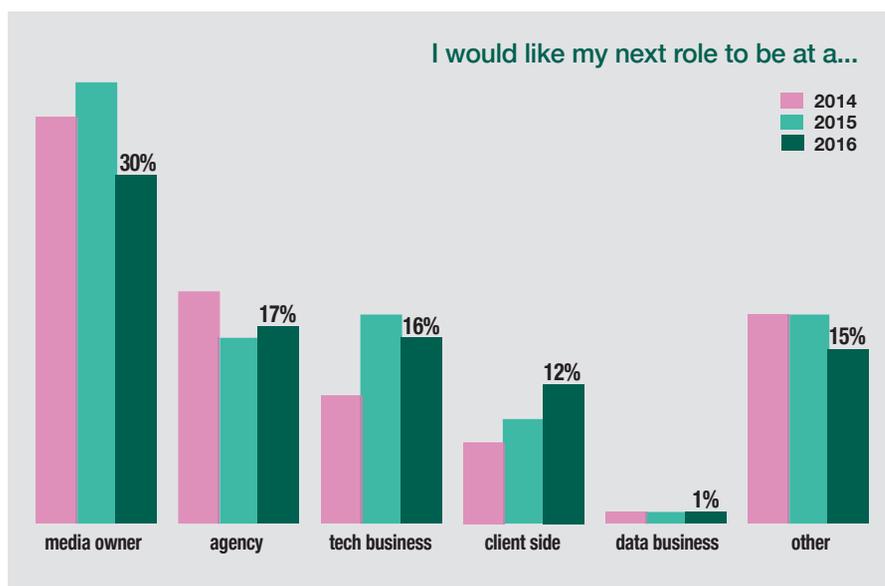
One to take note of is the fastest growing category of a 'strategic consultant' – doubling year on year to 8% – 'working for myself' is a theme that will reappear later in this report.

For the past four years we have also been tracking how good our respondents' believe their companies are at succession management. Generally, there is a sense of 'distinctly average' in the findings with almost half of our leaders answering this way each year. However, while these results are relatively consistent, savvy companies wanting to attract the best talent need to be aware of the impact of agreed succession plans on our top tier – the proportion of them citing this as an important factor in their next career move has more than doubled year on year.

UPS, DOWNS & COMEBACKS

So while our leaders appear to be feeling up and pretty stable, their view on the growth prospects of their own business is a little more subdued. 53% of respondents are confident for their company's prospects this year, a figure down from 56% in 2015 and 60% in 2014. While this is still much healthier than the thirty-something percentage scores seen at the turn of the decade, could this decline relate to a rise in global uncertainty or perhaps be indicative of something closer to home?

And there's probably nothing less disruptive than the increasing pace of change within



our industry. It continues to be relentless and our respondents' views of the best and worst performers in 2015 vs. 2014 are a perfect illustration of this. In the best performer category, Facebook and ITV held their top positions while Channel 4 made a magnificent comeback from worst performer in 2014 to take joint third place. the7stars and adam&eveDDB took the top agency spots to round off our top five.

2014's number three top performer, Twitter, fell to 2015's worst performer spot, followed by Yahoo!, News UK, Google and Bauer Media. However, if you can go from the top to the bottom in twelve months, it would be foolish to write off any of these companies staging amazing comebacks. With Jack Dorsey returning to lead Twitter and Rebekah Brooks making a spectacular return into News UK, we're pretty certain that all of these organisations already have plans afoot to return their businesses to great success in 2016.

facebook

itv

the7stars

4

adam&eveDDB

Which businesses really performed in 2015?

Which businesses could have done better?

