

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT MAGAZINE ISSUE:1 ★ 2003

AGSM



Powerful ideas

Connecting business and science

**IS GLOBALISATION
FALTERING?**

by Rob Ferguson



**Branching out
in Hong Kong.
See page 28.**

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Editor: Debra Maynard

Design: Mayfly Graphics

Copy editor: Richard Podmore

Bush telegraph

correspondent: Don Taylor

SEND Magazine contributions

to: magazine@agsm.edu.au

Advertising enquiries:

Sarah Ponton

Tel: (02) 9931 9488

Circulation enquiries

Tel: (02) 9931 9240

AGSM contact points:

Media and communications

Tel: (02) 9931 9240

Alumni services

Tel: (02) 9931 9499/9284

Executive programs

Tel: (02) 9931 9333

MBA programs

Tel: (02) 9931 9412

Main switchboard

Tel: (02) 9931 9200

Web site: www.agsm.edu.au

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Debra Maynard & Associates Pty Ltd,

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DEAN'S MESSAGE



It was an honour to be invited to take up the role of interim dean after professor Michael Vitale decided to step down in January. Michael presided over a period of many achievements at the AGSM. He has chosen to take up opportunities relating to his areas of research, and after six months' sabbatical will return in a key advisory role to develop policy on technology transfer for both of the school's key stakeholders – UNSW and the University of Sydney.

In my academic career I have worked at two outstanding institutions – the University of Melbourne and Macquarie University – so naturally I am thrilled to be part of an organisation that values excellence in everything it does.

The welcome from faculty and staff has been both warm and generous and their positive outlook and commitment are very encouraging. This will be a period of consolidation for the school that will benefit from the spirit of cooperation already evident.

While an international search for a permanent dean is carried out, my objective will be to guide the school towards firm financial and academic plans as a platform for a sustainable future in all areas of its operations.

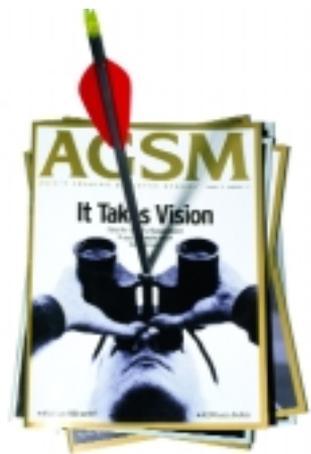
The school faces some challenges in the immediate future, since it will be necessary to trim expenditures while not jeopardising the range and quality of our work. However, we start from a position of great advantage. Our reputation is high – our faculty members, who produce world-class research, are also superb teachers; our students are the cream of the crop; and our alumni members are outstanding achievers.

We also have strong support from, and tangible links with, two of Australia's distinguished universities – a rich relationship which will be strengthened.

A great school like the AGSM can only become better by raising its aspirations. This is a challenge that requires input from all of the AGSM's many stakeholders. In particular, if we are to achieve higher goals we need the support and encouragement of our alumni. We want to continue to engage, enlighten and enrich your experience as a member of our alumni community, and work together to build on the AGSM's strengths as a source of talent, ideas and inspiration.

I look forward to meeting with you as members of the AGSM community and listening to your views on how we can make a great school even better.

Professor Carrick Martin
Interim dean and director
Australian Graduate School of Management



ON TARGET EVERY TIME

With *AGSM Magazine* you reach more than 10,000 active members of the AGSM's alumni community three times a year.

HIGHLY TARGETED

A typical *AGSM Magazine* reader is:

- A successful business decision-maker with a high disposable income.
- A high achiever willing to invest in professional development.
- A senior manager, managing director or business owner most likely to be employed in finance and banking, information technology, consulting, manufacturing or government.

KEY BENEFITS

- Exclusive access to a targeted AB demographic of businesspeople (not available anywhere else) for the promotion of your professional services, graduate recruitment opportunities or corporate brand.
- Association with a brand that stands for outstanding intellectual capital in management education.
- Participation in a high-quality publication that shares new ideas and knowledge on leading management practice.
- A Circulations Audit Board (CAB) verification of our national and global distribution: *AGSM Magazine* is mailed to alumni and MBA (Executive) students located throughout Australia and to alumni living and working overseas (in 55 countries).

SPECIAL OFFER

Advertise in the next issue of *AGSM Magazine* (July 2003) and receive a 15% discount (AGSM alumni only).

CONTACT

Call our sales manager Sarah Ponton on (02) 9931 9488 or 0418 604 081 to discuss your needs. Or to order an advertising rate card, e-mail us at: magazine@agsm.edu.au.



Arts partnership

The AGSM has formed a partnership with the Sydney Symphony Orchestra designed to strengthen its links with the Australian arts community while giving the Sydney Symphony access to management knowledge and expertise.

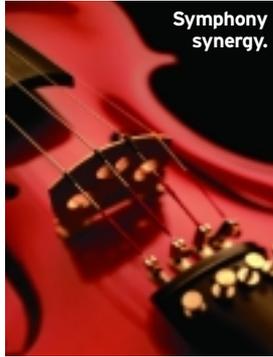
The partnership positions the Sydney Symphony as the school's 'artist in residence' and makes the AGSM a silver partner of the Sydney Symphony.

Silver partnership means there will be an opportunity to select a Sydney concert as a designated AGSM Alumni Night at the Symphony, and the AGSM community will receive regular special offers for concert tickets. The school will be acknowledged in the Sydney Symphony's concert programs

and marketing materials, and it will have access to Sydney Symphony recordings or musicians for advertising and promotions.

For the Sydney Symphony, the partnership provides leadership and management development for its senior and middle managers and musicians, who will receive special offers and scholarships to attend selected executive programs, such as Managing People for Performance and Strategic Leadership.

The AGSM and Sydney Symphony will also collaborate on a new organisational



behaviour course in the full-time MBA program, for which the Sydney Symphony will be the case study. The course will expose students to the organisational structure and

management of an orchestra, and the Sydney Symphony will gain insights from an external analysis of how it goes about its work.

"This is an exciting opportunity for the AGSM to support the arts and for members from both organisations to enrich their experience and knowledge in new areas," says professor Carrick Martin, dean.

WHAT'S NEW

Welcome to the first issue of *AGSM Magazine* for 2003. We begin the year with a strategic step forward - the launch of advertising. It's a step we've taken to position the magazine more strongly in the marketplace. See opposite for details on our special 15 per cent discount offer to alumni.

We've also introduced a new series of working knowledge columns on management strategy, tools and leadership by some of the AGSM's talented executive education instructors. Peter Fisher writes about emotional intelligence, Paul Walsh provides insights into the second-generation balanced scorecard and Kathy Hammond looks at customer retention strategies.

Also new this issue is a comprehensive listing of alumni branch contacts and committee members in Australia and overseas. Turn to page 29 for details.

Please let us know what you think about your magazine by e-mailing: magazine@agsm.edu.au.

Shaping up

A debate on the future of competition policy between Australian Competition and Consumer Commission chairman Allan Fels and John Fairfax Holdings CEO Fred Hilmer headlined the AGSM's first Alumni Conference and Reunion held at The Scientia last November. Their presentation canvassed the past, present and future of competition law and asked, 'What is the way forward?'

The two-day conference featured a diverse group of business and academic leaders from Australia and around the world who explored and analysed a range of issues and trends influencing the shape of Australia's competitive future.

