

THE TICKER

TOYOTA'S NEW BET

Electric cars are taking off. And Toyota wants in.

At the end of 2016, 2 million electric vehicles (EVs) were predicted to have hit the roads worldwide, with a steadily upward trend projected. The surging market, especially in China, has fueled renewed interest—and a possible strategic shift—from one of the world's biggest automakers: Toyota.

Toyota has said, according to *Fortune*, that it would reserve EVs for short-distance commuting, and instead promoted hydrogen fuel cell vehicles (FCVs) and plug-in gasoline-electric hybrid cars as the best bet for long- to medium-range commuting.

But FCVs, which have yet to transition into the current mainstream fleet of cars, may fail to reach the critical mass Toyota was betting on. According to a new study from IHS Automotive, by 2027 annual fuel cell vehicle production will surpass 70,000 units—less than 0.1 percent of all vehicles produced that year.

The biggest roadblocks for these vehicles are the lack of public hydrogen fueling stations available and the expense of building them. According to IHS Automotive analyst Ben Scott, today's market simply does not justify the price. “[T]hat market needs to be created to encourage investment in upstream hydrogen production capability,” he said in the study.

This, along with improvements to the lithium ion batteries EVs rely on, seems to be spurring Toyota's reported pivot. According to a report by Japanese newspaper *Nikkei Asian Review*, Toyota has plans to establish a team in early 2017 devoted to developing electric cars that can travel more than 300 kilometers (186 miles) on a single charge. With a goal of pushing the cars to market in Japan, California and China by 2020, the automaker aims to act fast.

It will face stiff competition. Volkswagen, Nissan and Tesla have already bet big on EVs. The Renault-Nissan partnership, for example, is launching an effort to build a low-cost EV to put on the market in China possibly in the next two years, according to CNBC, while Volkswagen has announced plans to unveil 30 all-electric cars by 2025, according to the BBC. Will Toyota be able to catch up?

PHOTO COURTESY OF TOYOTA



The Toyota C-HR Hybrid was recently introduced in Europe.



Top 5 Best-Selling Electric Vehicles

- 1** Nissan Leaf
- 2** Tesla Model S
- 3** BYD Tang SUV
- 4** BYD Qin
- 5** Chevrolet Volt

Source: EV-volumes.com Note: Rankings reflect global sales numbers through the first half of 2016.



DO THE RIGHT THING

What happened to integrity in the workplace?

For many companies, it has seemingly been lost in the mix and mire of greed or pressure to perform. In 2015, scandals rocked Volkswagen and Toshiba. Last year, there was Wells Fargo and Theranos, just to name a few. It seems as if no industry or country is exempt.

According to the *2016 Global Business Ethics Survey* produced by the Ethics & Compliance Initiative (ECI), a company's risk of an ethical breakdown correlates to how integrity ranks in the corporate culture.

The survey, which included responses from 1,000 employees in each of the reported countries, highlighted four key metrics that "provide insight into the ethics environment by highlighting the risks that emerge from lapses of workplace integrity":

1. The pressure to compromise organizational standards: This is an important warning sign of future workplace misconduct.



ILLUSTRATION BY DANE MARK/ISTOCK

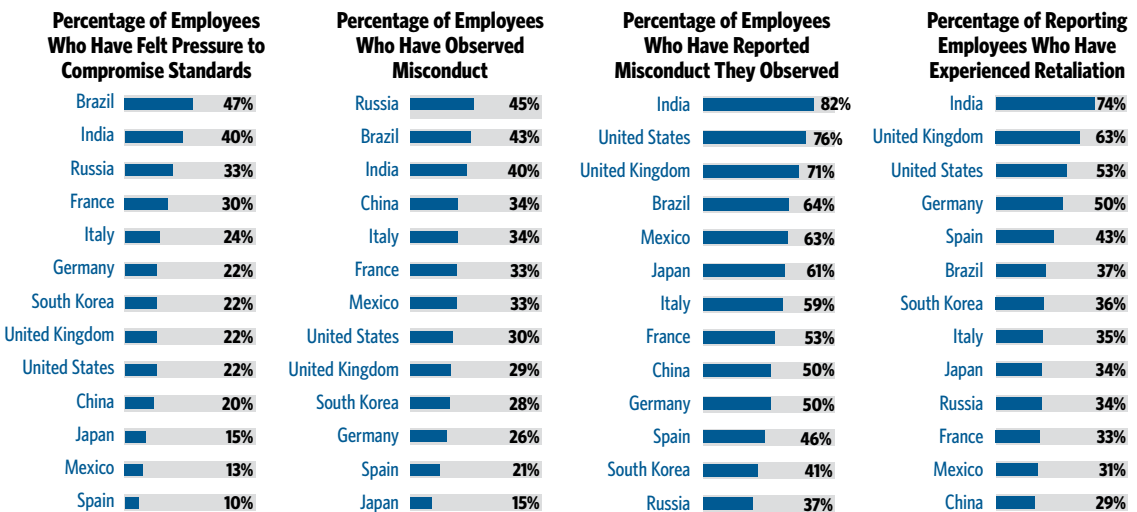
2. Observed misconduct: This is an indicator of whether or not employees follow the rules and live out the company's core values.