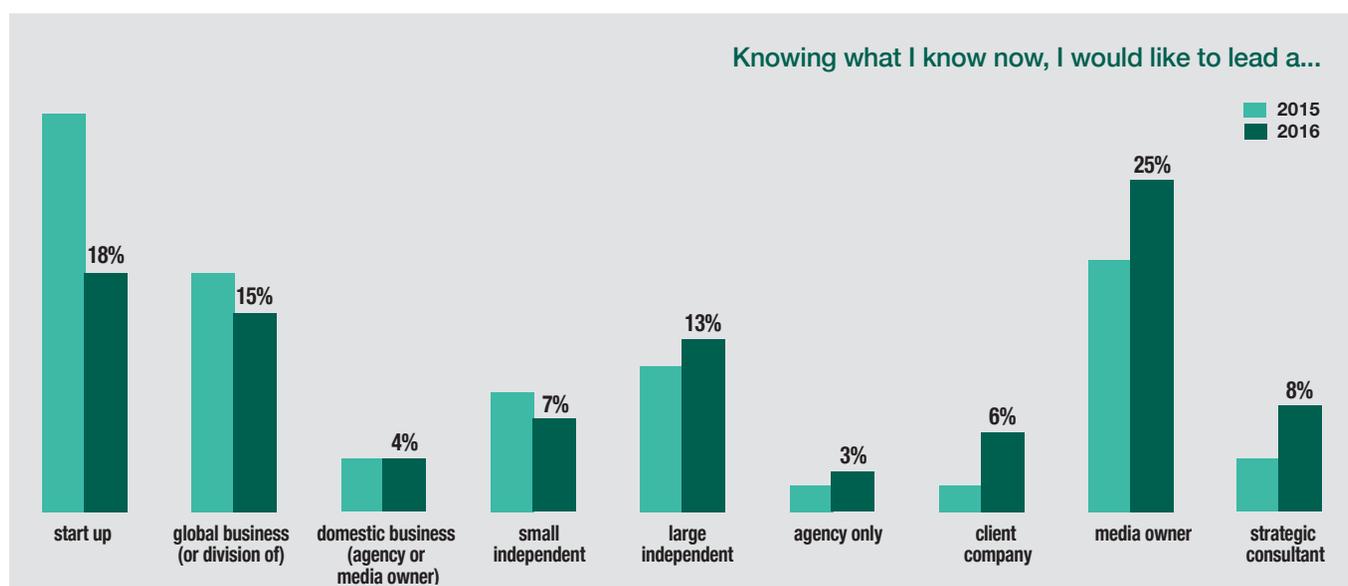
BAUER

Google

News UK

YAHOO!

twitter



Estranged Encounters

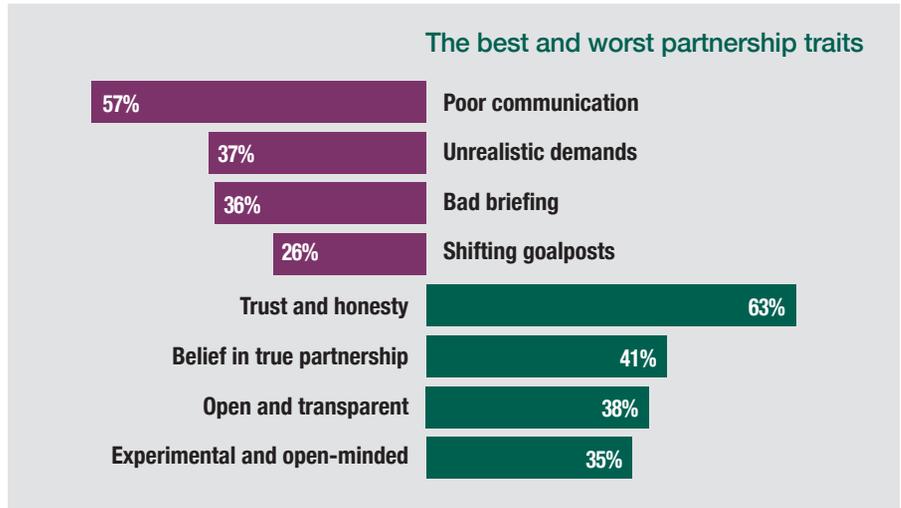
Last year saw unprecedented and hugely unsettling change in one particular area – pitching. In the summer of 2015, Morgan Stanley published a report citing that the US market alone was set to fight over \$26 billion in advertising expenditure – a figure that was larger than the previous three years combined.

Major global brands such as Coca-Cola, Johnson & Johnson, Mondelez, Procter & Gamble and Unilever (to name just a handful) all reviewed their agencies. During this time many partnerships were tested – and while new love blossomed for several, many woke up to find their once happy marriage had quickly become an estranged encounter – disrupted by global alignment, procurement teams and clients wishing to better their outcomes. The grass looked greener.

