

The
RESEARCH
JOURNAL

2026 • ISSUE 16

What history tells investors

AI joins the workforce

The fragrance visionary

Why brands need originality





The articles in this Research Journal were written between February and June 2026.

This Research Journal has been prepared to share selected ideas, insights and perspectives discussed at the Walter Scott Research Conference. The articles reflect the views of the individual contributors and are provided for educational and informational purposes only. This publication does not constitute investment advice, investment research, a recommendation, an offer or a solicitation to buy or sell any security or adopt any investment strategy. Please refer to the 'Important Information' section at the end of this document for additional disclosures.

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WALTER SCOTT



The artwork on the inside cover is by Glasgow-based illustrator and visual development artist Abdi Adam. A graduate of the Glasgow School of Art, where he earned a BA (Hons) in Visual Communication, Abdi was awarded the D&AD Student Award for Animation in 2010 and the W.O. Hutchison Prize for Drawing in 2013.

Abdi Adam, Yojimbo

© Abdi Adam

Photograph of artwork: © Antonia Reeve

Walter Scott has been supporting emerging Scottish talent since 1988. In the same way that we believe that different perspectives within the team generate the best investment ideas, so we believe that our art collection should incorporate a wide range of work from an eclectic group of contemporary artists.

Our commitment to that community is reflected in our longstanding partnership with the Royal Scottish Academy and in particular our support of its annual 'New Contemporaries' exhibition that showcases the work of emerging artists from across Scotland's five main colleges of art and of architecture.

Welcome



Our inaugural Research Journal was published in 2013. Since then, and indeed since the firm was founded in 1983, the world has changed considerably. Through our research, travels and conversations, we have sought to understand the forces shaping companies around the world. Throughout, we have remained focused on separating short-term noise from long-term fundamentals and applying our investment approach consistently.

That approach will not always be in favour. Recent performance has fallen short of both our expectations and those of our clients. We are acutely aware of that disappointment. However, while periods such as these demand humility and reflection, they also require conviction. We have rigorously tested our thinking. Our confidence in our investment approach remains intact.

We must not shorten our investment gaze or dilute our demanding criteria. We must continue to analyse disruptive trends and emerging

opportunities. The agenda for our client Research Conference in Edinburgh in May 2026 was built around many of those developments. This edition of the Research Journal seeks to capture a strong sense of that event.

Conversations ranged from geopolitics and demographic changes to healthcare innovation, artificial intelligence, entrepreneurship and energy. Our speakers came from a wide variety of backgrounds, each bringing a distinctive perspective.

While no Journal can fully recreate the experience of being in the room, we have sought to convey the ideas and discussions that defined the conference. Whether considering technological change, geopolitical uncertainty or the characteristics of successful organisations, a common theme emerged: the importance of intellectual curiosity, questioning assumptions and looking beyond conventional measures.

That spirit of curiosity mirrors the purpose of this Journal. The contributors do not always agree with one another, or with us, but that diversity of thought is what makes these discussions valuable.

We hope this edition leaves you with fresh perspectives and new questions and, most importantly, encourages the thoughtful conversations that remain central to our approach.

Best regards,

Jane Henderson, Managing Director

Contributors



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Emeritus Professor of Finance,
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Paul is co-author of *Triumph of the Optimists* and the *Global Investment Returns Yearbook*, and co-designed the FTSE 100 Index. He specialises in long-run investment returns and global equity markets.



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Ken has drawn on decades of experience in banking, including posts at UBS and Lazard. In his book *The 100 Trillion Dollar Wealth Transfer* he explores the wealth transition from baby boomers to younger generations.



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Michael co-authored *The Coming Wave* with Microsoft AI CEO Mustafa Suleyman. Drawing on experience at DeepMind and in publishing, he offers insights into how AI is reshaping business and culture.



Jane Henderson,
Managing Director

Jane joined Walter Scott in 1995. Before becoming Managing Director in 2010, she held a range of leadership, investment, client service and governance roles.



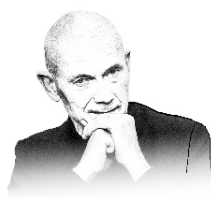
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During his leadership of the Financial Times, Lionel transformed the paper into a digital-first global authority on finance, economics and politics. Lionel also worked at The Scotsman and The Sunday Times.

Contributors



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Keyu wrote The New China Playbook, offering fresh insight into China's global role. An adviser to major corporations and institutions, she bridges East and West, exploring how China's reforms shape global markets.



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Diva is a deep-sea biologist and National Geographic Explorer whose research spans little-known ocean habitats. She leads global expeditions and conservation initiatives and she founded the NGO SpeSeas.



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Investment writer**

Lindsey joined Walter Scott in 2010 as the first recruit to the firm's newly established marketing and communications team. Prior to that she worked at Morgan Stanley, Citi and Lazard Asset Management.



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Investment writer**

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France-based illustrator inspired by Franco-Belgian comics. He also enjoys playing traditional Irish folk music on the mandolin.

Stuart Martin

Seasoned graphic designer of over 30 years. Stuart is also a visiting lecturer and mentor at Edinburgh College of Art's design department.

Matt Saunders

Experienced freelance illustrator based in London, whose work is rooted in creating fantastical calming atmospheres.

Tobias Sturt

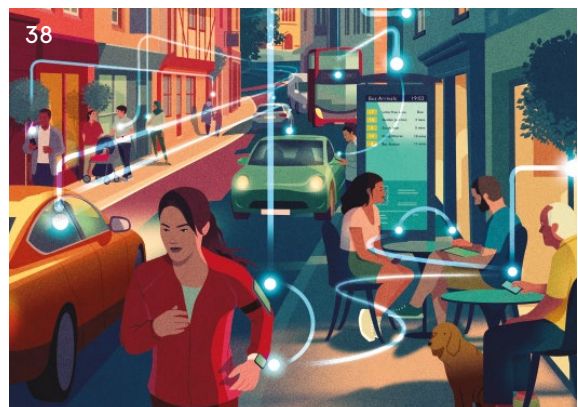
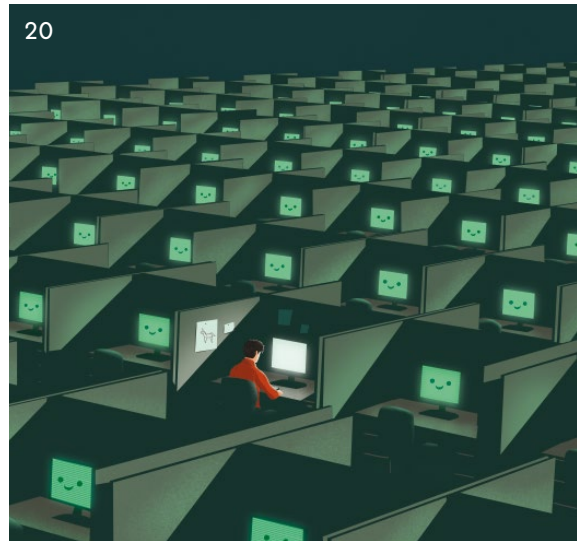
Creative Director of Add Two, a specialist information design agency. Tobias has two decades of experience in digital storytelling. He also teaches data visualisation.

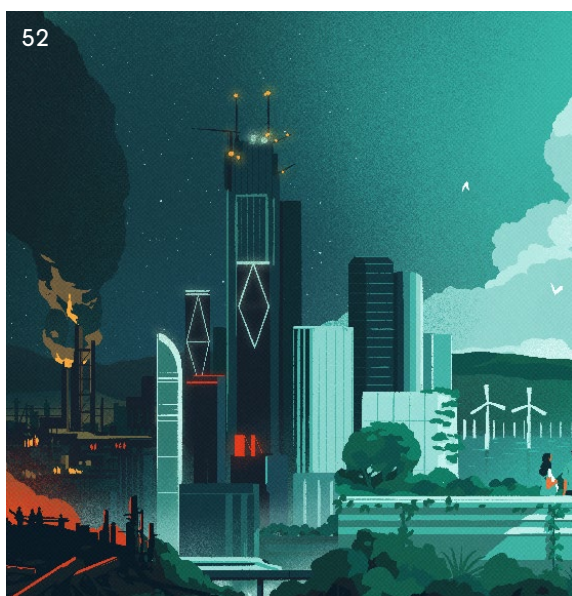
Chris Watt

An accomplished news photographer, Chris has covered the Gulf War, Ryder Cup and assignments across Africa, Asia and the Americas.

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A universe of ideas

7

conferences

19

years

154

speakers*

*includes repeat attendance

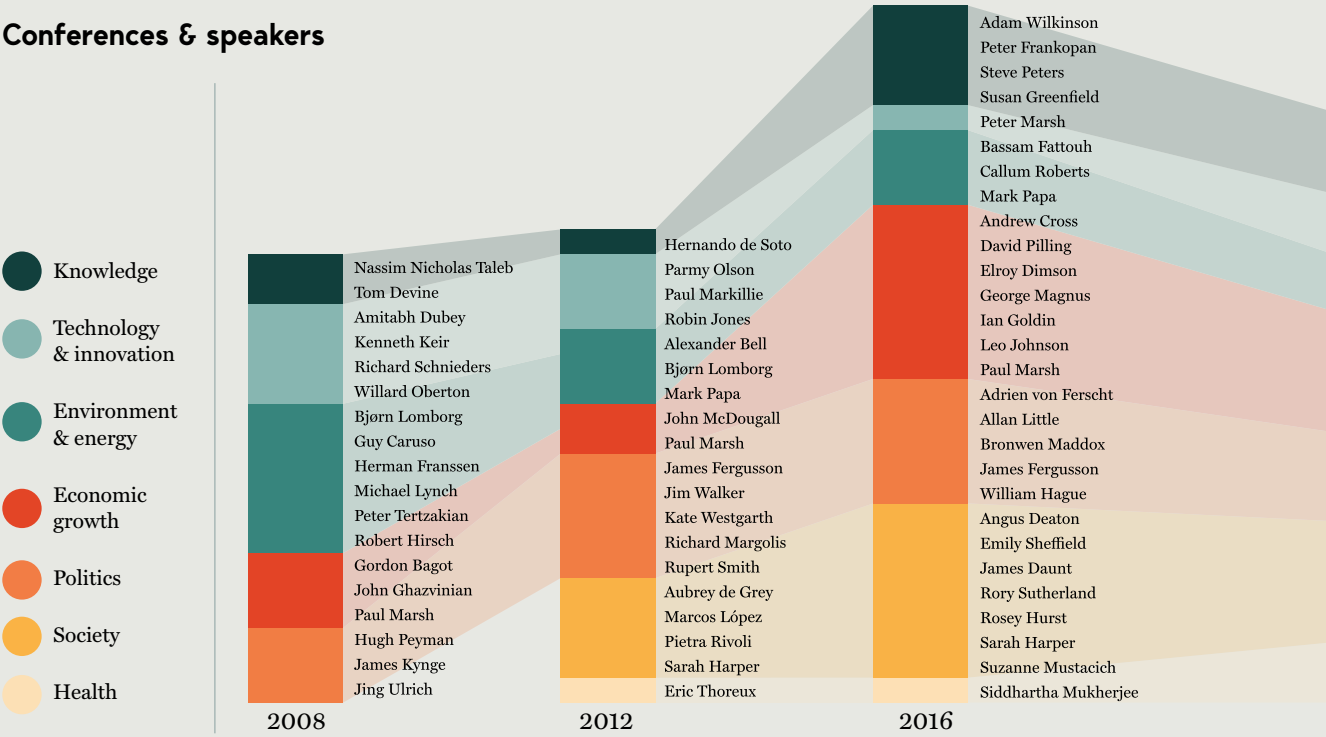


Speakers reflect our global perspective, representing 27 nationalities across all continents except Oceania and Antarctica.