3. The reporting of observed misconduct: Silence around observed misconduct is an indicator that wrongdoing will continue and potentially worsen.

4. Retaliation against reporters (including verbal harassment, demotions, undesirable assignments or even violence): Perceived retaliation will erode trust and often deters employees from reporting misconduct, which in turn allows bad behavior to broaden.

So which countries have the worst integrity track record, according to employees working in those countries? Here is how several stack up against each of the ECI's metrics.

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ON TOP OF THE WORLD

The best CEOs in the world focus on the long game and they stick around, according to *Harvard Business Review* (HBR). On average, the 100 executives on HBR's best-performing CEOs list have been with their companies for 17 years and have generated a

20.2 percent annual return. The CEOs who made the cut undoubtedly face what HBR calls "the lure of short-termism." Their ability to nevertheless deliver strong multiyear results is what puts them ahead of the pack. The top 10 CEOs of 2016 are:

RANK	CEO	COMPANY	INDUSTRY	COUNTRY
1	Lars Rebien Sørensen	Novo Nordisk	Health Care	Denmark
2	Martin Sorrell	WPP	Consumer Services	United Kingdom
3	Pablo Isla	Inditex	Retail	Spain
4	Herbert Hainer*	Adidas	Consumer Goods	Germany
5	Roberto Egydio Setubal	Itaú Unibanco	Financial Services	Brazil
6	Jen-Hsun Huang	Nvidia	Information Technology	United States
7	Bernard Arnault	LVMH	Consumer Goods	France
8	Elmar Degenhart	Continental	Automobile	Germany
9	Benoît Potier	Air Liquide	Materials	France
10	Jacques Aschenbroich	Valeo	Automobile	France

*Herbert Hainer stepped down in August 2016.

SAMSUNG SEEKS REDEMPTION

Last year was, for all intents and purposes, a disaster for South Korea-based Samsung.

In August, several of the company's popular Galaxy Note 7 smartphones started to spontaneously combust. After diagnosing the problem as a battery malfunction and switching vendors, Samsung recalled 2.5 million phones worldwide, exchanging about 60 percent in South Korea and the United States with replacement phones.

Soon, however, reports began to surface that the replacement phones were also becoming too hot to hold or catching fire, and Samsung, which had approximately \$170 billion in revenue in 2015, was forced to kill the Galaxy Note 7 line entirely. The cost of the recall will total \$5.3 billion through the first quarter of 2017, the company reported.

To make matters worse, in November Samsung recalled nearly 3 million of its top-loading washing machines after it was discovered that "vibrations during the spin cycle could cause parts to fail or separate, causing injuries or damaging property," according to *Consumer Reports*. The same month, South Korea's government raided Samsung headquarters as part of an ongoing corruption probe of the country's president.

What might revive the beleaguered company's fortunes? New and improved smartphones, maybe. In November, the



A Samsung Galaxy Note 7 ad in Bangkok, Thailand

company announced plans to equip its Galaxy S8 smartphones with a Siri-like voice-enabled digital assistant called Viv. The new push is mostly possible due to the company's recent acquisition of Viv Labs, the startup company formed by the creators of Siri. According to the *Daily Express*, Viv takes Siri to the next level by being contextually aware and having the ability to answer follow-up questions.

"Samsung is setting its sights on becoming a major player in software and services, and specifically AI," said Viv Labs CEO Dag Kittlaus. The company has "installed a new cadre of senior [software-]savvy management stretching all the way to the top with a mission."

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—Dag Kittlaus, CEO, Viv Labs