Highlights included Ansett



Airlines liquidator Mark Mentha and HIH insurance administrator Tony McGrath joining a panel of businesspeople to discuss the issues of corporate collapse. Ian Buchanan, Booz Allen Hamilton's chairman (Australia, New Zealand and South-East Asia), participated in a debate on the current and future impact of war and terrorism on business.

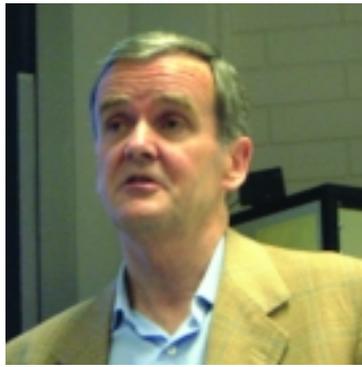
In another session, US-based chairman of International Survey Research, John Stanek, and the AGSM's professor Roger Collins, shared their research on employees and employment strategies to retain talent.

According to participant **Rodney Webb (MBA '96)**, the conference provided "high profile presenters, topical issues and job relevance".

Alumni board update

Five new members were elected to the AGSM alumni board last December. They are: **Fiona Bailey (MBA Exec '99)**, **Lance Batty (MBA Exec '01)**, **Darren Challis (MBA '99)**, **David Nelson (MBA '00)** and **Ron Regan (MBA '84)**. Continuing members are: chairman **Rob Cartwright (MBA '79)**, newly appointed president **Lino Caccavo (MBA Exec '99)**, outgoing president **Stephen Langton (MBA '96)**, **Kylie Betts (MBA Exec '00)**, **Cris Besser (MBA '94)**, **Duncan Hewett (MBA Exec '95)** and **Kevin O'Doherty (MBA '90)**.

“We are all aware of the fundamentalist Islamic backlash to the West and the globalising forces of western culture, but I believe the Islamic issue is the tip of the iceberg of a much bigger issue that goes way back to the start of the Cold War and is a long-repeating theme of history.”



Executive-in-residence Rob Ferguson.

Is globalisation faltering?

A GSM executive-in-residence Rob Ferguson began his role for 2003 with a talk (sponsored by JP Morgan) about the interaction of globalisation and fundamentalism. He found “fodder to feed” his interest in this interaction at his sixth visit to the annual World Economic Forum held in Davos, Switzerland.

Turn to page 14 for an excerpt of Ferguson’s presentation. To view the full text of his talk, go to:

www.agsm.edu.au/ferguson.

New dean

On 7 January 2003, the AGSM appointed emeritus professor Carrick Martin as interim dean, to replace professor Michael Vitale, who resigned as dean of the school effective 1 January.

Prior to his departure, Vitale said: “The past two years have seen many changes at the AGSM – AACSB accreditation, a 60 per cent increase in the size of the full-time MBA program, the creation of premises in the CBD and the founding of alumni chapters across Australia and overseas. Thanks to all of you who supported me during my time as dean, and my best wishes for your future success”.

Martin has taken over responsibility for managing the school while the AGSM

board conducts an international search for a permanent dean and director. At the time of his appointment, the AGSM’s chairman David Hoare said: “Carrick Martin is not only one of Australia’s most respected academics, but also brings substantial experience in higher education management to the position”.

Martin was deputy vice-chancellor (administration) at Macquarie University in Sydney from 1989 to 2002 and, since retiring from that position, has completed several academic consultancies. During his time at Macquarie he was also a director of four university companies, and played a key role in the development of the Macquarie University Research Park.

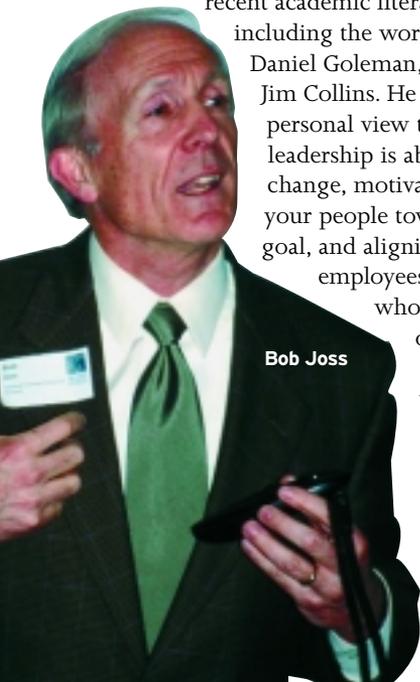
Global networks

Bob Joss, dean of the Stanford Graduate School of Business and former CEO of Westpac, was the guest presenter for the first joint alumni event between the AGSM and Stanford University.

A capacity crowd of 175 people, including 35 Stanford Club Australia alumni, attended Joss’s presentation on leadership in Sydney in February – the first event on the school’s Leadership Series calendar for 2003.

Joss’s presentation analysed some of the most recent academic literature on leadership, including the work of John Kotter, Daniel Goleman, Ram Charan and Jim Collins. He expressed a personal view that organisational leadership is about “coping with change, motivating and energising your people towards a common goal, and aligning the efforts of employees and all those who touch the organisation”.

Joss was appointed the Philip H. Knight professor and dean of the Stanford GSB in 1999.



Bob Joss

For your diary

1, 8 and 15 April Acquire knowledge and experience for managing change in The Leadership of Effective Change, a half-day executive program conducted by professor Dennis Turner and Michael Crawford, 8:30am–12:30pm, CBD campus, Sydney.

2 April Get to know your fellow alumni at the inaugural function for Brisbane-based alumni and students hosted by the Brisbane alumni branch committee. The guest speaker will be former Wallabies captain and businessman Tony Shaw. For further details contact: brisbanealumni@agsm.edu.au, or visit the AGSM Web site.

3–4 April Learn about the next generation of business performance measures in The Performance Driven Organisation and the Balanced Scorecard executive program, Melbourne CBD.

24 April Join the AGSM Brisbane alumni branch committee for informal alumni and student drinks at the Tattersall’s Club (Racing Bar), 5:30–7pm, Queen Street Mall. Drinks will be at bar prices (at your own

expense) and snacks will be provided. Please RSVP to: brisbanealumni@agsm.edu.au.

12–13 May Understand the dynamics of high performance in Emotional Intelligence and Leadership, a two-and-a-half day executive program, Brisbane CBD; also held at the Little Bay Conference Centre (LBCC) in Sydney, 2–3 June.

14–16 May Improve your communication and personal impact in The Corporate Communicator, a two-and-a-half day executive program, Brisbane CBD; also conducted at the Randwick campus, Sydney, 28–30 May.

24 May–1 June Groom your high-potential managers for leadership roles with the AGSM’s premium two-week residential Accelerated Development Program (Module 1), LBCC, Sydney. Module 2 runs from 26 July to 1 August.

25–30 May Benefit from Australia’s most sought-after strategic HR executive program, Strategic Human Resource Management, LBCC, Sydney.

High morale is good for profit margins



ISR chairman
Jack Stanek.

of a group of 31 industrialised countries whose employee commitment ranged from best in Switzerland to worst in Japan.

Commitment was measured by whether employees intended to stay with their organisation and whether they would recommend it to others as a good place to work.

Far from being an abstract issue for HR managers, Stanek said the research demonstrated that employee commitment was an important driver of an organisation's financial performance.

ISR investigated changes in companies' margins and profits over three years. It found that in high-commitment companies operating margins grew by 3.74 per cent and net profits rose by 2.06 per cent. In low-commitment companies, margins fell by 2.01 per cent and profits fell by 1.38 per cent.