PRENUPS AND UNREASONABLE BEHAVIOUR

When looking at the most frustrating dynamics within our leaders' day-to-day business relationships, the procurement concern almost halved. More potently, both human traits and our sheer ability to relate make the biggest difference in ensuring that our partnerships stay on track.

While poor communication, unrealistic demands, bad briefing and shifting goalposts are the most frustrating factors, trust and honesty, believing in true partnership, being open and transparent and being experimental all make for the best working relationships. It seems the match of human capital employed on all sides of the value chain – be it client to agency or agency to media owner – has never been more important.



MENDING THE MODEL

A recurring statement in the 5,000+ conversations we have with industry leaders every year is 'the agency model is broken'. And whilst this complaint is frequent, we rarely hear many solutions. When we asked the industry's top talent what one thing they would do to fix the agency model, five key themes emerged as areas for focus.

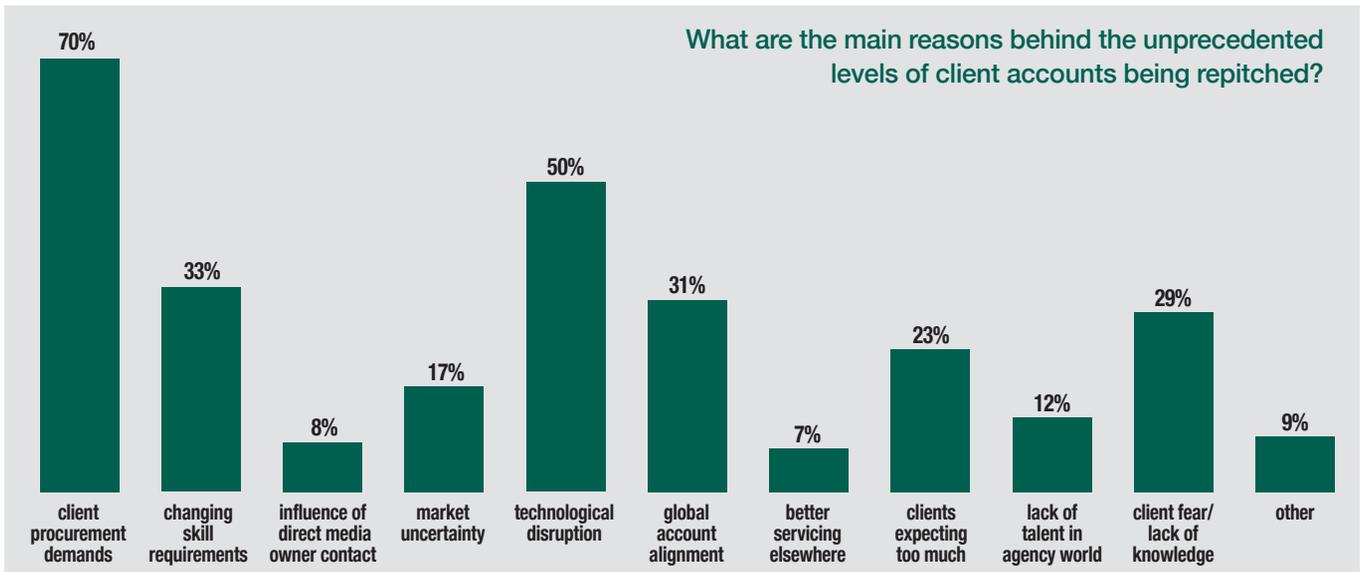
Nearly 20% of leaders identify remuneration models as the first thing that should be looked at, with many calling for more payment by results and others calling for less emphasis on time sheets and retainers as a method of reward. However, there is also a consistent call for fairness and transparency around kickbacks and trading desks. What is evident is the need for greater neutral respect around what is fair and reasonable (and indeed motivating) along with an equal willingness to be completely open about the commercial realities for all parties.

Our leaders also believe that agencies must work harder to make clients value their contribution

and the impact they can have on the bottom line. They are adamant having the correct talent in place at senior level is paramount to the agency thriving. In a nod to the cyclical nature of our sector, the final trend is the re-emergence of some form of full service model – a movement furthered by the development of 'under one roof' propositions such as The Engine Group and the Havas Village.