The range of expertise



Conferences & speakers

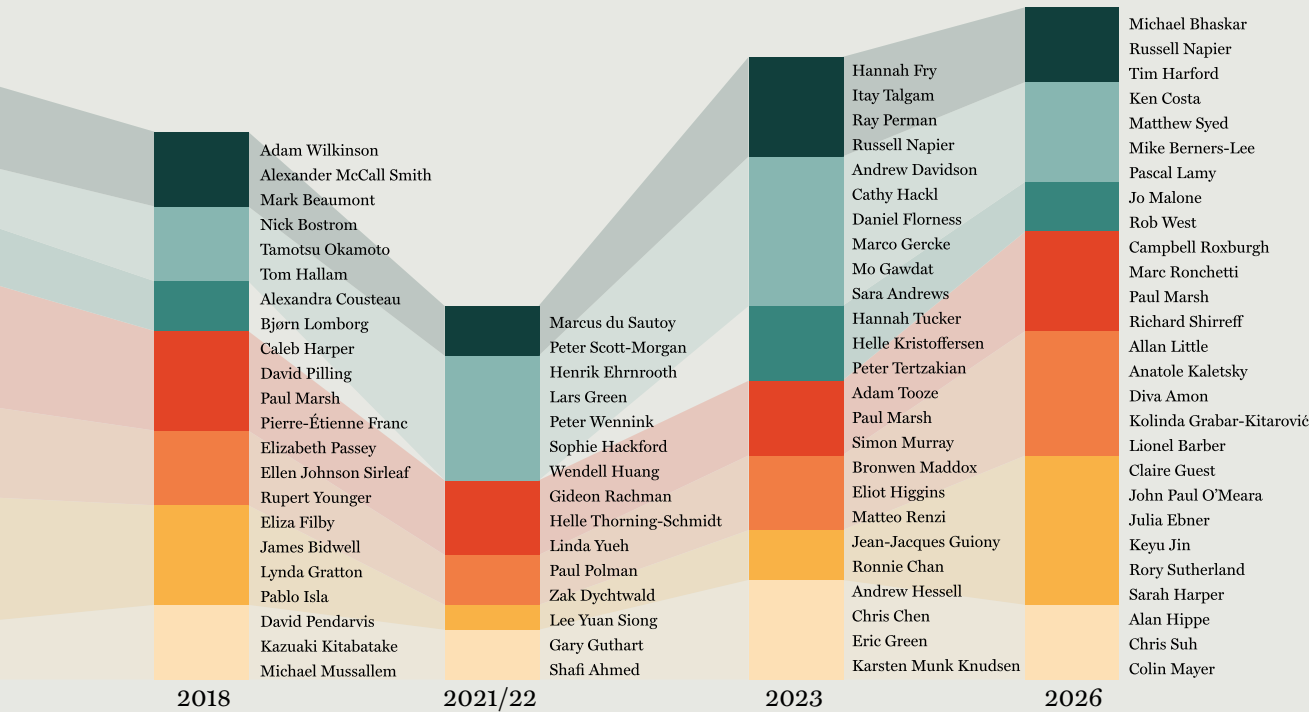
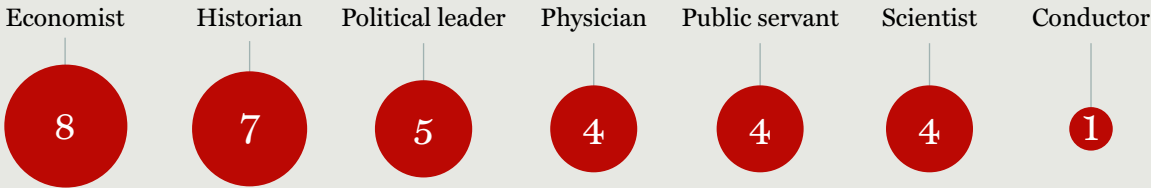




Oxford University is the most consistently represented institution, with the Financial Times being the most common media outlet.



Attendees have included one world record holder, two Nobel Prize winners, four former heads of state/government, and 13 CEOs of portfolio companies.





Long-term lessons

*Drawing on more than a century of market history, **Professor Paul Marsh** identifies four enduring lessons on risk, resilience and technological change that continue to shape long-term equity returns*

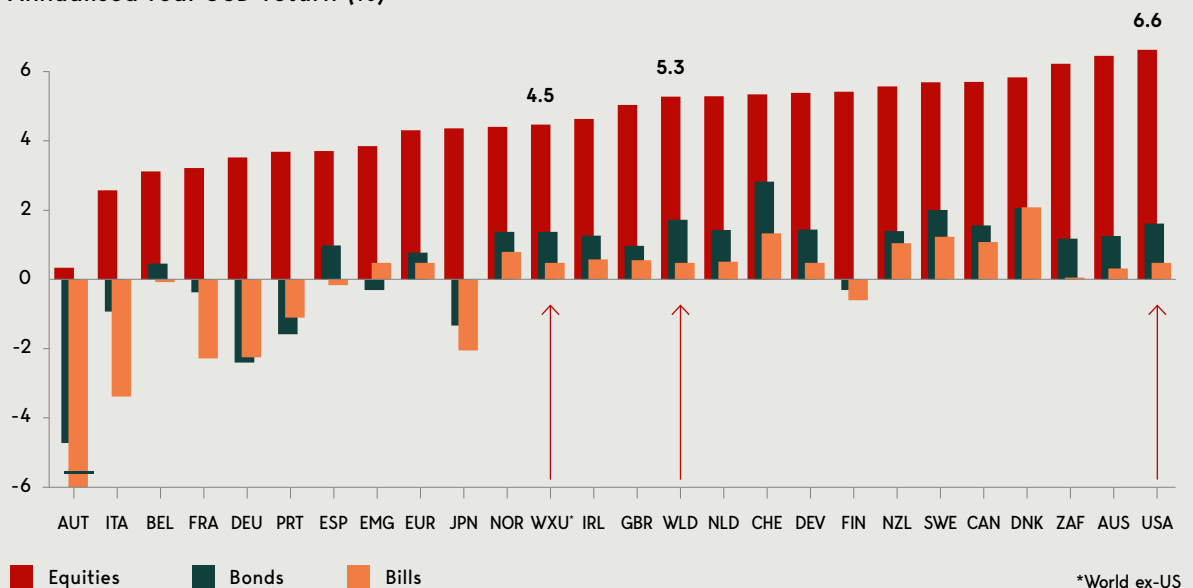
1

Over the long run, the law of risk and return has held

Since 1900, equities have outperformed inflation, long-term government bonds and cash. Bonds, which are less risky than equities, in turn beat bills, which are considered to be risk-free cash equivalents. So the law of risk and return has held. Over shorter periods, this has by no means always held true. The long term is longer than the 20 years that is often assumed.

Real US dollar return on equities, bonds and bills, 1900-2025

Annualised real USD return (%)



Source: Elroy Dimson, Paul Marsh and Mike Staunton, UBS Global Investment Returns Yearbook 2026

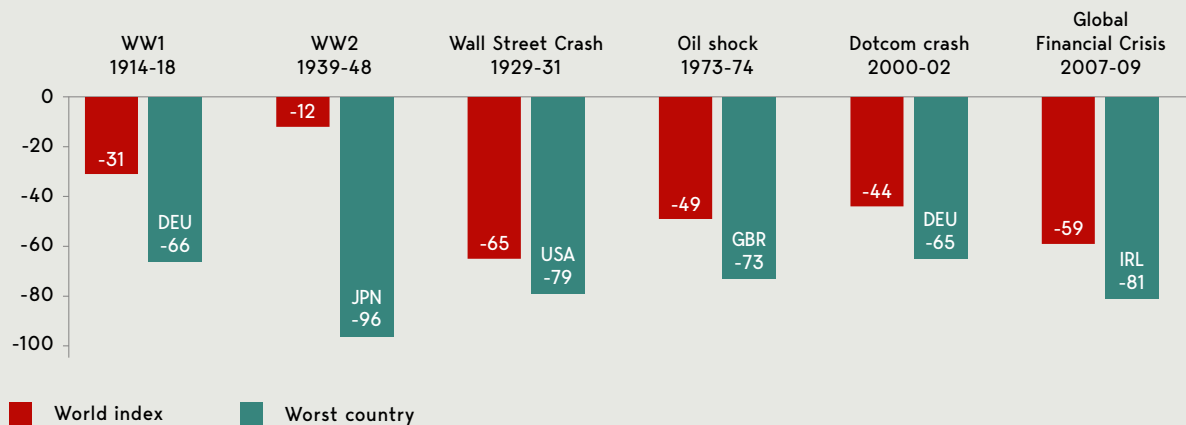
Equities can suffer large drawdowns, but have provided a substantial risk premium

The worst periods for equities have included the two world wars and four great bear markets. Recently, geopolitical risk has been to the fore. However, the world wars were less damaging to global equities than the four major peacetime bear markets, when investors lost close to or more than half their wealth in real terms. Economic risk has mattered more than geopolitical risk.

Notwithstanding these deep drawdowns, global equity investors have enjoyed a substantial equity risk premium of 4.8% per annum relative to cash since 1900. Long-run investors have been well compensated for risk.

Real equity returns during the bad times, 1900-2025

Real returns (%)



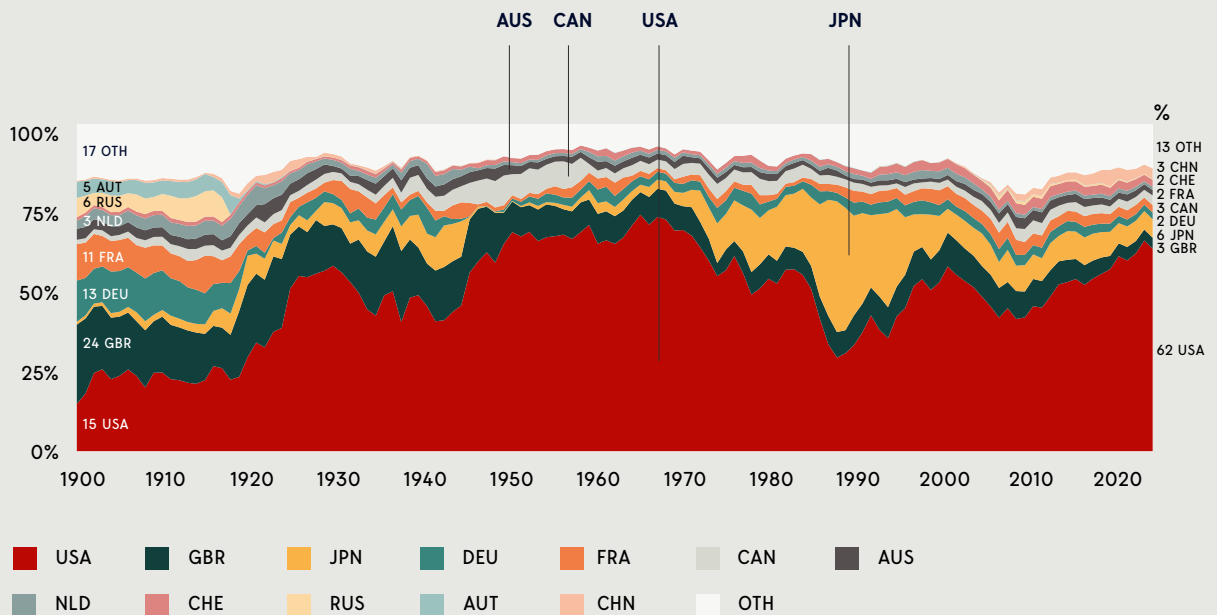
Source: Elroy Dimson, Paul Marsh and Mike Staunton, UBS Global Investment Returns Yearbook 2026

3

Market dominance does not guarantee lasting outperformance

In 1900 the UK was the world's largest equity market. Its performance since has been average. The UK is now just 3% of the global universe. In the late 1980s Japan briefly became the largest equity market, but Japanese equities then greatly underperformed. Today Japan's weighting is just 6%. The US record differs. By 1902, it had overtaken the UK and has been the foremost market since, except during the Japanese bubble. Today the US dominates the world with a 62% weighting.

Weight of national stock markets in the investable global equity market



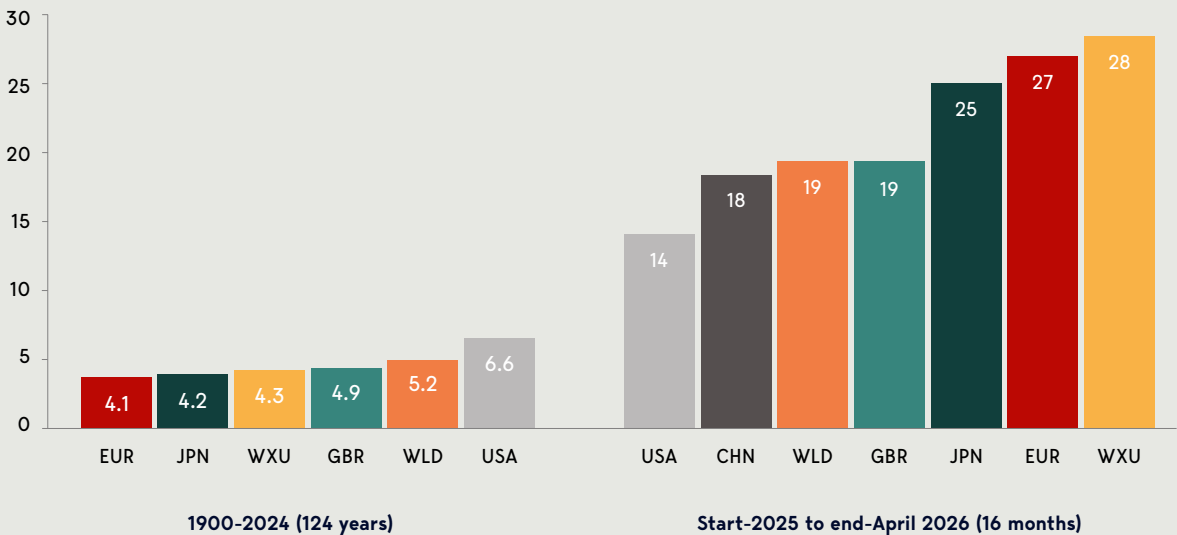
Source: Elroy Dimson, Paul Marsh and Mike Staunton, UBS Global Investment Returns Yearbook 2026

The US has achieved this through a vibrant IPO market and excellent performance. Since 1900 it has been the world’s best performing market, with an annualised real return of 6.6% versus 4.3% for the world ex-US (WXU in the charts below).

The left-hand panel below shows the historical record at the end of 2024. Many investors were then referring to the ‘American exceptionalism trade’, namely maintaining full or overweight allocations to US assets on the assumption that the US economy and markets would continue to outperform. In the short run, this proved the wrong call.