"Employee engagement has two primary components: job satisfaction and commitment. The commitment and intent to stay with the organisation are really the backbone of this concept of engagement," Stanek says.

by Alan Valvasori

Levels of employee commitment in Australia are significantly lower than in most of the world's major economies, the chairman and co-founder of International Survey Research (ISR) Jack Stanek revealed in a keynote address at the AGSM's Alumni Conference last November.

In a session entitled, 'Meeting HR challenges: managing during a downturn', co-presented with the AGSM's professor Roger Collins, Stanek disclosed results of a survey conducted by ISR.

The survey ranked Australia in the middle



NEW BUSINESS INTERESTS
Stephanie Hughes.

More about entrepreneurs

Final-year MBA (Executive) student Stephanie Hughes has won the Women Chiefs of Enterprises International (WCEI) inaugural scholarship for women.

The scholarship was created to encourage the development of entrepreneurial women.

Hughes resigned from her role as general manager of investor relations at Qantas last year to research new business opportunities with a view to starting her own business.

"That's what I've found valuable about doing the MBA part-time at the AGSM – you get insights and knowledge from classmates on so many different industries," says Hughes.

The New South Wales WCEI president, Vicki Austin, says Hughes won the scholarship because of her career success, community involvement and strong entrepreneurial interest.

As an undergraduate, Hughes studied commerce at the University of New South Wales, and she also studied entrepreneurship as an exchange student in the US.

In a year of new business exploration and study, Hughes says she is looking forward to being invited to WCEI events to share ideas with members and gain inspiration.

Record scholarships

Almost \$500,000 in scholarships is supporting 42 students from eight countries to study at the AGSM this year – a record result that brings more talented students to the school from diverse backgrounds and cultures.

Enrolments from overseas accounted for 52 per cent of this year's full-time MBA intake, and students from India, Colombia, the UK, Portugal, Switzerland, Indonesia and Israel won scholarships that ranged in value from \$2500 to \$30,000.

Corporate, institutional and individual sponsors of the 2003 scholarships include the Joseph Barling Fellowship, Sir Walter Scott Fund, A.T. Kearney, Computer Associates, Morgan Stanley, Boston Consulting Group, Chief Executive Women Inc, Tokyo Foundation (Sasakawa Young Leaders Fellowship Fund), Women Chiefs of Enterprises International and the Bluefire Group. AGSM scholarships included \$100,000 worth of silver anniversary awards to commemorate the school's 25th birthday in 2002. 🌟

UK MBA student Jamie Pullen with professor Carrick Martin, dean.



2 June Learn about new business creation from one of the masters, David Shein, founder of Com Tech Communications and former chairman of Dimension Data Australia. He will be speaking at the AGSM's Randwick campus in Sydney as part of the 2003 At the AGSM speaker series, 6:30pm. For details contact: kandym@agsm.edu.au.

7–8 July Assess and reduce risk in your business in Risk Management, a two-day non-residential executive program, Sydney CBD; also conducted in Melbourne, 14–15 July.

15 July Join economist Don Stammer for a breakfast presentation entitled, 'What they didn't teach you at business school', 7–8:30am, Tattersall's Club, Queen Street Mall, Brisbane. Alumni and students are welcome at this event, hosted by the Brisbane alumni branch committee. Further details and invitations are to follow. Contact: brisbanealumni@agsm.edu.au.

For details on any of the above executive programs, call client services on: (02) 9931 9333, or e-mail: enquiries@agsm.edu.au.

Boardroom fix

David Gonski prescribes remedies to repair the tarnished image of big business. **Lachlan Colquhoun*** reports.

Board members – both executive and non-executive – should have the power to vote colleagues off the boards of companies as a way of improving their corporate governance, according to David Gonski, one of Australia’s most experienced company directors.

In a presentation to the AGSM entitled ‘Repairing the Image of Corporations’, Gonski advocated a mechanism where company boards of five or more members could remove board members by a unanimous vote – a power currently held by the annual meeting of shareholders.

Such powers, Gonski says, would help address the perception that some directors have too many directorships to have time to make a positive contribution to a company.

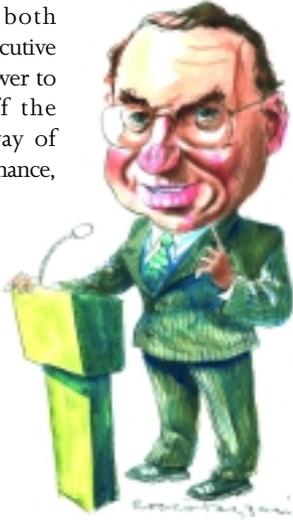
“Such a provision would ensure that a director who was regarded by his [or her] peers as ‘not up to it’ or not working hard enough could be removed, and this should give further comfort to shareholders,” he says.

“The most compelling argument is that other directors will not tolerate a non-contributor.”

Gonski also calls for the reform of director elections. He sees the “populist haranguing” of shareholders by board candidates at annual general meetings as unproductive and, instead, calls for full candidate biographies to be posted on company Web sites well in advance of the vote.

“I would suggest that companies should provide detailed information of the proposed candidates, including a statement of their involvement with the company since becoming a director, their particular fields of activity and interest and what they bring to the board,” Gonski says.

“This information, I believe, would



“Communicating once a year with anybody seems a little artificial, and a lot of the aggravation is because of a lack of communication.”

some exception, mentorship does not exist at the level of directors.”

Acknowledging that shareholder meetings have become “much less productive” than they should be, Gonski also suggests a mechanism which he calls a “grievance hotline” – where shareholders could communicate with directors through the company Web site.

“The aim would be to provide shareholders with a ready way of making their views clear to directors without necessarily bringing them to the shareholders’ meeting,” Gonski says.

“It would also be, perhaps, an avenue to allow some discourse between the directors and shareholders on a more ongoing basis than the annual meeting.

“Communicating once a year with anybody seems a little artificial, and a lot of

overcome a considerable amount of scepticism that many shareholders feel towards the candidate put up by the board.”

Gonski, who is chairman of Coca-Cola Amatil and Investec Wentworth, and a director at ANZ Bank, Westfield Holdings and John Fairfax Holdings, declares himself a supporter of nomination committees and the engagement of consultants to spread the net wide in the search for boardroom talent.

He also favours a system of mentorship for directors as a way of continuing their corporate education.

“Continuing education is required in all great professions – why should directors be different?” Gonski asks.

“When you look at all the great professions, the concepts of mentorship have existed for years but, with

the aggravation is because of a lack of communication.”

Gonski also warns against focusing on executive remuneration and options packages as the solution to perceived problems of corporate governance.

“There seems to be an implicit view that the board, by design or by failing in its duties, is prepared to overpay top executives,” Gonski says.

“In my experience, this is seldom the case and boards in Australia are extremely aware of their need to get the best at a price which is fair both to the company and to the executive involved.”

To take the heat out of the remuneration issue, Gonski prescribes better communication between shareholders and boards, long-term incentives in executive salary packages and philanthropy and sponsorship by corporations to repair the corporate image.

On the controversial issue of share options, Gonski says he is “strongly of the view” that well-constructed option plans were an appropriate way of paying top executives, and that despite the publicity surrounding the cases of Enron and WorldCom he does not believe that options artificially alter the objectives of top executives.