Like all good encounters, the ability to connect, relate, talk with truth and transparency, to be willing to be brave around the difficult topics, where the solution may need to be built together, may form the answer to move from estrangement back to the valued relationships we aspire to.

In a world where we are reviewing business every 3 to 4 years – where is the space to develop together? When we look at the relationships between John Lewis, adam&eveDDB and MGOMD, which produces outstanding work for all parties, they have worked together for over 7 years – they have given each other time to allow the partnership to develop and thrive and that partnership is one we all collectively admire.



Mind Mastery

At the Lighthouse we have always been great proponents of the importance of our leaders managing both their physical and mental being. As an industry, we have become much more enlightened to the needs of both our cognitive and emotional selves and we are continually reassured by the growing recognition of how it is essential to take special care of the whole self.

A PRISON OF MUSTS

What is evident is the ever growing demands and expectations on our top talent to deliver exponential revenue growth (be that to shareholders, VCs or the City), to be 'always on' and to continuously invent and innovate. It tests even the sharpest and brightest minds in our industry. Yet, despite this pressure, we have a duty of care, both to ourselves and those who we lead, to embody the qualities needed to be a figurehead in the business. Learning how to master the mind can release us from the prison of musts we can find ourselves living in and in turn encourage our ability to 'be more'.

When we looked at stress factors, our leaders highlight revenue (22%), business transformation (14%), new business pipeline (11%), internal politics (10%) and loss of talent (9%) as the primary factors for keeping them awake at night. In stark contrast to these broad business issues, personal considerations such as public profile, succession management and fear of being fired, barely rank at all.

When our top talent find themselves in challenging situations, their personal state can vary hugely. While some find greater drive, feel positively challenged or more focused others will find themselves more anxious or unable to sleep. While the negative factors may motivate them into action, it is vital these don't transform into debilitating and stressful scenarios. In fact, a 2015 compilation of studies by Harvard Business School and Stanford University concluded that work stress increased odds of a diagnosed illness by 35% and is as bad for us as second-hand smoke.

We feel Bob Nelson got it right when he said, "You get the best from people not by lighting a fire beneath them, but by building a fire within".

COMBATING COGNITIVE CHALLENGES

For years we've seen organisations offer benefits and services to strengthen the employee's physical being. From this year's findings, it is clear that those in leadership positions are more interested in their company offering them ways



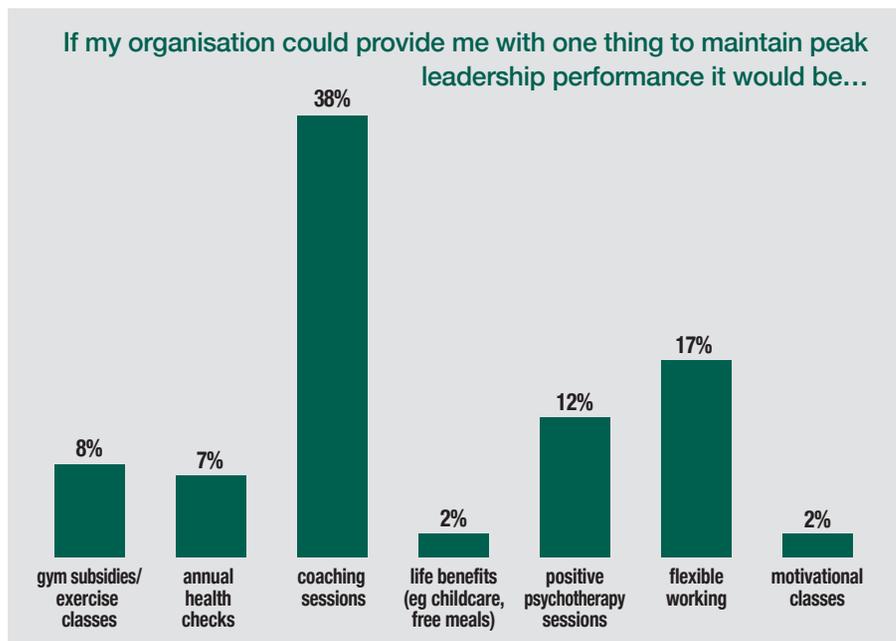
to strengthen their own mindset over and above the physical. In our survey, most would opt for more coaching sessions as the primary way to help them, followed by greater flexible working and positive psychotherapy sessions.