US exceptionalism

Real annualised USD return (%)



Source: Elroy Dimson, Paul Marsh and Mike Staunton, UBS Global Investment Returns Yearbook 2026

We should not draw conclusions from such a brief period. Indeed, historically, underweighting the US has proved unwise. However, markets are a pricing mechanism, so at some point the undoubted merits of the US market must become fully priced in.

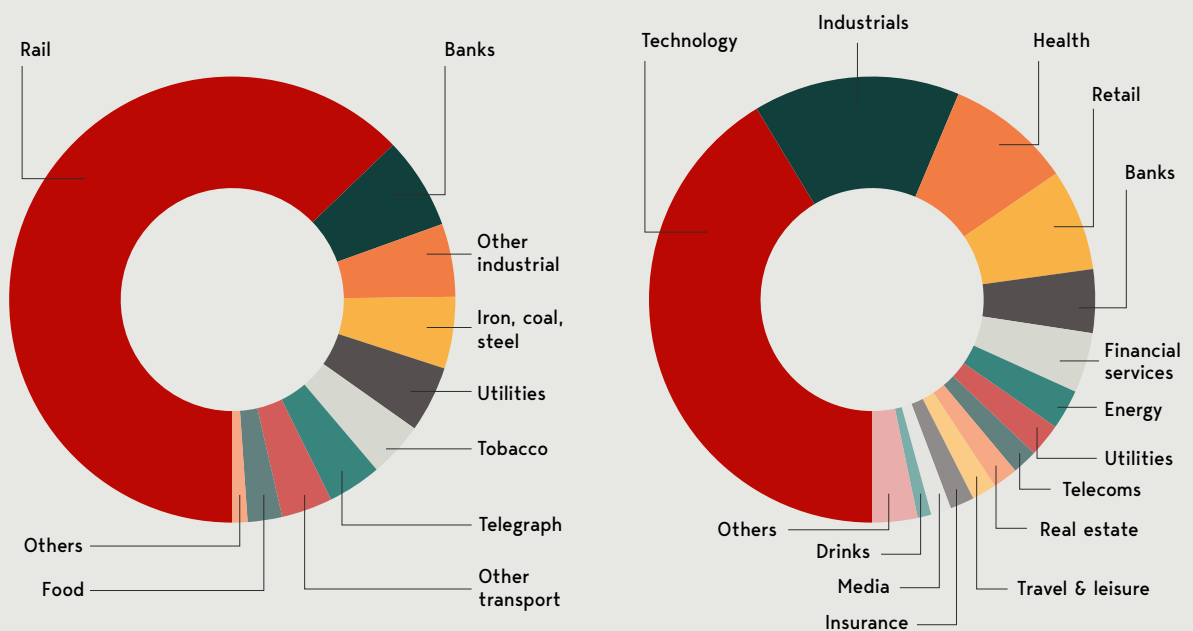
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New technologies have changed the world, but do not always lead to bubbles

Over the last 200 years, new technologies have changed the world and the industries and companies we invest in. The dominant industry in 1900 was railroads; today it is technology. Of the US firms listed in 1900, 80% of their value was in industries that are now small or extinct. Seventy per cent of today's market is in industries that were small or not yet dreamt of in 1900. New technologies are typically disruptive of existing industries.

Investors remember the dotcom crash, so new technologies are often assumed to generate bubbles.

Industry weightings in the US, start of 1900 (left) compared with start of 2026 (right)

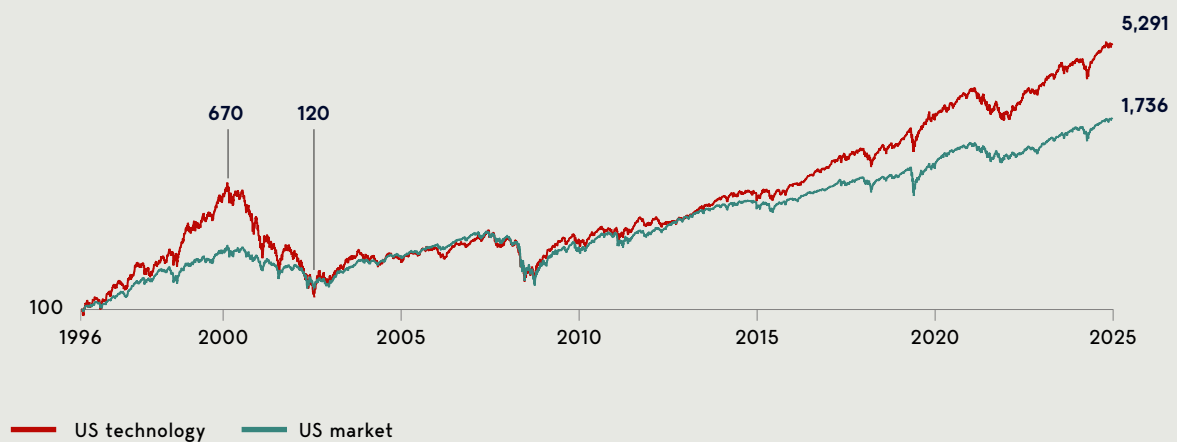


Source: Elroy Dimson, Paul Marsh and Mike Staunton, UBS Global Investment Returns Yearbook 2026

Hence the concern about AI. However, by no means all new technologies over the last two centuries have led to bubbles. Even when bubbles do occur, long-run investors can still do well. Despite the dotcom bubble, long-term technology investors, even those who bought at the peak, have ended up beating the US market.

The dotcom bubble, crash and aftermath, 1996-2025

Value of investment in technology (log scale)



Source: Elroy Dimson, Paul Marsh and Mike Staunton, UBS Global Investment Returns Yearbook 2026

Paul Marsh has spoken at all six of our Edinburgh Research Conferences and has presented his work at numerous Walter Scott events in North America. Paul is also a regular contributor to our annual Research Journal.

Data is sourced from the Global Investment Returns Yearbook. The yearbook is produced by Professor Paul Marsh and Dr Mike Staunton of London Business School and Professor Elroy Dimson of the University of Cambridge. It is now published by UBS and is a definitive source of analysis of the long-term performance of global equities and other financial assets. ■

The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of Walter Scott.

The great demographic change

For long-term investors, the questions that really matter are structural and not cyclical. Demographic change is one of the most powerful structural forces at play.

As people enjoy healthier, longer lives and fertility levels drop, societies, governments and companies are facing a race to transform themselves, says leading demography expert Professor Sarah Harper CBE. Meanwhile, renowned former investment banker and author Ken Costa explains how a generational handover of wealth will revolutionise capitalism and challenge the status quo – and what we should do about it.



Illustration: Stuart Martin

Sarah Harper
discusses what
happens when
longer lives
begin to reshape
societies, economies
and healthcare
systems



- 1 Half of the people born in the UK in 2007 will live until they are 100.** Advances in science mean that the 120-year life will soon be a reality.
- 2 Governments in high-income countries are obsessed with raising fertility rates.** None of the incentives are working. The average age at which women have their first child now in Europe is over 30, and typically they will only have one. The choice to be child-free has become incredibly popular and accepted among young women. We're going to have a low-fertility future.
- 3 We are trying to solve 21st century demographic challenges with 20th century solutions.** Governments must change their approach from quick fixes towards integrated population and social policy for prosperity and well-being. Developing resilience depends on lifelong learning, workplace adaptation and mid-life reskilling. The issue is not ageing but whether the institutional aspect of our workplaces can change. We must transform our societies and institutions to meet the new demographic reality.
- 4 We have seen tremendous advances in the biology of ageing.** We knew that diet and exercise could have a radical impact on longevity. Now we can see the impact that stressful events have at a cellular level. Replacing senescent cells can reverse the ageing process.
- 5 Science shows that intelligence changes as we move through our lives.** As children we start with 'fluid intelligence', which is based on rapid cognitive responses, but from the age of 20 it starts to decline. Then 'crystallised intelligence' starts – the ability to use skills and information gained through experience and learning. Crystallised intelligence peaks between the ages of 40 and 70. The reason why AI is disproportionately affecting entry-level jobs is that it mirrors the kind of intelligence that young people have.
- 6 Older adults can cure our economic malaise.** A report by the UK's House of Lords Economic Affairs committee found that the greatest improvement in the country's fiscal outlook will come from encouraging and incentivising those in their mid-50s to mid-60s to remain in or return to work.

Ken Costa
explores the
implications of
the great wealth
transfer, from
family legacies
to the future of
capital allocation



1 Money, power and influence are changing hands. Assets worth US\$100 trillion are shifting from one generation to the next. This is the great wealth transfer of our age from baby boomers to gen Z and millennials, referred to collectively as 'zennials'. The biggest provider of equity to first-time homebuyers is not JP Morgan or Barclays but Bomad – the bank of mum and dad.

2 Technology has empowered a generation in a way that has never happened before. And they feel that they're energised by an agenda. This generation is going to be using its influence, its power, its finance, to bring about changes in society that they long for and create businesses that act with purpose.

3 The next generation has democratised finance for good and bad. Crypto is a zennial protest movement against fiat currencies and it's here to stay. The gamification of finance poses a threat to long-term investment.

4 The traditional model of capitalism is under threat. In the UK, the average age of a first-time buyer putting down a deposit to buy a house is about 38. Zennials are the first generation which does not believe it will have

a better standard of living than its parents. Then, at the other end of the spectrum, the asset-rich are living healthier, longer lives.

5 By the end of the decade, millennials will occupy key management positions of major corporations around the world. And that will drive further change, and they will know that the cohort that they're bringing up with them will have a very different value system from the one that they inherited.

6 Wealth will transfer, but so must wisdom. The challenge is for baby boomers and gen Z to work together and combine the wisdom of hindsight with the wizardry of insight. We must help zennials to see longer-term trends and to avoid fads. The solution to intergenerational tensions and inequality is co-destiny, whereby generations work together to combine the boomer generation's hindsight with the zennials' insight to create the foresight for a new, dynamic capitalism. ■

The views and opinions expressed in this article are those of the authors and do not necessarily reflect the position of Walter Scott.



Illustrations: Matt Saunders

The coding agent revolution

*The evolution of a new class of coding agents is transforming software from a tool into a workforce – ushering in an era in which AI can build, deploy and improve itself. Microsoft AI's **Michael Bhaskar** explains why we are at an inflection point*



The first couple of months of 2026 are likely to be remembered by economic historians not for a geopolitical crisis or a pandemic, but for a stock market glitch that wasn't a glitch. By 4 February, nearly \$1 trillion had been wiped off the value of software stocks following Anthropic's release of its new 'coworker' plugins. What was going on?

I think of it like this. The era of software as a tool was ending; the era of software as labour had finally begun.



***"It's the feeling, quite honestly,
of watching a mind at work"***



For years, we've been told that the AI revolution is here. We watched AlphaGo make moves in the strategy game Go that no human would contemplate; we chatted with ChatGPT. But these were, in retrospect, prologue. The arrival of the latest generation of coding agents and specifically the release of models like Claude Opus 4.6 and OpenAI's GPT-5.3-Codex marks the moment the AI wave finally crashed over the seawall. *This* was the inflection point. Not because these models can write a poem or pass the bar exam, but because they have begun to seize the means of their own production. They were not

just radically useful at a level scarcely believable even months earlier, but they held out the prospect of a self-improving loop, the Holy Grail of AI research.

The one-person unicorn, courtesy of AI agents

I recently watched a Microsoft PR exec – someone with zero coding experience – build and deploy a fully functional web app to manage a complex database of public and private comments. This wasn't a simple landing page. He instructed the agent to architect a secure database, build the behind-the-scenes connections that make everything work together, and design the part of the website or app that people see and use. A project that would have taken a professional development team potentially weeks to scope and deliver was finished in an afternoon. The agent didn't just write code; it anticipated security needs my colleague didn't know he had and deployed the solution live.

If you haven't yet played with one of the latest coding and reasoning models, I urge you to do so. There is a specific, uncanny feeling that accompanies watching this. It's distinct from that little blast of wonder we all felt seeing a large language model generate fluent text for the first time. It's the feeling, quite honestly, of watching a mind at work. We are witnessing reasoning engines that can hold a complete mental map of a massive project, understanding exactly how changing one small piece will affect the rest, before the AI even starts typing. When the model pauses, 'thinks' (as visualised by its chain-of-thought logs) and then corrects a subtle logic error before committing the code, you feel we



are way beyond the era of ‘stochastic parrots’ that simply mimic text patterns without true understanding. This is not just autocomplete any more; we’re dealing with an alien intern of infinite patience and terrifying competence.

The difference lies in *agency*. The chatbots of 2023 were passive; they waited for a prompt. The agents of 2026 are active. They inhabit an environment like the coding terminal or the browser. They can use tools and take actions. They don’t just output code. They execute it, see the error message, find ways of unblocking themselves.



“We’re dealing with an alien intern of infinite patience and terrifying competence”



Coding agents therefore change the equations of action and innovation in a profound way. If the cost of *implementation* drops to near zero, the economics of innovation shift. Both generating and then actually realising ideas become far more doable.

The upside is an explosion of ‘impossible’ projects. Small teams of three or four people equipped with these agents

can now build systems that previously required hundreds of engineers. The ‘firm’ as a unit of economic organisation is about to undergo its most radical restructuring since the Industrial Revolution. We will soon see the rise of the ‘unicorn of one’: a billion-dollar company run by a single concentrated orchestration layer. An individual person, in other words.