On the role of the corporation, Gonski confesses to being a convert to the cause of the “triple bottom line”, which adds a degree of community responsibility to the mission of a company.

“For far too long corporations were seen as inanimate, non-participators in society,” Gonski says.

“Philanthropy and sponsorship activities give a different view to the corporation and they are necessary requirements to the improvement of the corporation’s image.”

He says “matching schemes” where corporations agree with their employees to match employees’ contributions to nominated charities or causes not only improves the image of the company in the community but also can provide employees with “satisfaction and a sense of achievement”. ♣

* Lachlan Colquhoun is a freelance writer.



WHAT MAKES A LEADER?

In our society, many people separate the act of leadership from the leader and see leadership as something that leaders do rather than an expression of who they really are. For many of us, this lack of focus on self-awareness in relation to leadership retards our ability to recognise, understand and foster true leadership in ourselves and others.

When times aren't too tough, there are many leaders who have all the threshold competencies to get the job done. They know how to look good and sound good. Their competency-based leadership skills, such as their ability to tackle day-to-day operational procedures and strategic decision-making keep their businesses and people on track. However, it's not until the going gets tough that it becomes apparent that true leadership is as much about generating the emotional resonance that lets people flourish as it is about cultivating successful business operations.

As we spend each day hurtling from task to task, meeting to meeting, decision to decision and crisis to crisis, a leader's continued success relies on a significant set of emotional intelligence skills rarely gleaned from business school or business literature. Skills such as self-control under pressure, trustworthiness, taking personal responsibility for performance, adaptability to handling change, innovation, motivation, empathy, leveraging diversity, flexibility and clarity in communication are just some of the true competencies we expect of leaders.

Daniel Goleman, in *Working With Emotional Intelligence*, describes emotional intelligence as: "the capacity for recognising our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships".

Under pressure we all tend to fall back on conditioned responses, or shadow behaviours, to survive. In such circumstances, others may see us as becoming more controlling, autocratic or bossy. Or they may see us as withdrawn, unapproachable or silent. These learnt behaviours are often so entrenched that

we are not aware of their impact. It is only when we become aware of our feelings and behaviours, the conditions which create them and the impact that they have on others that we can begin a process of transformation. In the AGSM's Emotional Intelligence program, we rely heavily on theatre-based learning techniques in a fun environment to explore such shadow behaviours.

SELF-DISCOVERY

In today's business world, emotionally intelligent leadership skills distinguish the star performers from the average ones. However, these skills can't be learnt using traditional business methods. That's why I use theatre-based learning techniques in the AGSM's Corporate Communicator and Emotional Intelligence programs as a means of self-discovery. An actor's training relies heavily on experiential processes. Simple exercises, such as expressing the same piece of text using a variety of emotions or impromptu motivational speaking and storytelling, help corporate managers discover more about how they perceive themselves and how they understand the world around them. Such theatre-based learning processes allow them to explore their true leadership potential.



“In today's business world, emotionally intelligent leadership skills distinguish the star performers from the average ones.”

Actors also spend a lot of time exploring the impact of voice and body language on how we get messages across. We call this subtext. The words alone communicate only a minute portion of the underlying message. By undertaking tasks such as exercises in vocal projection, tone and articulation and control of body language, participants get a sense of who they really are as communicators and develop a personal style which improves their ability to powerfully influence their audience.

In the AGSM's Emotional Intelligence program the journey is somewhat deeper. Participants get to know more about themselves in terms of how they manage and express emotions, particularly under pressure, as well as recognising and managing emotions in others.

WHY THEATRE-BASED LEARNING?

Great performers thrive in the spotlight. Many actors talk about the experience of performing on stage as one of the few moments in their lives where they can express who they really are. To survive in the spotlight successful performers, whether on stage or in business, have to journey inwardly to tap into their emotive selves, their sense of trust, intuition, creativity, spontaneity and daring. They are then able to use this self-awareness to influence other people's thoughts, feelings and behaviours.

I believe great performers and true leaders have in common: a willingness to be transparent in sharing experiences; an ability to communicate a message with clarity, passion and emotion; a talent for aligning people to their vision; a gift for demonstrating congruence between their words and actions; and an ability to create in others a sense of being part of a team or community.

As Tibetan Llama Sogyal Rinpoche says: "It's not what we do or what we say but how we are that makes a difference". ★

Peter Fisher teaches Emotional Intelligence and Leadership and The Corporate Communicator executive programs with AGSM senior lecturer and program director Dr James Carlopio.

Brian Gilbertson (BHP Billiton), Paul Batchelor (AMP) and Domenic Martino (Deloitte Touche Tohmatsu) are recent examples of how winning the coveted role of CEO is becoming a weaker guarantee of keeping your job. These are not isolated cases. CEOs in the US appointed after 1985 are three times more likely to be fired than CEOs appointed before that date. One-third of the Fortune 100 companies have replaced their CEO since 1995.

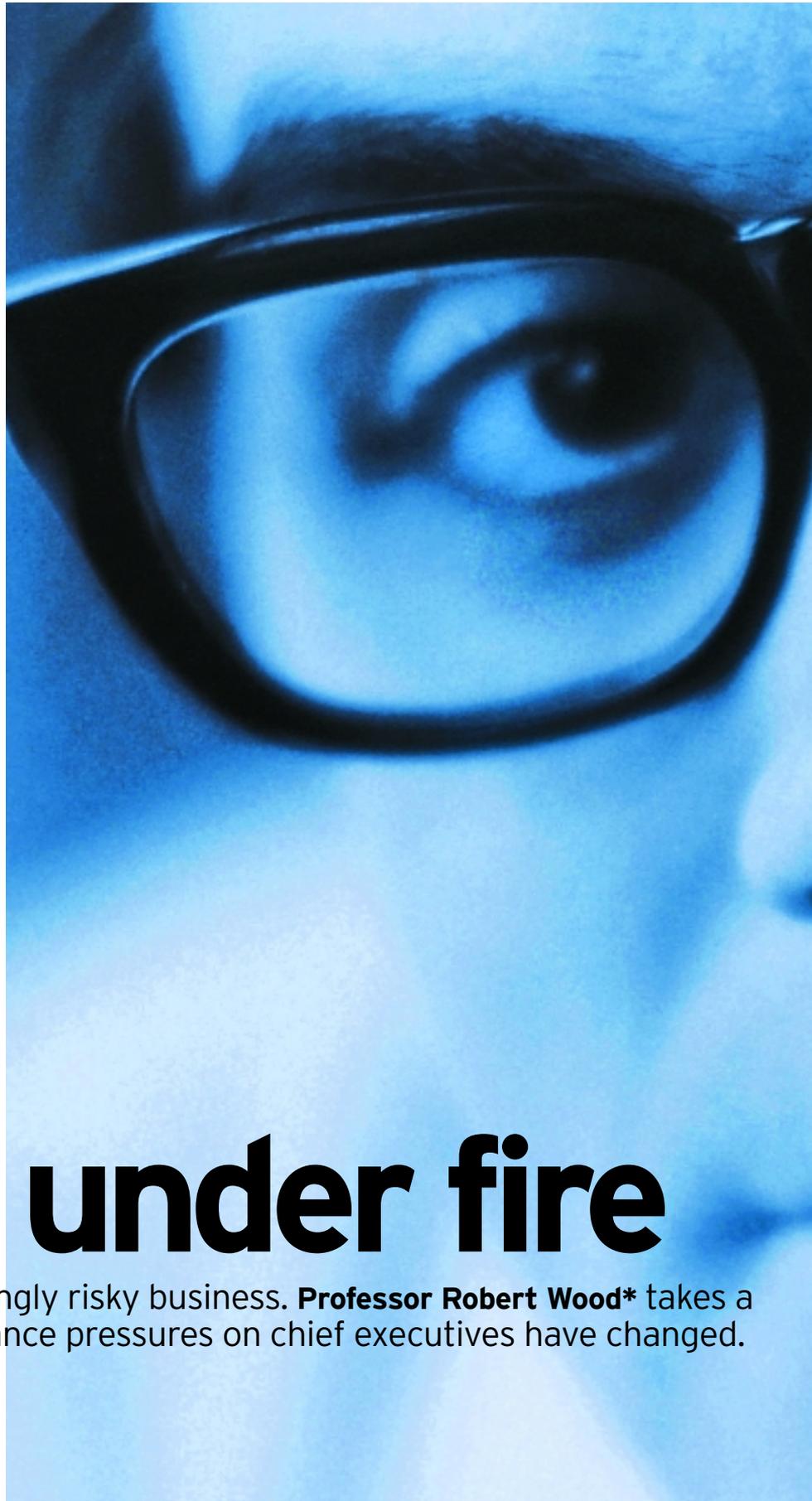
What's happening? This is a question that I posed at a series of 'Meet the AGSM' lunches, organised by the school's corporate relations team, at which faculty members met with CEOs, board members and senior executives to discuss current management issues.