When we ask these individuals how they maintain peak performance in challenging situations, many of them will turn to exercise, yoga, nutrition or other physical techniques to get a release. In a similar vein, just as many use these scenarios as an opportunity to refocus, either through their professional or personal life, giving them the chance to take stock and reboot. A third emerging trend relates to our leaders' view that communicating and talking helps them to work through challenging times – whether this means spending time with those personally close to them or with a professional in the form of either a therapist, a coach or a mentor.

At the Lighthouse we believe the time is

absolutely right to focus on balancing the 50% of our being that is cognitive with the 50% that is emotional. Since our inception we have believed in the core principles of psychology and human understanding as critical to understanding the leadership potential of those in our industry.

In 2016, the Lighthouse will extend its own duty of care with the introduction of positive psycho-education and therapeutic programmes to aid professional development – something 80% of leaders we surveyed are open to. Given 25% of our industry's top talent have already had some form of therapy to develop themselves, with another quarter actively considering it, it seems we may be ready to welcome the concept of developing ourselves from the inside – building a greater connection to our instincts and internal processes. This fundamental change brings extraordinary behavioural shifts – and with it an even greater way to navigate the world.



Tempting Talent

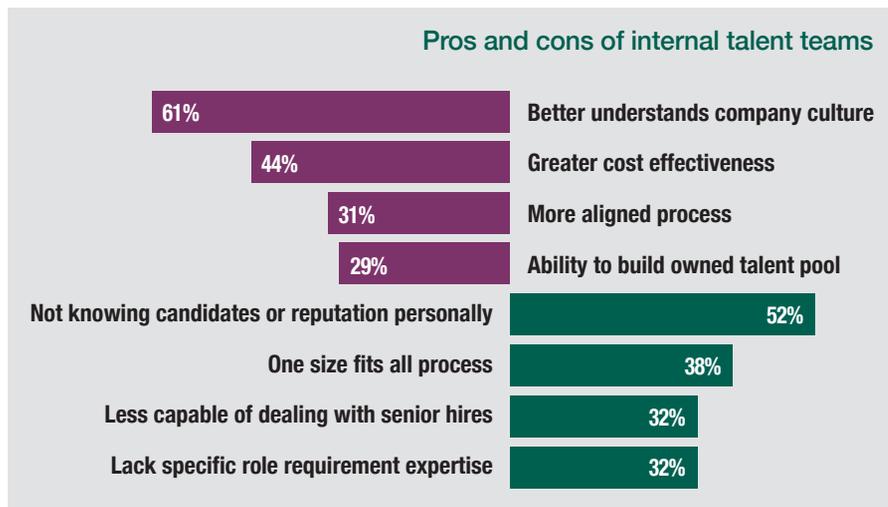
Since The Lighthouse Company first published the New World Talent Survey in 2009, we have understandably maintained a continued focus on talent and leadership, identifying many themes and trends that form a narrative which has permeated our sector across the past seven years.

THE CONTINUED RISE OF HYBRID LEADERS

In 2015 we identified the growth in the need for Horizontal Hybrid leaders, a theme that resonated with so many of our clients and stood for the increasing requirement for top talent to be able to demonstrate multi-discipline leadership. Last year, while nearly three quarters of leaders surveyed felt motivated to lead across various business functions, we were very surprised that one in five of our respondents were doing nothing to prepare for these times.

Fast-forward twelve months and it is reassuring to see that 90% of our leaders feel their ability to lead across disciplines has significantly changed – with 40% citing a huge shift. While multi-faceted leaders are certainly the most in demand, we wanted to know which one skill our leaders felt differentiated them from others. The stark response was that human traits trumped craft skills every time; with empathy, authenticity, emotional intelligence, communication and relational ability coming out on top.

Within our industry, the Lighthouse has witnessed a seismic shift in the number of truly global roles available to our top leaders. However, when probed, 31% said they would relish the opportunity to lead a function globally, but the remaining majority of 69%



preferred to lead a business domestically. Perhaps the global dictate from other continents is robbing dynamic leaders of the autonomy they require, the vertical divisional reporting fractures the ‘train set’ and the incessant travelling across time zones is no longer as attractive as our respondents continue to pursue a more balanced life?