The metric of agentic power

We don’t need to rely on vibes to measure this shift. The benchmarks provided by the independent research organisation METR (Model Evaluation and Threat Research) have become the most important economic indicators in the world.

METR has identified what it calls a ‘Moore’s Law for AI agents’: the length of a task an AI agent can autonomously complete is growing exponentially. While the historical trend showed a doubling every seven months, the latest data suggests this has accelerated to every four. Two years ago, models would derail after a few minutes of independent work. Today, Opus 4.6 boasts a ‘50% time horizon’ of over six hours. That means it can be trusted to autonomously execute a task that would take a competent human nearly a full working day, with a 50% success rate, without a single intervention.

This is a threshold moment because it only gets better from here. In our book *The Coming Wave*, Mustafa Suleyman and I warned about the recursive nature of this technology – that AI would be used to build better AI. With these long-horizon tasks we are seeing that

loop begin to tighten in its early phase. Codex 5.3 was reportedly instrumental in its own optimisation. As the friction of software development evaporates, so the moment when AI researches and builds AI gets closer. Once AI can complete tasks that take a month or two, about the time it takes to get fully up to speed in a new job, or complete a significant work project or scientific experiment, then expect takeoff.



"As the friction of software development evaporates, so the moment when AI researches and builds AI gets closer"



We are basically handing these systems the keys to the digital infrastructure that underpins both our civilisation and their own creation.

The uncanny feeling I experienced watching Opus 4.6 was ultimately the vertigo of seeing an infinite loop begin to spin. For the last decade, we have debated AI as if it were a media technology – ‘GenAI’, the spewing out of only sometimes accurate text and images. This missed the point. It missed, most critically, how AI can, thanks to long-horizon coding ability, become a *self-improving* technology.

The question is no longer whether AI can do the work. It almost certainly can, and if it can’t I’ll bet it will tomorrow. The question is: what is left for us when the machine becomes its own maker? ■

The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of Walter Scott.



The smell of success

*Building one successful brand is difficult. Jo Malone CBE has done it twice. In conversation with **Jane Henderson**, she explains why creativity, storytelling and persistence remain powerful competitive advantages*

Jo Malone CBE, Perfumer and entrepreneur

Awarded a CBE for services to British perfumery, Jo is a respected mentor and advocate for creative entrepreneurship. She regularly advises entrepreneurs and speaks on innovation, consumer behaviour and the evolving luxury landscape.

Jo Malone CBE developed her entrepreneurial zeal and resilience from an early age. Her upbringing wasn't easy and her story is a remarkable and inspiring one. Jo has built not just one successful business, but two. She started Jo Malone London in 1990 at her kitchen table, creating some of the world's most loved fragrances before selling the firm to Estée Lauder nine years later. She left the brand in 2006 and is no longer associated with the Jo Malone London brand or Jo Malone products. But in 2011 she started again, launching Jo Loves – a fragrance, candle and body care brand.

I started by asking her about her formative years.

Jo Malone CBE: I grew up on a council estate. My father was an artist and my mum was in the beauty industry. They were very creative but from the age of 11, I was the responsible adult.

It was up to me to put food on the table. I started by helping my mum make face creams at our kitchen table. Then I'd catch the train to London to sell them and bring the money back home. We made little cleansing creams in pots which my mum used to sell for £4.50

each. I worked out I could sell them for £7.50 if I just tweaked the contents. I tripled our money overnight. From a very early age I learned resilience, passion and how to make money.

Jane Henderson: You left school at 15. What happened between then and setting up your business?

JM: I suffer from severe dyslexia and I left school with no qualifications. I got my first job working in a flower shop and they sent me to the market because I knew how to negotiate. After that I worked in Justin de Blank's delicatessen on Elizabeth Street in Belgravia, London. Justin was a high-profile, charismatic and innovative pioneer who is credited with creating Britain's 'foodie' culture in the late 1970s. That was the start of my entrepreneurial journey.

JH: What was the market opportunity that you saw and how did you break into it?

JM: I had no real strategy. I was a young British girl with no training whatsoever. I remember going to Paris for the first time and sitting in a fragrance house, hoping to speak to a perfumer. I brought my own sandwiches



Jo (left) reflects on the twists, turns and triumphs of building successful brands

and sat there all day. Everyone ignored me except one man I spoke to at the end of the day. I told him that I saw fragrances in my head and I needed someone to teach me. He saw that point of difference and he's followed me all the way through my life.

JH: So that lucky encounter provided the opportunity to break into such a highly competitive and difficult industry.

JM: Yes, that and tenacity. If someone says no and you really believe in what

you want to do, then find a ladder. If you can't find a ladder, dig a hole. I've heard no a lot in my life. Now that I'm very successful, I hear it less.

When we opened our first shop in Walton Street in London, there were queues outside and among them was someone who'd come over from the US with an offer to buy the business. We said no but five years later we sold to Estée Lauder Companies.

That was absolutely the right thing to do. They had courted us for about two

years. And then we reached a point where the business was growing rapidly across the world but the pool of money to fund that business was getting smaller. We knew we either had to slow the pace of growth, borrow money, raise equity or sell the business.

I had an earn-out as part of the sale. I was 38 years old. I'd just had my son Josh – and then I was hit by a curveball. I was diagnosed with a very aggressive form of breast cancer and given nine months to live. I flew to New York and to the Sloan Kettering Cancer Center. I did two years of a new form of protocol and then, in my final cycle of chemotherapy, I lost my sense of smell.



"If someone says no and you really believe in what you want to do, find a ladder"



I felt like I'd lost my identity, my superpower. In 2006 I left the business with a five-year non-compete agreement. Then, one month after leaving, I got up one morning and I could smell again. And there I was, in a position of being able to create a fragrance like no one else in the world but locked out of the industry.

JH: You launched Jo Loves in 2011. How did you find the experience of coming back second time around?

JM: I found that the market had moved on a lot, particularly with the arrival of social media. The first two years were hard but I knew that I was bringing something different again. The first store we opened was a birthday present from my husband, Gary, who gave me a little key in a blue box. And I thought, well, it can't be a car because I can't drive. And – believe it or not – it was the same site on Elizabeth Street where I worked for Justin de Blank.

And in that shop we created the world's first fragrance bar. Modelled around the concept of a cocktail bar, you sit down, get a menu and you have four courses of perfume tapas. Your shower gel comes from cocktail shakers. Everything is turned on its head like a circus. And then the turning point of the business was a fragrance paintbrush – the first in the world at the time.

JH: You've been brave and taken risks. How does that influence how you build teams and manage colleagues?

I like to operate with very small teams. We're human beings and we make mistakes. I don't like to see the same mistake repeated but, in a fast-moving world, you do sometimes have to jump and take a risk. And when things don't go quite the way you want them to, you learn more from your mistakes than from your successes.

JH: What are your thoughts on how AI sits with creativity?

JM: I'm not frightened of AI – I'm embracing it because it gives you information at your fingertips within

seconds. Say, for example, I wanted to create something called 'Orange Butterflies'. Normally the research would take me months but now I can ask AI for all of the orange blossoms across the world and it will do it in minutes. What it can't do is create something that doesn't already exist.

JH: Do you think that fragrance, skincare and that type of luxury have more of a place in the future?

JM: Luxury is here to stay. But it's changing. And when I look at what gen Z and gen Alpha are buying it's changed in a short space of time.

In beauty and fragrance, this younger generation is turning back towards vintage and brands like Jean Paul Gaultier. They want to feel the product and not just find it. It is no longer just about a beautiful watch or a nice pair of shoes. They want an emotional connection with the story. We've all got to work much harder at telling the story.

I live in Dubai now and it's a real hotbed of opportunity. One of the things



"We created the world's first fragrance bar"

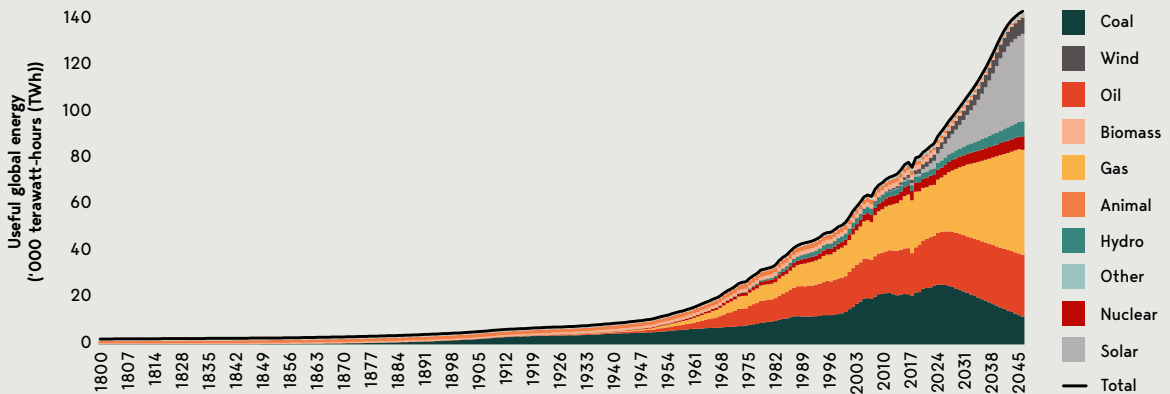


I'm passionate about is education, teaching the next generation about entrepreneurialism. I've just finished a project in a school where the pupils worked together to create a fragrance called Happiness. It uses all of the traditional subjects like biology, maths and English, but in a completely different way. And that, along with resilience and tenacity, is one of the ingredients for success. ■

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The energy expansion

*There isn't a single energy source to rule them all. Leading energy analyst **Rob West** explains why, distilling the history and future of global energy into a single slide*



Source: Thunder Said Energy

I used to look at this chart as a series of energy transitions – the rise of coal that unlocked steamboats and mechanisation and railways, followed by the rise of oil that unlocked planes and plastics and cars. The next logical step should be the rise of solar and how it's going to unlock electric vehicles and many other things. Looking out to 2050, I think a mixture of solar and gas will be the big winner in our energy mix.

But what drove these energy transitions in the past was not supply but demand. Coal dates back to the Han dynasty. Oil was commercialised in the 11th century. Then suddenly there was a demand for pumping machines and trains and that's what drove the Industrial Revolution. Coal was the perfect resource for those needs because it's the easiest to burn.

Then when planes and plastics and cars came along, we needed oil to manufacture and power them. So, if we accept that demand is what's going to drive the future of our energy system,

the question becomes: what is the most suitable energy technology to meet that demand?

The chart shows that the answer is a mixture of sources, and that solar and gas are going to be the big winners in our energy mix. But what's also striking about this chart is that it doesn't really describe an energy transition at all.

Instead, what you see is a very additive process of constantly adding supply – where every new form of energy supply has just been added to the last. It's an additive process rather than a process of transition.

There's always a combination and that just speaks to the breadth of the energy system. The idea that one source is going to take the whole cake is not rooted in history. Instead, it's a story of energy addition, not energy transition. ■

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Mapping the new world order

Working with Trump and Putin

Kolinda Grabar-Kitarović, former President of Croatia

Kolinda discusses conflict, diplomacy, and European security, drawing on experience at the highest levels of international affairs



The consequences of Russia winning the war in Ukraine would be far-reaching, not just for Europe and the European Union but for the balance of power and for global peace and stability.

My experiences have taught me that there are clear parallels between the war in Yugoslavia – and even more so in Bosnia – and the war in Ukraine. Bosnia was a war of choice for Slobodan Milošević, former president of Yugoslavia, just as Ukraine is a war of choice for Vladimir Putin.

The predominant Serb nationalist view of Bosnia was that it was a bogus country – just as for Vladimir Putin and the Russian regime Ukraine is a bogus country and Ukraine is a bogus identity.

During my time as president of Croatia I met Putin several times and I've witnessed an evolution in his outlook. In the early 2000s he was open-minded in speaking about the European future of Russia and he even said the Cold War did not bring any good to Russia, Nato or the European Union. Now he has become a Russian nationalist who sees as his mission the restoration of the Russian Empire.

From trade tensions to armed conflict, geopolitics is increasingly shaping the investment landscape. To explore the implications for investors, we brought together leading voices from defence, trade and politics. Here's what a former head of state, a Nato commander and a trade chief had to say

That means he will not stop at the borders of Ukraine. I have witnessed situations when he said openly to Croatia and Slovenia, "I made the mistake of letting you go", meaning not just to Nato but to the European Union. And he went further: "I'm not going to let the rest of your neighbourhood go."

Four years later I was around the table at Nato when President Trump first threatened to walk away from the alliance. He objected to the fact that the United States was paying billions of dollars for the defence of Europe whereas Europe – and he mentioned Germany in particular – was still spending billions of euros buying Russian gas and oil.

Trump was right. At the time, the EU, and especially Germany, were guided by commercial and not by geopolitical interests, and it suited them to ignore why the intervention in Ukraine started.

"The centre of gravity is shifting towards central and eastern Europe"

I also worked with President Donald Trump and I enjoyed a very constructive relationship with him during his first term in office. He understands central and eastern Europe. He understands Putin. But the problems started when that understanding became admiration.

In 2015 President Andrzej Duda of Poland and I started the Three Seas Initiative – connecting the Baltic, Adriatic and Black seas. We did not appreciate at the time how important this would become. We focused on energy because there was too much dependence on Russian gas and crude. We focused on transport infrastructure linking the north and south axes of this eastern flank of the European Union and Nato. And we focused on digitalisation to build resilience.