Pressures to perform are part of the answer but they have been around for a long time. Senior managers are accountable for what they achieve and, in some quarters, how they achieve. Gilbertson departed BHP Billiton long before his decisions had begun to shape the fortunes of the newly merged giant, for better or worse. According to reports, the reason for his departure was that the board disagreed with the strategies in his proposed agenda.

The financial performance of Deloitte Touche Tohmatsu was not the issue in

CEOs under fire

The top job is an increasingly risky business. **Professor Robert Wood*** takes a look at how the performance pressures on chief executives have changed.



Martino's exit, which was prompted by potential conflicts over his role as a board member at New Tel. At least Batchelor was around long enough for his leadership to be called into question because of the adverse impact his strategies had on the performance of AMP.

The performance pressures on CEOs have also changed in other ways. According to Ian Buchanan of Booz Allen Hamilton, investor expectations are higher and CEOs are now accountable for bigger, faster and riskier decisions. The convergence of technologies and shortening technology life cycles are having an impact on the strategies of most major organisations. In many industries, globalisation and deregulation are changing where and how firms compete.

Adaptation to these changes is often slow. Research conducted by Booz Allen Hamilton, in collaboration with the World Economic Forum, has found that CEOs, on average, estimate their organisations are performing well below their capability. Less than 1 per cent of CEOs surveyed believed that their organisation was performing close to full capability. Why?

According to Buchanan and managers at the AGSM lunches, there are three broad functions that a CEO must perform to unlock his or her company's potential. Although the terminology varies from one company to another, it was agreed that all CEOs are responsible for:

- setting the agenda
- creating the appropriate architecture
- leadership.

These three functions are interrelated and each of them requires much more than just the personal efforts of the CEO.

SETTING THE AGENDA

A CEO needs to identify both the goals and pathways for moving his or her organisation forward. This may include specifying the mission and values of the company, but it requires more than general statements of intent. It must also include processes for identifying and working through issues and for setting strategies.

An early lesson for the CEO is that you cannot manage by doing everything yourself. Most people promoted to the role of CEO know this from previous general management roles, but some forget the lesson and are quickly overwhelmed by the job.

Others incorrectly assume that as the boss they will automatically get the support of their colleagues and will not encounter

resistance to their agenda. Gilbertson found he was unable to marshal the support he needed from the board or senior management for his proposed agenda at the newly merged BHP Billiton, despite his past record of successes at Billiton.

A top priority for a new CEO is to set an agenda that includes some identification of the major issues and medium-term strategies, but also to gain support for that agenda from the board and colleagues in the top management team.

CREATING THE APPROPRIATE ARCHITECTURE

It is important to decide on the appropriate structure for a company and to ensure there are organisation-wide systems for setting targets, obtaining reliable data on performance and for holding people accountable. At the highest level, the structuring of a company is a decision about

Investor expectations are higher and CEOs are now accountable for bigger, faster and riskier decisions. ■

who will report to the CEO and for what those divisional or departmental heads are accountable. In deciding on the top-level structure, the CEO must align work units with both internal strategies and the external environment. At the same time, the CEO must create a top management team that will work with him or her and one another.

A weakness that often undermines a CEO's success is the failure to create systems that deliver reliable and believable performance data. Buchanan describes these systems as the "invisible hand" because a CEO must rely on them to produce trustworthy data for making decisions and commitments.

By the time Batchelor came to understand and accept that the performance data from the UK divisions of AMP was much worse than expected, it was too late for the AMP board and the markets to accept it, and he was shown the door.

A good example of a company with strong architecture is Wesfarmers, where each independent division operates a range of standardised systems that drive business and capital planning, cash management, management reporting and performance assessment. These various pieces of the

architecture are all linked to a common goal of return on capital – which Wesfarmers pushes down to the lowest possible levels within each division to ensure that it stays at the top of the company's agenda.

LEADERSHIP

The third and often most visible role of the CEO is that of leadership. A basic requirement is that a CEO must behave publicly in ways that are consistent with the values and agenda of his or her organisation. Martino performed well in many aspects of his role as CEO of Deloitte Touche Tohmatsu. However, by sitting on the board of a client he exposed himself to criticism that he was not acting as an exemplar of auditor independence, in keeping with Deloitte's values.

While leadership encompasses more than just leading by example, or 'walking the talk', the requirements of a CEO do not necessarily include charismatic or inspirational powers. In our discussions with a range of very effective CEOs, we discovered that the meaning and importance of personal leadership varied from one company to another. For example, the executive partner of a law firm may spend up to 70 per cent of his or her time consulting with partners about strategies. Whereas, some of the managers we spoke to spend as little as 10 per cent of their time on leadership, particularly in companies where there are well-established agendas and strong architecture.

In recent times, popular descriptions of CEOs have focused on their personal leadership styles. In the process, the importance of the other two functions has been understated – particularly organisational architecture. Too much belief in the power of charisma to improve business performance – especially in leaders like former General Electric CEO Jack Welch – tends to ignore other factors that drive performance. For example, GE used rigorous assessment of divisional performance and management processes, such as 6 Sigma, to drive innovation and cut costs.

Leadership is important, but effective chief executives recognise that organisational performance requires much more than personal charisma. The risk in times of pressure and heightened accountability is that too much attention is focused on the leadership styles of CEOs and not enough attention is paid to the fundamentals. 🌟

** Robert Wood is a professor of management at the AGSM.*

Powerful ideas

Inventors and venture capitalists put new business plans to the test at the AGSM's business planning competition. **Helene Zampetakis*** reports.

This time last year, Simon Blyth had a cool idea. What if he could invent a device that replaced touch with light and sound to activate everyday mechanisms such as lifts, automatic tellers and vendor machines? You would no longer have to press a button. Instead, you could simply hold your hand in front of a holographic icon with built-in sound to activate a lift, withdraw money or buy a chocolate bar.