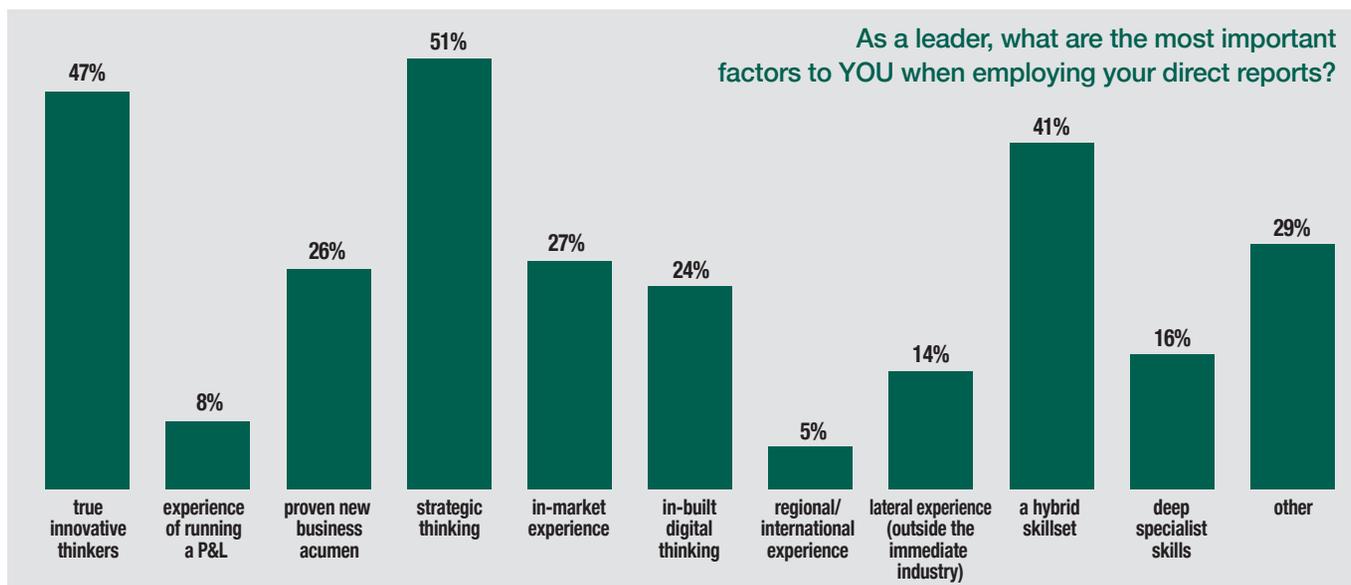
TALENT IN AND TALENT OUT!

Often at the helm of the ship, our surveyed leaders are regularly hiring for their own direct reports. What they are looking for in the next generation of talent is starkly clear – they are focused on the employee’s mind. Strategic thinking and innovative thinking top the factors most important to our respondents – while the in-demand hybrid skillset scores more than 2.5 times higher than the need for deep specialist skills.

On the other side of the coin, we regularly hear of organisations harbouring stale talent. When probed our leaders cited factors such

as over-reliance on historical knowledge (15%) and employee relationships with senior staff (11%) as important. However, ranking almost twice as high as any other factor is the stark truth that employees can prove too expensive or too much trouble to manage out (28%).

At the Lighthouse we are not surprised by this result. Back in 2014, we forecast that the Equity Epidemic, driven by individuals staying in role to retain company stock options, was fuelling a less motivated and driven workforce. Over half of leaders in companies that gave their employees stock or options believed their business was harbouring those holding out for their equity payday but were no longer contributing to the hyper growth. While this might not be the only issue preventing the managing out of expensive or troublesome employees, we believe that as more and more organisations offer staff such incentives, then this trend will continue to follow a worrying and problematic trajectory.



INSIDE OUT OR OUTSIDE IN?

Hiring well is of course an investment – but hiring badly will cost a business financially, emotionally and reputationally. Tempting talent always features in any business strategy, from start up to corporate – and remains a closely investigated cost line at every annual budget and times are dramatically changing.

With the rise of platforms such as LinkedIn it has been only a matter of time before any forward thinking business would consider building an in-house talent acquisition team and so we felt it timely to really investigate how effectively these are working and indeed whether the Lighthouse needed to fundamentally change our business strategy. The results are clear and confirm our own hypothesis given our exposure to both client and candidates touched by this new trend and it's all about the line between management hires versus leadership ones.