Europe and the European Union have failed to learn lessons with respect to these two powers, Russia and the US. In 2014, when Russia started the hybrid warfare with the illegal annexation of Crimea, the EU largely ignored it.

This is important because, when we look at the future of the EU, the centre of gravity is shifting towards central and eastern Europe. This region must be defended, but it also provides the key to cohesion, prosperity and the continuation of the European project.

Trade solutions for a fragmented world

Pascal Lamy, former Director-General of the World Trade Organization

Pascal shares his perspective on tariffs, trade tensions, and an increasingly complex global economy



The rapid pace of globalisation between the 1970s and 2010s has stalled due to fundamental changes in ideology and technology.

The initial wave of globalisation was built on the conviction that it was the most efficient way for countries to produce goods, which in turn contributed to the development of individual economies. This consensus has now changed with the realisation that globalisation has not resulted in efficiencies for everyone. There have been winners and losers, and that has triggered a Schumpeterian reaction. The best example of this is the United States, because it has the weakest social safety net among the world's richest countries. The inequalities wrought by globalisation led to the election of Donald Trump, which marked a turning point.

The development of technology has fuelled globalisation, but it is now working in two different directions. On the one hand, technology keeps pushing for globalisation in industries like services. But on the other, the new digital world that is emerging is more fragmented than the world we are used to. The most compelling example of this is that while we have global standards for aviation safety, we are yet to establish global standards for AI safety.

The biggest reason for the shift in technology and ideology is the rivalry between the US and China, which will continue for the next 50 years. What has changed is the balance between geo-economics and geopolitics. There is now less attention on efficiency and more on security. And that's where the price of risk comes in.

Global market capitalism is here to stay. It has the capacity to adjust to these transformations. For example, markets and economies showed resilience in the face of increased tariffs by the US. This resilience can be explained by 'Taco' (a term coined by Financial Times columnist Robert Armstrong, 'Trump Always Chickens Out'). President Trump has tried to limit the impact of tariffs, which have been properly shared by exporters, importers and consumers. There has been an adjustment.

"The rivalry between the US and China will continue for the next 50 years"

The fast-growing dominance of China in manufacturing is changing the nature of globalisation. There is a structural imbalance in the Chinese macroeconomic system. They produce 30% of global goods but they consume less than 13% of what they produce.

Added to that, China has built a formidable comparative advantage in the technologies and critical materials necessary for the energy transition.

Trade measures can have only a limited impact on this, such as by slowing the pace of import growth. When I was European Commissioner for trade I negotiated the terms of trade for China's entry into the WTO and it is clear that rather than increasing consumption, China still gives priority to technological dominance. There are some loose international agreements but, in areas like critical minerals, any meaningful alliance must include the US.

For the moment, there are more reasons – geostrategic, technological and economic – to compete rather than cooperate, and nowhere is this more obvious than in the field of artificial intelligence. This needs to change. Without a common approach, we risk creating a digital divide particularly between the global North and South – in terms of both innovation and interoperability. But to arrive at this point we also need to bridge ideological divides around data privacy – China's concept of this contrasts with that of Europe and the US, for example.

This creates regulatory complexity but in this complex balance between regulation and innovation, innovation should win. I think the process will be a gradual one. It could start with global cooperation around technological standards, then move to interoperability of risk and pave the way for a global political conversation.

Adopting a war-ready mindset

Sir Richard Shirreff, formerly Nato's Deputy Supreme Allied Commander Europe

Drawing on decades of military experience, Sir Richard reflects on conflict, resilience, and an increasingly uncertain world



We are in the foothills of a global conflict. That does not mean all-out war everywhere, but the days of peace being the default setting in geopolitics are gone.

By joining the dots of disparate conflicts, a picture emerges of shifting and sometimes contradictory geopolitical alliances. When America and Israel launched their bombing campaign against Iran, Russia provided direct targeting and intelligence support to Iran. In Ukraine, we've seen the President of the United States trying to force a capitulation deal on President Volodymyr Zelenskyy, in a sense, to support the Russians.

China is underwriting the war in Ukraine by equipping Russia with dual-use technology, which is making its way into Russian missiles. And it is also supporting Iran in its war against America and Israel. At some stage, Taiwan will become part of mainland China, perhaps without the need for China to launch an amphibious invasion. The more likely outcome is that China will apply the Sun Tzu dictum that "to subdue the enemy without fighting is the acme of skill".

The transatlantic alliance has fractured. In his speech in Munich last year, US Vice President JD Vance sent a clear message that America

was no longer going to underwrite European security. Other Nato members should have seen this coming for years, but Europe has failed to step up to the mark. Instead, European leaders scuttled to the White House as supplicants.

The publication of the US National Defense Strategy shattered the doctrine of collective defence by sending a clear message that America expected Europe to pay for its conventional defence – and rightly so.

Some political leaders are starting to grasp this new reality. Canada's Mark Carney sent a powerful message on the importance of the 'middle powers' coming together, while Chancellor Merz in Germany has spoken of the need for Europe to build operational autonomy from the United States.

That is an awesome challenge. To meet it, we must adopt a mindset which is ready for war. And that means investing in strategic enablers such as air defence, satellite-based intelligence and other capabilities.

Warfare is a Darwinian process. It eliminates the linear thinkers and brings up the lateral thinkers, encouraging innovation. And nowhere is that more evident than in Ukraine, which has shown us how future wars will be fought – particularly with its development of unmanned vehicles.

Ukraine has become a superpower in drone technology by combining extraordinary software design skills with long-held expertise in heavy

manufacturing. This has created an agility in harnessing ideas and bringing them to the battlefield at speed.

Such momentum provides grounds for optimism, but we need proper strategic thinking about how we support Ukraine militarily and financially, as well as in terms of strategic communications.

The UK Defence Review provided a valuable insight into how our armed forces should be structured and equipped to meet the demands of modern warfare. We need to move from a situation where 100% of our defence equipment consists of legacy systems – tanks, self-propelled artillery, and armoured infantry fighting vehicles, for example – to one where legacy systems make up only 20% of the mix. The remaining 80% should be split between unmanned sea and land capabilities and expendables, which means artillery shells and drones.

Finally, private capital has a vital role to play because the future is in the unmanned ground capabilities and the expendables. The West should invest in Ukraine to harness its experimentation and innovation to plug the gaps in our defence capabilities.

If we are to achieve long-term security in Europe, there has to be a lasting ceasefire in Ukraine. And that will only be achieved when we step up to the mark. ■

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Bus Arrivals 19:02

17	Little Tree Lane	Due
1X	Golden Junction	3 mins
2	South Ham	5 mins
16	King's Warren	10 mins
5	Bus Station	11 mins

Illustrations: Andrew Lyons

How data shapes decisions

*In a world awash with data, **Tim Harford** says the challenge is not just collecting more of it, but learning to use it with the humility and wisdom that good decision-making demands*

Data is everywhere. Governments use it to design policy, businesses use it to allocate resources, and individuals use it to make choices about everything from health to finance. And that's welcome – up to a point. The world is a complicated place, full of patterns we cannot detect without a statistical helping hand. But while data can be the basis for good decisions, it can also mislead, distort priorities, and create false confidence. The real challenge is not simply to gather more information, but to use it wisely. Here are six hard-won principles for turning data into decisions.

The power of good data

The first principle is that data is powerful, and the absence of data is dangerous. Without evidence, people can keep making the same bad decisions for astonishingly long periods of time. History offers many examples, but one of the starkest is the death of George Washington. When he fell gravely ill in 1799 with a throat infection, the three doctors treating him repeatedly drained his blood in the hope of easing his breathing difficulties. This was accepted medical practice and Washington himself had requested it. Of course,

it did not work – and Washington, a rich and celebrated man, died.

What is striking is not that the treatment was harmful, but that the medical profession had gone for a couple of thousand years without ever conducting the kind of controlled experiment that would have confirmed that it worked – or that it did not. For generations, doctors had relied on tradition and authority instead of systematic evidence.

The second principle is that if good data matters, we should actively try to get it. Too often, decision makers treat the lack of evidence as an unavoidable fact. But useful data can often be found, improved, or produced. That may mean collecting better records or conducting experiments. A company unsure whether remote work improves productivity can test different arrangements rather than rely on the HIPPO (highest paid person's opinion). In medicine, the clinical trial replaced guesswork with structured comparison. The key habit is intellectual humility. Instead of pretending to know, leaders should ask: what data do we need, and how might we obtain it? Good decision making is not just about making the most of the numbers that

come to hand – it is about creating the conditions under which reliable evidence can emerge.

“Without evidence, people can keep making the same bad decisions”

Be careful how you use data

If the first two principles are a celebration of data, the next three are warnings.

Never let data become a substitute for clear goals or strategy. The Vietnam War is notorious for the US military’s reliance on the ‘body count’ metric, by which the US measured its success by tracking the number of casualties it inflicted. The practical and moral flaws with this approach should be obvious, but less well-known is how the US came to set such store by the body count. The basic problem, writes historian Gregory Daddis, was that “the US Army in Vietnam often stumbled through the conflict without a consensus on its strategy”. Lacking a clear definition of what success might look like, or how it would be achieved, military and civilian leaders leaned heavily on metrics such as sorties flown, villages ‘secured’ and territory controlled. The body count was simply the most famous – and, for military men, the most institutionally familiar. All these figures created an impression of progress, but they could not answer the deeper strategic question of whether the war was moving in the right direction. Data cannot tell us

what our goals ought to be, but it can falsely reassure us that somehow we have already decided.

The fourth principle is to beware of targets. The economist Charles Goodhart is famous for Goodhart’s Law: “When a measure becomes a target, it ceases to be a good measure”. Once people have a strong incentive to hit a target, they will find ways to hit it that do not reflect the target setter’s original intent. For example, managers at a hospital might be told to try to reduce the time it takes to discharge patients. As long as patients are being discharged only when it is safe to do so, an effort to reduce discharge times is an effort to improve patients’ recovery times. But if fast discharge becomes a high-stakes target, hospitals may simply discharge patients prematurely, only to see them re-admitted as emergency cases. Targets are not always a mistake but they are usually a risk; assume that people will try to game the system.

Don’t let numbers become the target

The fifth principle is to avoid what the philosopher C. Thi Nguyen calls ‘value capture’. Value capture is a deeper and more subtle problem than mere gaming. It occurs when a rich, complex set of values is replaced by a thin, easily measured substitute. Over time, the metric does not merely stand in for the real objective; it starts to replace it. Test scores in a school start by being an indicator of learning – and then dominate the idea of education itself. Or academics, in chasing the number of times they are cited in academic journals, may start to forget that they ever had a loftier goal. Spend too much time hoping for likes on



a social media platform and it is easy to lose sight of the fact that originally you were on there to connect with friends or to have fun. The risk is not only that data distorts our behaviour, but that it distorts our desires.

The sixth and final principle is that data always needs context. Numbers stripped of context are an invitation to bad decisions. Context includes where the data came from, how it

was collected, what it excludes, what the baseline is, and what comparisons are relevant. Behind every dataset lies a story and without that story the bare numbers are often misleading. Good judgement requires curiosity: where did this figure come from? What does it really mean? Compared with what? Over what period? For whom?

Data is a tool of immense power, but only when used with wisdom. Data can distract us, lead us astray, and distort our values. But it is also precious: without good data, we not only make mistakes but can make the same mistakes, unchallenged, forever. ■

"Never let data become a substitute for clear goals or strategy"

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Illustrations: Tom Haugomat

New rules of marketing

*How can brands stay distinctive and create lasting value in an AI-driven world? Brand strategist **John Paul O'Meara** sits down with marketing guru **Rory Sutherland** to explore what it takes to stand out from the crowd*

Rory Sutherland is one of advertising's sharpest and most original thinkers, known for challenging conventional assumptions about value, behaviour and decision making. At Ogilvy UK, where he serves as Vice Chairman, he has spent decades exploring the intersection of psychology, creativity and markets.

I began our conversation by asking whether modern marketing had become overly focused on efficiency and optimisation at the expense of creativity, and whether the rise of AI risked accelerating that trend.

Rory Sutherland: Businesses which face quarterly reporting constraints are, in my view, more or less incapable of making long-term decisions in terms of innovation or investment in brand, simply because anything long-term, anything with a deferred pay-off, will be the first thing to get cut to meet those numbers.

The finance function is a world in which every amount of expenditure is matched to an immediate amount of revenue. Everybody becomes fixated on what can be quantified, not on what's important. And, if you start defining success too narrowly, what happens is that you become

more and more like your competitors. You lose differentiation.

I believe that any business that looks further out, either because it's family-owned, founder-led or effectively run by someone with a long time horizon, has an extraordinary competitive advantage over most others in their field. Family-owned companies are under no pressure to micro-manage the business to meet quarterly revenues. That creates a 'looser fitness function'. Under a tight fitness function, by contrast, you don't get any biodiversity, you don't get any growth, you don't get any adaptation, you don't get the discovery of a new ecological niche in which it can play to its own advantage.

John Paul O'Meara: Is the problem with a lot of brands today that they are afraid to create tension?

RS: I'd view that also as loss of differentiation. That hurts everyone. It hurts the consumers because they have less choice. It hurts businesses because they end up in direct hand-to-hand competition with all their rivals. It hurts investors because the overall value of the category is much less.