Blyth, an electrical engineering and physics student at the University of New South Wales, knew that the benefits could be extraordinary. A device such as this could improve hygiene in public spaces like lifts. It could circumvent cross-contamination in hospital wards or chemical contamination in laboratories. Banks could enhance security at automatic teller machines by tailoring the technology so that only the user could see the image they were activating. It would certainly attract customers to sales points such as vending machines by turning the simple act of buying a soft drink or a snack into a light and sound show.

By gathering the expertise of fellow students – David Ah Toy, Rami Banna and

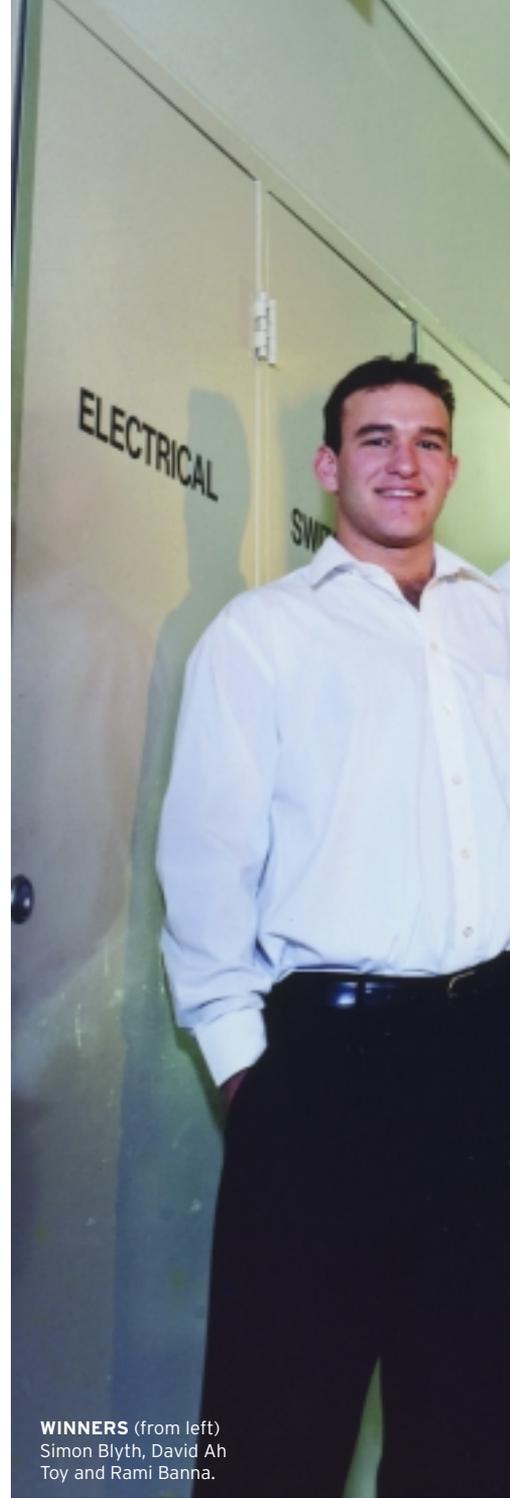
Matthew McKay – Blyth set about making a prototype. The team created a 3-D optical illusion of buttons over a panel using holographic imagery. To activate the panel imagery they built in sensory technology – which determines when a user points at the imagery and triggers light and sound to confirm the point of contact.

The prototype confirmed the idea was innovative. No one had yet created 3-D virtual contact points for these kinds of applications by combining holographic and sensory technology.

However, what the team did not really know was how to turn the idea into a commercial reality. That's where AGSM alumnus Phil Stockwell came in. Stockwell is a strategic consultant of technology with the boutique venture capital group Alchemy Strategy Partners.

Late last year, Stockwell was invited to look over a selection of submissions to the AGSM's Connector Business Planning Competition with a view to mentoring a promising entry as part of the scope of the competition. He picked out Blyth's project.

Together with a small network of other mentors, he gave the team rare access to the



WINNERS (from left) Simon Blyth, David Ah Toy and Rami Banna.

MARKET REALITIES

For technology start-up Jigsaw Solutions, which won first place in the 2001 Connector Business Planning Competition, the biggest challenge in getting off the ground has been finding customers.

The artificial intelligence developer has created platform technology that improves data processing in fields such as robotics, geographical information systems and neuro-sensory medicine.

It has spent the past year, since winning the competition, perfecting and developing the technology, as well as planning its strategy. It is only now swinging into a full commercialisation phase.

Jigsaw Solutions' technology offers automatic methods of organising huge volumes of data about the space around us. The technology uses algorithms to piece together data in much the same way that the human brain

unifies a picture. It restores lost spatial data, creates spatial information from scratch and unscrambles pictures.

The technology can be applied to geographic information systems for unifying data from geographically distributed sources such as weather stations. In image processing, it can piece together images from multiple cameras. It is also able to pick out the anomalies in spatial data in applications such as data mining.





PHOTOGRAPH: FRANK LINDNER

“Mentors are often the defining link between concept and viable commercial process.”

skills and knowledge of an experienced businessperson. Over the next six months, they developed the concept technologically, drew up a basic business plan and submitted it to the scrutiny of the competition judges – David Nelson of BlueFire Innovation, Charles Lindop of Australian Technology Park (ATP), Simon Uzcilas of Nanyang Ventures, and Faisal Rahman and John Hanson of Deutsche Bank.

The team's efforts were validated – it won the competition's \$20,000 first prize for its entry, which it dubbed 'Virtual Buttonz'. The team beat 51 other entrants because it had a secure intellectual property position and a prototype. It also had a committed management team that had sought out mentors.

Blyth and Ah Toy are now deferring their studies so they can take the concept further, using the prize money to fund the next stage of the initiative. They aim to make the technology ready for the market by the end of 2003. They're also seeking a position at the ATP and are looking for a businessperson to help develop the technology beyond proof of concept.

Blyth believes the technology could capture 4 per cent of a diverse global market he estimates is worth \$1 billion – with a large part of that coming from vending machines.

The technology is now attracting wider attention from venture capitalists and Blyth is confident that they will succeed in raising \$1.2 million of first-round funding to help them advance towards commercialisation.

But without Stockwell and the team's network of advisers, Virtual Buttonz could have remained just a cool idea. Indeed, mentors are often the defining link between concept

However, Jigsaw Solutions' main focus for the technology is robotics – where it can be used to integrate the image picked up by a robot and the task the robot must perform. This means that the robot can continue to function even when it is damaged or misaligned.

The company has developed a robot prototype that it uses to demonstrate the technology's capabilities. It has also developed a radio-activated device for

controlling robots and vehicles, a spatial data research kit and software for spatial experiments.

Jigsaw's chief technology officer, Barry Drake, says there is no direct competitor in the market. If anything, Jigsaw is cheaper, more efficient and more robust than alternative technologies.

"The problem is, there are existing ways of doing this and though they're not as good, [companies] have invested in them," says Drake.

"The main challenge has been to demonstrate to potential customers how they can use this technology."

Nevertheless, the company's chief executive, Mark Peters, is edging closer to securing a large customer and late last year made some international forays to promote the product. By the end of 2003 the directors expect to have a large contract under way.

Drake says the company had not been short of funding. Apart

from the Connector competition achievement, it won a Commonwealth COMET (Commercialising Emerging Technologies) grant of \$100,000 and has had offers of further funding when the time is right.