Those surveyed believed that internal teams aided their hiring due to the understanding they have of the company, increased cost-effectiveness, greater alignment across talent processes and helping to build an owned pool of talent. The benefit for organisations hiring multiple similar roles is also abundantly clear.

However, the role of the leadership headhunter is similarly clear when our leaders were probed as to what doesn't work.

While not knowing candidates or their reputation personally ranks highest, a one size process, being less capable of dealing with senior leaders and lacking specific role requirement expertise are all seen as obstacles in the way of acquiring the best talent using internal teams.

The real danger lurked in the verbatim answers around horror stories of well-meaning talent acquisition personnel calling high profile Commercial Leaders, CSOs or CEOs about roles that were pitched at the wrong level, with a distinct lack of acknowledgement of their seniority or indeed the relationship the individual already held with the business. It offends, but far worse it diminishes the reputation of the business overall in the minds of the very talent you are trying to tempt. It strikes deep into the psyche and ego of the individual, often in an irreparable way. It is something to truly consider. We are often called in to be part of that repair plan and it is a long and emotional road.

Seven years after our launch it remains our mission to be the bridge in creating Victorious Partnerships – focused solely on leadership level roles. While changing the reputation of headhunters, we thrive through the advocacy of deeply personal and trusted relationships with senior leaders, driven by instinct, insight and intuition.

Your Views in Review

Which company in our industry would you be most inspired to work for?



1. Google



2. Facebook



3. ITV



4. Snapchat



5. Channel 4



6. Sky

Who would you most like to work for in 2016?



1. Myself



2. Steve Hatch



3. Sir Martin Sorrell



4. Bruce Daisley



5. Kelly Williams



6. Mark Zuckerberg

Which company or person made the biggest comeback in 2015?



1. AOL



2. Channel 4



3. Rebekah Brooks



4. ITV



5. Grey London



6. Jonathan Allan

Transmissions from the Tower

WATCHTOWER VISIBILITY

Global media spending is forecast to rise at a compound annual rate of 5.1% between 2014 and 2019, reaching \$2.1tn. (McKinsey & Company, Dec 2015)

GroupM (Dec 2015), ZenithOptimedia (Dec 2015) and Carat (Sep 2015) all forecast global ad growth between 4.5% – 4.7% in 2016 compounded by the quadrennial effect of the US elections, the Olympics and the UEFA football championship. Note, all forecasts have been slightly downgraded from those published early in 2015.

37% of marketers believe that digital spend will account for 75%+ of their budgets in the next five years – with 35% believing mobile will account for at least 50% of total spend. (Accenture, July 2015)

TIDAL DIRECTION

We asked our leaders to forecast what would cause the biggest market disruption in 2016.

The impact of ad blocking (26%), mobile domination (20%) and continued consolidation (15%) command the top scores, while previous headline grabbers such as virtual and augmented reality (2%), cryptocurrencies like Bitcoin (1%) and wearable technology (0%) almost sink into oblivion.

We believe 2015 saw the crest of the wave of agency leaders moving to media owners and that tidal phenomenon is starting to subside. With agencies beginning to reclaim the talent they once developed with more hybrid and influential roles, and the natural post-recession start up fantasy starting to hit the breakwater, the equilibrium of talent laterally moving is finally settling to a fairer and more competitive place.

ROCKING THE BOAT*

Publishers will stop being so obsessed with traffic – especially when brands such as Snapchat and Facebook are offering publisher content within their platforms.

Following a stellar year of performance and headline grabbing, the7stars will be eyed up by all and sundry.

More and more businesses will restrict content to those that use ad-blockers.

Someone, somewhere might just make some really exciting automated ads!

Mobile payments – if the 153 year old London Underground can accept mobile payments via Apple Pay, the rest of retail surely needs to catch up.

There will be fewer co-CEOs leading agencies by the end of 2016...

A major media group will purchase a micro-blogging social network.

Two of the major publishing houses will change out their leadership...

We'll have the first US female president.

To download all charts from 2016's New World Talent Survey, please visit thelighthousecompany.com/NWTS

*These views are opinions of The Lighthouse Company and not factual insights



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