The timescale question is, I think, also really critical. Jeff Bezos put this very

Rory Sutherland,
Vice Chairman,
Ogilvy UK

Rory, the 'ad man', is the bestselling author of *Alchemy: The Surprising Power of Ideas That Don't Make Sense*. He is a regular contributor to *The Spectator*, where his Wiki Man column has built a loyal following.



Rory gave our conference audience a lively look at the quirks and biases that shape how we spend

well. He said, don't bother doing things that pay off quickly, because all your competitors are doing those already. Instead, concentrate on things that pay off slowly, that's what's under-exploited.

JP O'M: I work for a large grocery company with major footprints in the Benelux and US East Coast and I've seen food retailer brands become stronger as many branded product companies have become less focused on marketing and storytelling.

RS: We should sell how we think, not what we do.

For any company aspiring to be a brand, the metrics it uses should be unique to the company itself. The problem of exclusively using digital advertising platforms is that they're also playing someone else's game, because those metrics have largely been fed to them by the platforms which are beneficiaries of the resulting behaviour. One of the single most important metrics is repeat purchase. It's really useful because it's behavioural.

JP O'M: 'Buy two, get three' promotions used to be one of the most powerful tools for many retailers, including food retailing. But the next generation of customers aren't interested because they don't want three packets of washing powder at home. So we need to unlock ourselves from looking at people by age and instead look at people by habit and behaviour.

RS: Habit and social copying are very powerful drivers of human behaviour. In an age of AI, we will increasingly rely on each other to make our decisions. Sometimes that might be social media reviews, but we'll increasingly revert to relying on other people. The big reason why I bought an electric car wasn't performance or care for the environment but because my brother, who is an astrophysicist, bought one first. He understands all the technology, the kilowatt hours and all that stuff.



"Marketing people have to justify themselves in financial terms but financial people never have to understand marketing terms"



And then once you've had an electric car, the act of filling up with petrol feels a bit weird. Because it requires a little bit of effort to work out how you charge the car, install the home

charger etc. Then, because it requires a sunk cost, the human brain becomes more committed to the value of that change, precisely because it required some effort to actually obtain it. Sometimes a little added friction helps create new behaviour.

JP O'M: As a head of investor relations, my job is to tell the board not to think just in terms of quarterly results but to communicate what's important to build a business over time, and to meet the needs of a four-year plan.

RS: By managing for the long term, a company has an advantage over competitors that are simply in thrall to quarterly reporting. Companies have relied on price increases to boost margin, but that strategy of 'insult pricing' reaches a tipping point and the customer pushes back.

JP O'M: For global retail companies, the problem is that, with the exception of Asia, there has not been much volume growth for a decade. And now that Asia has shut its door a little bit, all the brands are waking up to the problem that no one wants to buy their stuff, and that presents an opportunity for private brands to walk in and take the space.

RS: The answer, in many cases, is innovation. The problem is that when companies try to innovate, the burden of proof has become ridiculous. Most innovation involves some degree of intuition or creativity, because there's no data about the future. There's a lot of data about the past, but there's no data



about the future. I have a whole theory about this called ‘reverse benchmarking’, which is to go into areas around which something is over-optimised and then look for the unexplored space. Then double down on that.

JP O’M: That’s what happened when I was at Adidas. The creator territory was launched to allow the design and product teams the freedom to go and look in the space where nothing is going on and create something. We built a strategic plan on consumer data. It was hugely successful. That data, what it said but also – importantly – what it didn’t say, gave us direction and empowered our people with long-term plans.

Now customer data is everywhere and investors and analysts are viewing it through a short-term lens, which means they don’t understand the value of understanding long-term trends. So how can investors learn the art of marketing?

RS: You have this complete asymmetry where marketing people have to justify themselves in financial terms but financial people never have to understand marketing terms. It’s a bit like a duel where in every case the chosen weapon is the spreadsheet. Finance means you can only act on the basis of proof and that makes experimentation impossible.

JP O'M: My four-year-old son is learning to play football. I asked him, what do you need to score a goal? And he said: "Daddy, it's simple, I just need the ball." So if you were to think about the future of great consumer companies over the next 10-20 years, what's the ball that we have to look for in those consumer companies?

RS: I'd argue it's dominant ownership of a mental space. It's better to be number one in a small category that you've created yourself than being number five in somebody else's category. Brands should be easy to buy and difficult to leave. Multi-channel is crucial. Sell to lots of people in different ways and in different places.



"It's a bit like a duel where in every case the chosen weapon is the spreadsheet"



You should also be mindful of the drive for efficiency. Food retailers are trying to drive everybody down the online self-service channel, for example. Self-checkout is great for small quick shops when you're in a hurry but when it becomes an obligation it's a problem, because it's no longer something that the customer has chosen.

JP O'M: This is one of the tensions I see. The flaw in "n=1". What about personalisation and word of mouth? Stop & Shop in Boston, for example, had self-checkout (which many customers love, by the way) but brought back in the baggers for some of the traditional checkout lanes that were left. Little did we know that the social message of the week would be, have you seen the baggers?

RS: If you're making the customer pay the price in checking out themselves, that's a cost reduction, but it's not always good just because every single transaction comes with a cost saving. What they're not factoring in is the transactions that never happened because not everybody wants to self-checkout.

JP O'M: What are the signals we should look for in consumer companies likely to win over the long term?

RS: Look at the metrics a company uses. If that company aspires to be a brand, some of those metrics should be unique to the company itself. If they are using the same scorecard as everybody else, by definition they are playing someone else's game.

And look for a marketing mindset. That can stop a company making very dumb decisions. ■

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Reflections on leadership

*As editor of the Financial Times, **Lionel Barber** transformed a struggling newspaper into a global digital powerhouse. His story reveals the discipline, resilience and clarity of purpose needed to lead the organisation through disruption*

The year was 2005 and the Financial Times was in bad shape. We had lost \$79m (£60m) in the previous three years; advertising was down 50% since the peak in 2000. Newspaper circulation was falling, particularly in our home market. Our journalism lacked consistency and quality. For a premium brand, that was potentially fatal.

“My editorship would be judged by a single measure: digital transformation”

This was the legacy I inherited when I was appointed FT editor. Aged 50, I was a seasoned foreign correspondent but a relatively untested manager. Instinctively I grasped that my editorship would be judged by a single measure: digital transformation (and, implicitly, a successful transition to a new business model built around subscriptions).

The challenge was how to bring about a fundamental shift from print to digital – the equivalent of a newsroom

revolution. Our business was still overwhelmingly print-centric (a global newspaper circulation of 420,000 versus 76,000 digital subscriptions). Transition to a ‘digital first’ model would require wholesale changes in working practices in the face of the National Union of Journalists, whose default position was ‘Nyet’.

Rebuilding confidence and purpose

My first task was to restore confidence in our journalism. This required early, painful changes in the senior ranks. But I also needed to instil a sense of collective purpose, mindful of Benjamin Franklin’s comment on the eve of the American Revolution: “We must, indeed, all hang together or, most assuredly, we shall all hang separately.”

My second task was to forge a partnership with my business colleagues. There was no question of blurring the lines between advertising and editorial. But as editor, with a seat on the FT board, I was determined to shape commercial strategy.

Naturally, my influence depended on a willingness to support unpopular measures such as cost-cutting in order to meet profit targets. That might





Lionel reflects on leadership, power and change

sound like a Faustian bargain; but I never felt obliged to do anything which compromised the quality of our journalism. Anyway, the FT was in the business of advising people how to make money and avoid losing money. Turning a profit was a matter of self-respect.

Effective communication was my starting point as editor. I had to signal clearly what I was interested in: a focus on business and financial journalism with a global perspective. I also had to convey a sense of direction – ‘the vision thing’ – with easily digestible messages. As Sir Howard Stringer, the first foreigner to run Sony Corporation, told me: “You may think people are listening. They are not. You have to say the same thing time and again. Finally the message might sink in.”

The long march to ‘digital first’

In the early days, my mantra was ‘digital first’, with all the disruption that entailed. Calling the FT a newspaper was verboten. We were now a ‘news

organisation’. From early on, I sent out six-monthly letters to staff setting out what I expected in terms of change, with specific milestones. Meeting those targets was central to my own credibility as a manager.

The third challenge was to admit that our business model was broken. We had to build a subscriptions business, deal directly with customers (rather than being disaggregated via Factiva, LexisNexis and others) and raise prices. That was a key message inside and outside the FT: readers had to understand we were not competing in the same sandpit as other broadsheets. Journalists had to grasp that a higher-priced product demanded even higher-quality editorial.

One of the most important tasks for any leader is to recruit and retain talent. Former FT columnist Lucy Kellaway once reprimanded me for using the word on the grounds that the FT was not a football team, but

bringing in fresh blood is vital. It keeps people on their toes and avoids the culture becoming too inbred. Sir Alex Ferguson, whom I interviewed twice as editor, was my personal hero. His unparalleled winning streak as manager of Manchester United football team was based on force of personality but also an acute sense of timing when it came to rotating his top team. The same applied to my newsroom.

"One of the most important tasks for any leader is to recruit and retain talent"

The FT's digital revolution unfolded without industrial disruption and under tight budgets. Unlike some rivals, we did not neglect the newspaper in favour of digital. Print was still an important source of advertising revenue. Our strategy was to sharply reduce the number of print editions, introduce templated design for newspaper pages and produce the most efficient paper possible. In one year alone, more than 200 job roles changed.

The shift to 'digital first' took almost a decade. Looking back, I wonder if we could have moved further, faster. Our approach was incremental; but a Mao-style revolution would have been too disruptive. We needed a degree of continuity while covering epoch-making stories like the global financial crisis, Brexit and the smartphone revolution.

Insights from world leaders

During my time as editor, I interviewed many world leaders, including Vladimir Putin, Donald Trump, Angela Merkel, Narendra Modi, Paul Kagame and Barack Obama. Putin was the scariest, followed by Kagame, whom I interviewed for three and a half hours in Kigali. Trump was the most bombastic, Merkel the most inscrutable. Each, though, had the aura of leadership.

I also travelled thousands of miles, visiting Japan 14 times in four years after Nikkei bought the FT in 2015 for \$1.3bn. Before I met Tsuneo Kita, the Nikkei visionary who pursued the FT acquisition and became my proprietor, I called 12 experts around the world in order to prepare for the conversation. Knowing your interlocutor, doing your prep – these are the necessary steps to success.

A transformation that endures

Overall, however, the FT's strategy has proved stunningly successful. By April 2019, we had passed 1 million paying readers worldwide, more than doubling the readership compared to 2005. Today, the figure is closer to 1.5 million. The FT has become a genuine global media brand, a beacon of authority in a bleak media landscape.

This is a source of personal pride, but also a tribute to FT journalists who kept the faith during turbulent times. ■

The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of Walter Scott.

China's next chapter

*A deep structural transformation is reshaping China's economy and clouding investor sentiment. Economist and author **Keyu Jin** explores both the challenges and the emerging opportunities within this new phase of Chinese growth*

Illustrations: Tom Haugomat



Global sentiment about China's economy tends to swing like a pendulum. In 2022, the dominant narrative was 'Peak China'. Today the narrative has shifted to a different refrain: 'China is investable again.' Both views miss the deeper reality. China is neither simply slowing down nor poised for a straightforward rebound. Instead, it is undergoing a structural transition in which three different economies are unfolding simultaneously: the old, the new, and the future. Understanding China's economy today requires seeing all three at once.



"China is neither simply slowing down nor poised for a straightforward rebound"



The old model was built on investment in things – industrial expansion, infrastructure deployment, and a booming property sector. At their peak, real estate and related industries accounted for roughly 25-29% of GDP, 16% of urban employment, and around 38% of local government fiscal revenue.

Roughly a quarter of bank lending was tied directly or indirectly to property. From the early 1990s to 2020,

Chinese house prices rose tenfold, far outstripping the booms experienced by the likes of Ireland and Spain in the years preceding the GFC.

This model worked for as long as the property sector continued to expand. Land sales financed local governments, construction generated employment, and rising property prices boosted household wealth. Crucially, it also powered what was often called the 'mayor economy' – a system in which local officials drove growth through aggressive infrastructure and industrial investment, financed largely through land-sale revenues and borrowing from local government financing vehicles linked to the property sector.

Mind the consumption gap

But this growth machine also produced an important side effect: structurally weak consumption. For decades, China's economic model focused overwhelmingly on expanding supply rather than strengthening demand. Local governments and private firms worked together to create one of the most productive industrial systems in the world. Yet the same system devoted far less attention to providing households with the security needed to spend.

The imbalance is particularly visible in China's social safety net. Urban retirees receive pension benefits roughly 15 times larger than rural residents, whose basic pension averages only about 240 renminbi per month (around \$33). When households face uncertainty about healthcare, retirement, and education costs,

they naturally save more. Many are forced to rely on their children, who in turn must cut back on their own spending. The result is an economy that excels at producing but remains cautious about consuming.

The imbalance is striking. While China produces roughly 18% of global output, it accounts for only around 12% of global consumption. On a purchasing-power-parity basis, Chinese consumption amounts to roughly 50-70% of US levels – not as low as many assume. The real gap lies in services. Service consumption as a share of GDP is about 18 percentage points lower than in the United States, highlighting the scale of potential growth in China's domestic consumer economy.