Peters and Drake are researchers from the artificial intelligence research group in the School of Computer Science and Engineering at UNSW. Peters developed the theory for the

(continued on page 12)

and viable commercial process, says Stockwell.

“A lot of these innovators are focused on thinking through the technical dimensions but they also need to consider which markets they should be targeting, their marketing strategy, how to translate the technology into business and the financial operational aspects.

In this case, Stockwell looked over four or five drafts of Virtual Buttonz business plans.

“I met them for breakfast and had some very late night phone calls; they sent me drafts of their business plans and I provided feedback. I was reacting as an investor would,” says Stockwell. “Progressively, after four or five goes, the business plan got better and better.”

START-UP ADVICE

Input from experienced business people also helped Riboteq, the team that came second in the competition and won \$10,000 for its virus screening technology platform.

Riboteq was given high-level input on risk by Dr Mike Skalski, an AGSM alumnus with a background in biomaterial and device development.

This, and drawing up a business plan, helped impose a discipline that forced Riboteq to focus on market realities, says Dr Clement Leong, an MBA student on the Riboteq team who has a PhD in immunology.

Leong says the process helped his team consider the interests of the stakeholders and how to add value to different interest groups. “Writing the business plan forces you to understand what are the real drivers,” he says.

Riboteq offers an automated technology platform that will allow practitioners to rapidly screen a virus and assess the correct treatment for patients. The screening can be

Input from experienced businesspeople helped impose a discipline that forced Riboteq to focus on market realities. 7

completed within hours and can provide a substantial saving of around \$400 a diagnosis. It also offers much greater accuracy than existing procedures that, at best, take weeks and cost around \$700. Riboteq’s first product will target HIV/AIDS.

Team members include UNSW students Eleanor Fleming and Leo McHugh, and AGSM MBA students Leong and Dr Phil Smith. Dr Garry King, a UNSW academic who did not participate in the competition but provided support, developed the technology.

Riboteq has defined a clear path forward, starting with plans to secure a first round of funding and progressing through to a preferred exit after three to five years by a public listing or trade sale.

TOUGH ROAD AHEAD

Despite the innovation of both Riboteq and Virtual Buttonz, they both face a rocky road to market. According to David Nelson, an AGSM alumnus, competition judge and venture capital professional, the challenges for young start-ups are many and varied. For a start, securing capital to take the idea to market is very difficult.

“The money is not readily available; what there was during the dotcom boom has dried up,” says Nelson.

Getting a clear insight into the market and the potential customer base is another hurdle for start-ups. “A lot of these ideas are formed in groups of people sitting around together talking, and often there is a gap between the technology and the market’s real needs.

“Bridging that gap is a challenge,” says Nelson.

Start-ups need to secure early customers to help test their product against real market

needs and to identify potential problems and areas for refinement.

Uncovering the right management expertise is another critical but elusive requirement for start-ups.

“Finding management teams with experience is difficult. Young start-ups need to associate themselves with more experienced people who have a history in this area,” says Nelson.

However, Nelson says the winning teams already have an advantage by virtue of their success in the Connector competition.

Stockwell agrees the competition offers an excellent opportunity to promote entrepreneurship. He points out that entrepreneurship is a key driver for technology, which drives growth and the economy.

The competition (now entering its fifth year) is the main event of the Connector program, which is designed to foster entrepreneurship and innovation. It highlights the growing emphasis on entrepreneurship by the AGSM.

Around 300 people are registered with Connector, which runs regular forums and workshops in addition to the competition.

“Connector encourages students, both MBA and undergraduate, to get involved in the new business creation network that exists in Sydney,” says MBA student Kern Wyman, one of the competition organisers.

Students who organise events and seek out judges and sponsors run the competition on a voluntary basis. Participants in the competition benefit from contact with venture capital firms, incubators and business development professionals who act as mentors.

The competition is open to anyone in the business community although at least one team member must be a full-time student at the AGSM, UNSW or University of Sydney.

Last year 52 teams entered the competition. The main sponsor was Deutsche Bank, which donated \$35,000 in prize money to the competition as part of its global business planning competition initiatives. Other sponsors – the BlueFire Group, Alchemy Strategy Partners, PricewaterhouseCoopers and ATP Innovations – contributed a mix of money and services such as consulting assistance.

Wyman says sponsors are largely drawn from the alumni community: many contact the AGSM to offer support in a bid to improve the links between science and business. 7

* Helene Zampetakis is a freelance writer.

MARKET REALITIES



Jigsaw’s Barry Drake (left) and Mark Peters.

technology while working on his doctoral thesis on visual robotics. Drake later demonstrated how it could work.

The company has advanced steadily along a predetermined business development path using the

\$125,000 it received in COMET grant and prize money to drive key aspects of its

strategy. Its first step was to form a company. It then secured its intellectual property by filing patents internationally. The company is now building a commercialisation arm and will take on board two business people skilled in deal making.

The directors are also talking to a number of investors in relation to raising “some serious funding” to support their next phase.

by Helene Zampetakis



THE NEW SCORECARD

Walk into any large corporation these days and you're likely to find a balanced scorecard. This measurement system, developed in the early 1990s by professor Robert Kaplan of Harvard Business School and consultant David Norton, monitors key performance indicators (KPIs) across four critical business areas – financial performance, operating processes, customers, and innovation and learning. For companies whose management report consisted mainly of financial and operational data, keeping a set of scores that balanced the short-term with the long-term was a revelation. It gave them an opportunity to rethink completely longstanding rules about what defines company performance.

The term 'balance' directs the attention of executives towards the primary indicators of financial results: what customers really think of your goods and services; the state of mind of your staff in terms of their willingness to contribute new ideas; and the level of efficiency and improvement in your business processes and products. So popular was the concept that Kaplan and Norton's first book, *The Balanced Scorecard*, became an instant bestseller.

Of course, some leading-edge companies had already achieved best practice by measuring performance across a broad-based set of key outcomes. Although the language was different from the balanced scorecard, they had already been measuring their human and information capital, customer value and their product and service quality. What they really needed was a second-generation scorecard.

Other companies experimenting with the balanced scorecard identified an obvious disconnect in the measurement system: the accountants owned management reporting while the corporate planners owned strategy. Reporting and strategic planning were separate processes and how they intersected and influenced one another was often less than perfect.

Many companies recognised the need

to add the discussion of strategy to their financial reports but few acted. Without KPIs firmly linked to strategy, the risk is that line managers are more likely to adopt a short-term focus that makes their profit and cost centres come in on budget, but which sacrifices long-term investment in organisational capability. While the first-generation scorecard satisfied companies' thirst for a broader set of KPIs, a second-generation scorecard was needed to integrate strategy and reporting more transparently.



« Kaplan and Norton developed a new tool they call the strategy map. »

To solve the problem of how to successfully inject strategy into the company management report, Kaplan and Norton developed a new tool they call the 'strategy map'. This tool, discussed extensively in their second book, *The Strategy-Focused Organisation*, allows a company to translate its strategy into a cause-and-effect chain across the four scorecard business areas (or 'perspectives'). This cause-and-effect chain connects all the strategic objectives identified by the strategic planning process. By placing KPIs against the strategic objectives in each of the scorecard perspectives, the strategy becomes measurement-ready. The only remaining task is to add a strategic KPI layer to the management report and, of course, assign accountability and collect the data – which is easier said than done!