Chinese households hold more than 60% of their wealth in housing, compared with roughly 30-35% in the United States. In recent years, precautionary savings have continued to rise despite slower income growth.

The model – characterised by state-allocated capital, low interest rates, and relatively restrained wage growth – generated abundant output but comparatively weaker household security and consumption.

Frontier China

Yet alongside this slowing legacy economy, another China has emerged – one defined by technological dynamism and innovation. From electric vehicles (EVs) and robotics to semiconductors and artificial intelligence, China has built formidable production capacity. The country now accounts for roughly 30% of global manufacturing value added – the net output of the manufacturing sector. This is the largest share in the world.

Leveraging an ability to innovate at extraordinary speed while operating at a cost and scale advantage that western peers simply cannot match, China now controls more than 70% of global EV production. Battery manufacturers such as CATL are pushing performance boundaries through innovations like its Shenxing ultra-fast-charging battery, capable of adding 320 miles of range in just five minutes.

Biotechnology is emerging as another frontier. Bloomberg Intelligence has described China's biotech industry as nearly as dynamic as its artificial intelligence sector. The digital economy tells a similar story. Several of the world's most downloaded mobile apps are Chinese, and Chinese-developed large language models are now competing vigorously in the global AI race. Many Chinese LLMs are a

***"From the early 1990s to 2020,
Chinese house prices rose tenfold"***

What does the west get wrong about China? Keyu offers a fresh perspective



fraction of the price of their US peers for often only a very marginal shortfall in overall performance. By some estimates, Anthropic's Claude Sonnet 4.5 costs six times more per million output tokens than Moonshot AI's Kimi K2 Thinking model.

This technological momentum did not happen by accident. It reflects a powerful combination of entrepreneurial competition, deep industrial ecosystems, and geopolitical pressure. US export controls and technology restrictions forced Chinese firms to innovate under constraint. Companies that might otherwise have competed independently began investing collectively in domestic alternatives. Huawei's resurgence in semiconductors and operating systems illustrates how external pressure accelerated domestic technological development.

Beyond the property era

Yet even as technology surges forward, it cannot immediately replace the economic role once played by property. Real estate was never just another sector; it functioned as a financial architecture linking households, banks, and local governments – effectively serving as both a shadow financial system and a shadow fiscal system.

Technology industries are dynamic but structurally different: they do not generate land revenues for municipalities or produce the same credit multiplier effects across the financial system. High-tech manufacturing, for example, currently accounts for only about 6% of GDP. This helps explain why China's economy today can appear contradictory: a slowing macroeconomy alongside vibrant technological expansion.

Reviving China's long-term growth will ultimately require addressing its persistent under-consumption problem. Expanding household consumption – and the services sector that accompanies it – is likely to define the next phase of economic development.

The issue is not necessarily a lack of capacity to consume, but rather a lack of willingness to consume, rooted in deeper structural concerns such as economic uncertainty and insufficient social security. The government's latest Five-Year Plan aims to address these headwinds to consumption by expanding household incomes and social protections – including potential increases to rural pensions.

“Another China has emerged – one defined by technological dynamism and innovation”

Towards a new growth model

In this sense, China's transition can be understood as a shift in priorities. If the old growth model was about investing in things, the next phase will increasingly be about investing in people. That means expanding sectors tied directly to household wellbeing and consumption, including

healthcare, education, tourism, and elderly care. It will also involve new forms of consumption linked to digital services and experiential spending, as well as demand for greener and smarter products.

Another potential lever for boosting consumption lies in capital markets. Policymakers are attempting to redirect household wealth away from property and towards financial assets. China's stock market capitalisation relative to GDP currently stands well below the rate typical in advanced economies. Long-term plans envisage deepening capital markets as a channel for household wealth accumulation and innovation financing.

Transitions on this scale are rarely smooth. The old model weakens before the new one fully takes shape, creating the illusion of stagnation. China is entering a new economic era defined by the end of several powerful tailwinds:

- a post-demographic dividend phase as population growth turns negative;
- a post-urbanisation phase as the great migration from countryside to city slows;
- a post-property era as the real estate sector loses its central role in the growth model;
- a post-peak-globalisation environment in which external demand can no longer expand as effortlessly as before.

But the real test for any developing economy is whether it can move



"The next phase will increasingly be about investing in people ... sectors tied directly to household wellbeing and consumption, including healthcare"

beyond manufacturing into genuine technological leadership. On that front, China has already crossed a threshold. No country at a comparable stage of development has built such breadth and depth in frontier technologies. If history is any guide, that achievement may matter far more for China's long-term trajectory than the cyclical slowdowns dominating today's headlines. ■

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Infiltrating extremist organisations

*Dr Julia Ebner has built a global reputation for her work on online radicalisation, extremism and terrorism prevention. She gives **Tom Sneddon** a rare and gripping insight into her undercover work*

Julia Ebner began infiltrating jihadist groups a decade ago because she wanted to learn about radicalisation patterns and understand what drove people into the hands of terrorist organisations like Isis as they committed atrocities in western countries. In turn, these organisations fuelled the rise of far-right groups which tapped into the fear and anger felt by people in the aftermath of these terrorist attacks.

This work led Ebner, who leads the Violent Extremism Lab at the University of Oxford Centre for the Study of Social Cohesion, to become interested in the broader theme of online radicalisation and she discovered similarities between groups despite opposing ideologies. “Often it’s people with a grievance, perhaps linked to a decline in socio-economic status. But it’s also a mixed picture. Some people are from wealthy backgrounds and there is also a real range of age groups,” she says.

From fringes to mainstream

For Ebner, who advises organisations such as the UN, Nato and Europol,

going undercover was the best way to get under the skin of these groups. She became adept at creating backstories to create a credible online identity while navigating risks to her personal safety.

“Going undercover was the best way to get under the skin of these organisations”

She witnessed first-hand how these groups and ideologies have used technology and often adopted a business mindset to expand into new geographies and conquer the market of the hearts and minds of vulnerable people. Over the last decade, Ebner has studied how extremist ideas have moved from the fringes of the dark web to the mainstream of politics.

The most powerful example of this came on 6 January 2021, with the storming of the Capitol Building in Washington DC in the wake of the election of Joe Biden as US President.

From inside some of the chat groups that organised those riots, Ebner was struck by the camaraderie shared by disparate individuals as they coalesced

around the notion of ‘Stop the Steal’. “Group bonding was probably the most important motivator behind the Capitol riots,” says Ebner. “I saw that there were a lot of very average, everyday people who were not affiliated to any militia or extremist movements. Some of them were motivated by the election fraud narratives. But what was striking was the way they were communicating.



Dr Julia Ebner,
Researcher and author

Julia is an internationally recognised researcher and a prominent voice on contemporary extremism. An award-winning author, her books include *The Rage*, *Going Dark* and *Going Mainstream*.

“Extremist ideas have moved from the fringes of the dark web to the mainstream of politics”

They felt like they were part of an online family that was having a meetup for the first time and that they shared a sense of loyalty to the group – and to the ideals that motivate it.”

State actors

This playbook of misinformation and online radicalisation has been adopted by hostile state actors such as Russia, which has used deepfakes to impersonate experts and media outlets to spread propaganda about the war in Ukraine. Ebner says: “This creates an alternative information ecosystem that is further amplified by AI and by the algorithms, so there’s no agreement any more on what reality looks like on the ground in Ukraine.”

These online security threats have also reached the private sector through disinformation campaigns and conspiracy myths targeting senior executives.

When it comes to possible solutions, Ebner says that a balance needs to be struck between regulating some of the severe online harms while maintaining a high level of free speech. She also calls for greater adoption of AI to improve threat detection and suggests the use of ‘bridging algorithms’ to replace standard algorithms that promote extreme content. “Technology companies have pushed back on regulation on the grounds that regulating any part of the algorithmic infrastructure is about curtailing free speech, but it is the algorithms that promote extreme content, which means that voices that shouldn’t get amplified are getting disproportionately amplified,” she says. ■

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The future of surgery

*The rise of robotic surgery is reshaping healthcare. **Professor Campbell Roxburgh**, a leading robotic surgeon at Glasgow Royal Infirmary, who operates Intuitive Surgical's da Vinci robotic surgical system, tells us how*

In Scotland, we are delivering robotic surgery across the country and across many cancer specialties. Robotic surgery is bringing huge benefits to surgeons, healthcare systems and patients. For surgeons, platforms like Intuitive Surgical's da Vinci 5 console bring greater precision, greater consistency and better real-time insights. This minimises trauma, speeds up recovery times and lowers readmission rates for patients. It also reduces the burden on healthcare systems, which benefit from increasingly granular patient and surgical data produced by platforms such as the da Vinci.

This is an exciting and evolving field. Intuitive has a head start but competition is increasing as patents expire, technology improves and the pace of AI adoption accelerates.

There is a clear competitive challenge from Chinese companies, which are developing technology at pace and at lower prices, and this trend is expected to continue over the next 5-10 years, although there may be regulatory and data privacy barriers around the adoption of Chinese technology in the US and the UK.

Against this backdrop, the key for companies like Intuitive is to stay

ahead of the innovation curve and they are doing so by diversifying beyond surgery to diagnostics, which is another area of huge potential for robotics to improve processes.

"Technology will impact and influence every part of the healthcare system"

Data is informing new functionality and powering innovation. For example, the da Vinci 5's feedback technology uses data to measure how tightly the surgeon is grasping the tissue during an operation. This is an entirely new measurement which will reduce trauma in surgery and feed directly into post-operative outcomes. Intuitive also has an app, the equivalent of the exercise app Strava for surgeons, that analyses and compares clinical performance, delivering real-time feedback about the operation. Technology such as this has great



Campbell (left), interviewed by investment manager Des Armstrong, explains the remarkable advances in robotic surgery and the possibilities they offer for future patient care

potential for training the next generation of surgeons, in the same way that airline pilots use flight simulators.

Doctors and patients are also now using AI platforms or apps to question things. There are lots of ways in which technology will accelerate the diagnostics and administration processes at scale and speed up patient interactions within healthcare in the future.

Robotics is a good example of a big-ticket piece of equipment that's made a big impact in a short time but there is huge potential for many other technologies to shape the healthcare system in a variety of ways. As AI adoption and compute power increase,

technology will impact and influence every part of the healthcare system.

Looking over the next decade or so, robotic surgery will continue to improve, reinforce learning and drive better behaviours. Consoles will become more agile, and I envisage closer integration of AI with other digital technology. You could even imagine a scenario in which patients can pick a surgeon from anywhere in the world to perform their operation, and the surgeon will use a local console to perform the procedure remotely. ■

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Hidden depths

*Studying the deep seas is an exercise in broadening our horizons and challenging received wisdom. Marine biologist **Diva Amon** explains why understanding the planet's largest ecosystem is one of science's greatest challenges – and why it matters*

The tallest mountain in the world is not Mount Everest but Mauna Kea, a dormant volcano on the island of Hawaii. The reason this fact is not universally known is that almost half of it lies below the ocean – and it demonstrates how terrestrial our knowledge is.

“Knowledge begins with a map, yet only about 0.001% of the sea floor has been mapped”

Around 70% of the Earth's surface is covered by oceans, and about two-thirds of that is the deep sea. The deep sea runs from 200 metres to the deepest point on the planet, which is at 11,000 metres.

The deep sea is poorly understood. That's partly down to the conditions. At the ocean's deepest point, pressure is more than 1,000 times greater than at the surface. There is no sunlight beyond 400 metres and temperatures hover

just above freezing. This makes for an extreme environment for humans and a challenge for exploration.

Knowledge begins with a map, yet only about 0.001% of the sea floor has been mapped, and that is at five kilometres' resolution. By contrast, the entirety of Mars is mapped with 100-metre resolution. We have better maps of Mars and the moon than we do of our own ocean floor. The deep sea is the epitome of 'out of sight and out of mind'.

For the first 100 years of deep-sea exploration, our scientific methods were very rudimentary. But now, thanks to new technologies, we are seeing our oceans in a three-dimensional way.

And we're finding that there is so much more than meets the eye. Just like on land, there are a variety of ecosystems in the deep sea, from mountains and coral forests to brine pools in the Gulf of Mexico which essentially form lakes on the sea floor.

There are canyons, plains and trenches. Hydrothermal vents power ecosystems. We're discovering that bioluminescence could be one of the most common forms of communication on the planet.

The remarkable lifespan of deep-sea organisms



Homo sapiens:
up to
120 years



Greenland shark: up to 500 years



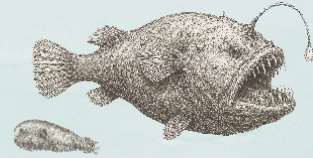
Black coral (leipathes): up to 4,000 years



Glass sponge (monorhaphis chuni):
up to 11,000 years

Years

Incredible deep-sea creatures



Anglerfish:

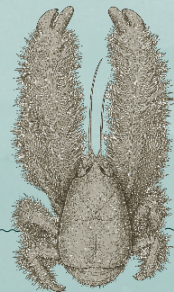
Female can grow
to be **60 times longer**
than males



Octopus graneledone:

Female **broods** its
eggs for **4.5 years**

Kiwa crab:
Farms bacteria
on its hairy arms
and chest, then
eats them



Our new technologies, which include a suite of tools from remotely operated vehicles or robots to submersibles, aren't just helping us to discover new ecosystems, they also allow us to see a lot of the life down there in a very different way. The diversity of ecosystems results in this diversity of life. There are thought to be about a million species in the ocean, about two-thirds of which have not yet been discovered.

One of the characteristics of the deep ocean that we're starting to understand is that life there is really slow.



"The deep ocean is an increasingly important frontier in looking for novel compounds in biotechnology and pharmaceutical innovation"



Most of the food in the deep ocean comes from the sea surface many kilometres above. Dead plankton, dead fish, dead whales, whatever it might be, drift down, and there's not a lot to go around. Because of that, animals conserve their energy. They move slowly, grow slowly, reproduce slowly. They live to very great ages. For example, the Greenland shark can live for up to 500 years, black corals can live for up to four millennia, and

there are glass sponges that can live for up to 11,000 years.

These timescales mean that the deep sea really doesn't deal well with change. It is very slow to recover from any disturbance. It's our largest ecosystem by far and it does things like support fisheries that billions of people around the world rely on as a significant source of protein. It is also a new and emerging source of marine genetic resources. The deep ocean is an increasingly important frontier in looking for novel compounds in biotechnology and pharmaceutical innovation.

The deep sea also regulates our climate by absorbing heat and sequestering carbon for thousands to millions of years. The ocean depths harbour incredible resources and also unique biodiversity, and all of them are vitally important to this planet and to us.

And every time we look, we find species that are completely new to science. We see that the deep sea is really pushing our boundaries and breaking previously understood paradigms of life.

There is still so much more to discover. And it's only by getting a better understanding that we can begin to better value and better manage this incredible frontier of our planet. ■

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THE WALTER SCOTT RESEARCH CONFERENCE

EDINBURGH 2026



Thinking better together

*Matthew Syed argues that cognitive diversity – not individual brilliance – is the defining ingredient of good decision making. Its lessons are both practical and enduring for long-term investors, he tells **Lindsey Deans***

Matthew Syed, Author

Matthew is an award-winning journalist, bestselling author and broadcaster. A leading commentator on performance, decision-making and organisational culture, he hosts BBC Radio 4's *Sideways* and represented Great Britain in table tennis at two Olympic Games.

Organisations succeed not by gathering the smartest individuals, but by ensuring they do not all think in the same way, argues Matthew Syed in *Rebel Ideas: The Power of Diverse Thinking*. Drawing on examples from business, science, sport and geopolitics, Syed makes a compelling case that cognitive diversity – differences in how people interpret information, frame problems and reach conclusions – is a decisive advantage when challenges are complex and outcomes uncertain.

The evidence is clear that groups made up of talented individuals who share similar perspectives tend to replicate each others' blind spots. By contrast, teams that combine different experiences, mental models and ways of thinking are better placed to challenge assumptions, avoid groupthink and make sound decisions over time. For long-term investors, this distinction matters.

An intuitive tradition

At Walter Scott, cognitive diversity has not been pursued as a formal initiative or labelled as such. Instead, it has evolved organically as part of the firm's culture since its founding in 1983. While the investment philosophy and process established at the outset remain in place today, collective decision making has always been central. Ideas are tested,

debated and refined through discussion rather than accepted by default.

The breadth of perspectives within the investment team extends well beyond traditional finance backgrounds, and deliberately so. Academic disciplines range from economics, mathematics, natural sciences and medicine to law, classics and philosophy. Personality types, learning styles, interests and professional experiences vary widely. Colleagues speak multiple languages, play a wide range of musical instruments and include former international sportspeople. Warhammer devotees and committed gamers work alongside wannabe chefs, amateur podcasters, music festival fanatics and yoga addicts. Awareness of neurodiverse perspectives is a regular training topic. While many of the team started their investment careers at Walter Scott, a number bring experience from other industries and varied organisations.

Cognitive diversity may not have been a recognised term when the firm was founded, but the value of bringing different ways of thinking to bear on the same investment question was clearly understood. It remains particularly important when assessing businesses over long time horizons,



Conference attendees put their table tennis skills to the test as Matthew offers a rare chance to face an Olympian

where uncertainty is unavoidable and conviction must be well tested.

Seeing around corners

Syed asks us to imagine a leader who thinks that diversity doesn't matter and hires people in their own image. He or she may think: 'I'm very smart and I want to hire other smart people. I feel very comfortable among people who look and sound like me.'

You can hire lots of individuals who are very smart, but if they're effectively clones of the leader, the group is no more intelligent than any one individual in the group.

Illustrating the consequences of insufficient cognitive diversity, Syed highlights the seeming inability of the US intelligence community to foresee the 9/11 attacks. Subsequent analysis

suggested the problem was not a lack of information, but a concentration of shared assumptions. Intelligence agencies were dominated by people from similar educational and cultural backgrounds, whose overlapping mental models led them collectively to overlook signals that did not fit prevailing narratives.

The parallel with investing is clear. Markets are complex systems shaped by human behaviour as much as

"Cognitive diversity remains, at its heart, a human endeavour"

hard data. A diversity of perspectives increases the likelihood that someone will question a comfortable narrative or identify a risk before it becomes obvious.

Empirical research also shows that well-functioning, diverse teams are more productive and better at working together to solve problems and find effective solutions. A 2017 Harvard Business Review study found that teams with greater cognitive diversity solved complex problems faster than more homogeneous groups. Other studies, including an INSEAD report from 2022 that examined R&D teams across more than 60 global pharmaceutical companies, showed that where diversity came together with an environment in which individuals felt free to speak up and challenge ideas, diverse teams would generate more innovative solutions and make better decisions. This was particularly so in complex, uncertain environments where no single viewpoint captures the full picture.



“In an uncertain world, the ability to think better together remains a powerful advantage”



Does AI change the equation?

The rapid advance of artificial intelligence raises an inevitable question: can AI deliver cognitive diversity at scale, and does the composition of human teams still matter?

AI can undoubtedly enhance decision making by generating alternative hypotheses, surfacing overlooked information and stress testing assumptions at speed. Used well, it can also help draw out and amplify perspectives that might otherwise be marginalised, supporting stronger collaboration across different thinking styles, including neurodivergent ones.

However, AI reflects the data and frameworks on which it is trained. It does not replace the need for genuinely diverse human judgement. Instead, it works best as a complement to it: a tool that supports broader inquiry, sharper challenge and more inclusive debate. Cognitive diversity remains, at its heart, a human endeavour.

A long-term advantage

Rebel Ideas ultimately frames cognitive diversity not as an abstract ideal but as a practical tool for better decision making. When embedded thoughtfully, it strengthens resilience, improves judgement and supports long-term success. In an uncertain world, the ability to think better together remains a powerful advantage.

As legal scholar Oliver Wendell Holmes Jr observed, “Many ideas grow better when transplanted into another mind than the one where they sprang up.” ■

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Who's in your team:

Alan Lander

*Reflecting on two decades at Walter Scott, **Alan Lander** tells the Research Journal's **Patrick Anderson** about serendipitous beginnings, lessons learned the hard way, and why culture – whether in companies or investment teams – still matters most*

Patrick Anderson: You joined Walter Scott 20 years ago this year. What first drew you to the firm – and what's kept you here all this time?

Alan Lander: The people and the culture.

I grew up close to London and came to Edinburgh to study for a master's degree in financial mathematics. The course was very much tailored to a career in investment banking.

But after a while I wasn't convinced that investment banking was for me, and I was enjoying living in Edinburgh. So I started exploring other options, including the buy side, where Edinburgh has a wealth of options. During my research, I was lucky enough to come across Walter Scott.

My first interview was with Walter himself, who spent time explaining the industry and the business. I also met Ian Clark, one of the other founders of the firm.

Walter Scott was everything that investment banking wasn't. It was small, with a long-term perspective and single purpose. It was obvious it had a unique culture.

I didn't think twice when I was offered a position as an investment analyst. It turned out to be a serendipitous choice not to pursue a career in investment banking – two years before the GFC!

PA: When you look back over the past two decades, what feels like the biggest change in global equity investing?

AL: It's got to be access to information.

When I joined Walter Scott, hard copies of annual reports delivered through the post were still a major source of information – every company publication wasn't just available on the internet.

Today, there's so much information that the question is how to drink from the fire hose!

Alan Lander,
Head of Research

Alan joined the firm in 2006 and was appointed Head of Research in 2021. Beyond his day job, he serves as a non-executive director of Didasko, helping deliver financial education programmes for young people across Scotland. A keen endurance runner, he has completed Edinburgh's gruelling Seven Hills race on multiple occasions.



Photograph © Chris Watt

That's one of the areas where AI is proving to be very useful – it helps us better interrogate the information that is out there and to distil it down to what is relevant to us as long-term, fundamental investors.

That said, some things haven't changed. There's still no substitute for getting out on the road, visiting companies and meeting management face-to-face. I don't think there's a better way to understand a corporate culture.

PA: There's a quote often attributed to Henry Ford: "The only real mistake is the one from which we learn nothing." Is there an experience earlier in your career that proved especially instructive?

AL: One early stock pitch still resonates. It was for a company called Vistaprint – an online stationery printing firm that was using its scale to disrupt a 'mom and pop' industry.

I got it all the way through our process and was keen to buy asap. Older (wiser?) heads thought we should use an imminent earnings release as a data point to reconfirm the investment rationale before making a purchase. Given it's a team-based process here at Walter Scott, we opted to wait.

When the earnings were released, management also announced a major strategic shift that pushed out profit realisation for several years. The stock was down 25-30% on the day.

That's the job. It has a habit of bringing you back down to size every so often.



Alan aged 23, when he joined Walter Scott fresh out of university

"There's still no substitute for getting out on the road, visiting companies and meeting management face-to-face"

You can do all the research, build what you think is a rock-solid investment case, but then the facts can change and you end up looking foolish.

PA: Research trips are a big part of your work. Is there a particular research trip or company visit that has really stayed with you?

AL: In 2013 I met every constituent of the UK's FTSE 100 index of leading companies in a single calendar year. It wasn't the most glamorous of research trips. While colleagues jetted off to New York, Tokyo and Paris, I was up and down to London, or visiting Southampton, Cardiff, Darlington and Newcastle...



"Over the last 20 years I've seen our philosophy and process tested in some very difficult market environments"



It's still a highlight of my career, though. I met many great businesses, some of which went on to become investments. Even those companies that didn't fit with our investment philosophy taught me a lot.

What I didn't appreciate when I started was that the FTSE 100 gets rebalanced quarterly, which means the constituents can change quite frequently. I ended up

having to meet with significantly more than 100 companies.

PA: Sticking with companies, what, in your experience, separates a truly exceptional business from a merely good one? Any favourites over the years?

AL: Focus, purpose, culture – some of the same characteristics that drew me to Walter Scott.

In my experience, the best businesses do one thing and do it well. That focus helps them to build a distinct culture. When that culture entwines with a simple corporate purpose, it can create strong alignment across the business, with everyone pulling in the same direction. That's something you often only pick up on when you visit a company and speak to management and employees.

A good example is a company we used to invest in here in the UK called Abcam. It was a world leader in a very specialised niche – producing innovative antibodies for use in life science research – and it was great at what it did.

When we invested, the business had just moved into its first phase of professional management after the founder. What really stood out was how strong and consistent the culture was. Everyone was passionate about what they were doing. Everybody understood where the business was going and how they contributed. A generous employee share scheme helped too, creating real alignment with shareholders.



Alan during research trips to Vietnam and Bangladesh with colleague Des Armstrong (top), and to India with Connor Graham (bottom two images)

We eventually sold Abcam when it was acquired by Danaher.

PA: After 20 years in the role, what parts of the job give you the most enjoyment?

AL: Identifying a new investment candidate and putting in the hard

graft to really understand the business. Building conviction in an investment case and subjecting it to the full scrutiny and debate of the team.

That is a hugely enjoyable process. But the ultimate reward comes from successfully convincing the team of your view, buying the company in

portfolios and then seeing it make a positive contribution for clients.

If you ask that question to everyone in the Research team, I expect the vast majority would give you a very similar response.

PA: We're living through what often feels like a very eventful – and sometimes unsettling – period in the markets. How do you maintain perspective during times of heightened uncertainty?



"In my experience, the best businesses do one thing and do it well"



AL: Our investment approach is a grounding force and provides clear guardrails for managing market volatility and market cycles.

Over the last 20 years I've seen our philosophy and process tested in some very difficult market environments – from the GFC early in my career, through the eurozone crisis and more recently Covid-19.

At times the market makes you feel uncomfortable, but those are the times when you go back to basics and trust in the process. Fundamental truths will out.

We're also lucky enough to have an experienced team, which is a huge help in these uncertain times.

PA: Finally, when you're away from Charlotte Square, how do you like to relax?

AL: I run to relax. It's my easy escape. I commute to the office by running – I find it a great way to clear the head as well as to keep healthy.

Running is also how I like to explore new places when I travel. Whenever I'm on a research trip, a morning run is always a priority. I find it helps with the jet lag too.

Beyond that, I dabble with DIY. Investment management is quite an intangible vocation, so I like to spend time outside of work doing something more hands-on with a very tangible outcome.

I've renovated several properties in Edinburgh over the years – plumbing, electrics, carpentry, painting and decorating; I can turn my hand to most things. Most recently I built my kids' bedroom furniture, including a bunk bed in the shape of one of Edinburgh's double-decker buses. ■

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