Second-generation scorecards that

develop a strategy map prior to the nomination of KPIs are providing companies with a way of clarifying their strategy and giving it meaning to front-line staff. By cascading strategy maps to lower levels, staff can see how their jobs fit into the mission and vision of their companies. While the KPIs provide evidence of performance, the strategy map energises the debate. Strategy maps show the interdependencies between business units in their efforts to attain organisation-wide goals, effectively illustrating how the business intends to align itself.

First-generation scorecards – measurement without a significant strategic component – can bring tremendous benefits in showing staff what it is important to achieve and these benefits should not be understated. Yet, getting managers around a table discussing KPIs is a different dynamic from getting the same managers discussing strategy. For a start, strategy deliberations focus on hypothesising: "What if we tried this, would it bring the desired effect?" KPI discussions often focus on explaining variances: "Why didn't we make budget/target last month?" Second-generation scorecards seek to achieve both – debating strategy while using data to review, learn and change tack if necessary.

Moving from a first-generation scorecard to a second generation requires a strong leadership team which understands team members' strengths and weaknesses and which is willing to focus behaviour and resources on organisation-wide goals. Some companies have worked hard at getting the right management team in place and for them a second-generation scorecard is the only way to go. For others, getting the leadership team members to play in the same sandpit remains a challenge, making a second-generation scorecard seem a long way off. 🌟

The concept and implementation of first- and second-generation balanced scorecards is taught in the upcoming AGSM executive program, The Performance Driven Organisation and the Balanced Scorecard. Dr Paul Walsh is the program director.

A fundamental divide

Rising fundamentalism is threatening to break down the benefits of global trade and cooperation, writes executive-in-residence, **Rob Ferguson.***

Before I went to the World Economic Forum in Davos in January this year, I had a couple of themes floating around in my head that I've been thinking about and have written about on and off for four or five years. The first is globalisation – is it surging ahead or faltering and being pushed back? The second is the rise of religious fundamentalism. For a long time I have been fascinated by the interaction of these two themes.

What I was looking for at Davos, Switzerland was more fodder to feed my interest in the interaction of globalisation and fundamentalism. And given all that's going on with Israel and Palestine, Iraq, Al Qaeda, the United States' domestic politics and the relationship between the US and the rest of the world, I found a lot to interest me.

We are all aware of the fundamentalist Islamic backlash to the West and the globalising forces of western culture, but I believe the Islamic issue is the tip of the iceberg of a much bigger issue that goes way back to the start of the Cold War and is a long-repeating theme of history.

John Lewis Gaddis, in an article written in 1991 after the end of the Cold War entitled 'The Cold War, the Long Peace and the Future', argued that the 50-year Cold War muffled a fault line in history that "dates back to at least the 18th century and in many ways dominated the history of the 19th and 20th centuries. This fault line put simply is the tension that exists between forces of integration and fragmentation in the modern world".

The forces of integration have to do largely with satisfying our material needs and freedom from want. Adam Smith's *The*

Wealth of Nations set it all out in 1776. Trade investment, exchange of ideas and technology would produce goods that could easily be exchanged across borders resulting in everybody being better off. So freedom from want is inherently integrating. It encourages states to open up and trade – if you close down and don't trade, like North Korea, half your population starves – so freedom from want is, in the modern jargon, globalising.

If you put it simply, the desire for freedom is to be different rather than similar: to be distinctive and not just part of the dominant global culture. Freedom's search is inherently fragmentary, whereas the search for economic prosperity is inherently integrating. Another way of saying this is that there is a deep duality in human existence between integration as a condition of the satisfaction of material wants, and particularisation as a condition to satisfy intangible needs. This is the duality between economics and politics, between the rational and the emotional, between the head and the heart or, as Paul Keating colourfully put it, "between the pointy heads and the bleeding hearts".

John Lewis Gaddis argues that the "Cold War tilted the balance towards integrative processes in world politics for 50 years and, therefore, submerged their disintegrationist counterparts. In Western Europe, the Marshall plan and NATO ended the old rivalry between France and Germany, paving the way for the European Community. In Eastern Europe and the Balkans, Soviet rule imposed authoritarian control that subdued the fragmentary forces of nationalism, religion and language. In much of the rest of the world, Soviet-American rivalry forced

new political entities to live within old colonial boundaries." The end of the Cold War tilted back the balance between integration and fragmentation. President George W. Bush's initial instincts as president were to follow this tilt and head down a fragmenting withdrawal route, one that sneered at the Clinton administration's nation building and involvement in humanitarian wars like Bosnia. With the growth in the world economy slowing to a crawl, deflation a dreaded word, and China turning into a huge expert machine, a new economic test of the US's openness to the integrating forces of globalisation has begun to loom.

This economic test looms mostly because president Bush has made it clear that the US faces not the 'one shot' war of Desert Storm, but an almost never ending story of military vigilance which will involve great costs. These costs will destroy the peace dividend that America benefited from after the end of the Cold War and are looming at a time when the US economy is stretched by high debt, overconsumption and a huge trade deficit. So, just as Bill Gross of Pimco, a US fund manager, suggests: "Hegemonic decay will impose costs unimagined just 18 months ago during the innocent hours before 11 September 2001".

Economically, the US is at a challenging crossroad. It has been politically dragged across the crossroad between isolation and integration by the rise of the issues of terrorism and weapons of mass destruction. It has assumed a pivotal role in world defence but, unlike during the Cold War, this time it is alone.

Why was the US ambivalent towards its external role after the end of the Cold War? Clearly the first reason for the ambivalence pre-11 September was the absence since the Cold War of any clear and present danger. I believe that ambivalence reflected deep

“There is a deep duality in human existence ... as Paul Keating colourfully put it, 'between the pointy heads and the bleeding hearts'.”



ILLUSTRATION: AMANDA UPTON

suspensions within US society towards the impact of globalisation. This fear is not to do with the economic impact of globalisation but the cultural and moral effect.

RISING FUNDAMENTALISM

These deep suspicions are reflected in the rise of religious fundamentalism in the US, as well as a strident form of nationalism that some call radical nationalism. Fundamentalism is a comparatively new word. Given the connection in the media between Islam and fundamentalism, you would be excused for imagining fundamentalism to be derived from the non-US

world. The word fundamentalism did not appear in the Oxford English Dictionary until 1928 and it referred to events in the US dating back to 1895, when the five fundamentals of religion were elucidated. These were: the verbal inerrancy of the Bible; the divinity of Jesus; the virgin birth; the belief that Jesus died for us; and the belief in the physical resurrection.

The beginning of the word 'fundamentalist' reflected the fears of all those Christians who fought the demons of modernity – in particular the ambitions of modern science as reflected by the theory of evolution. They also fought modernity in

terms of women's dress, women's votes, women in the workforce and modern biblical scholarship. Fundamentalists were opposed to modern theology and all of the cultural changes associated with modern life.

But there is something else that is important in fundamentalism. It requires overt political goals. This distinguishes fundamentalism from the evangelical religion of the Billy Graham mould, which stays out of the political process and believes in the secular state or the separation of church and state.

Fundamentalists, on the other hand, are

aggressively involved in politics because they see a need to use the political process to turn back the state's interference in what they regard as personal, family matters. The 1920s revival of fundamentalism, with its overt political involvement, climaxed and crashed in 1925 at the Scopes Trial – the famous trial in the 'deep south' of the US where the issue of the teaching of evolution in school was fought over.



“There are economic issues in the globalisation backlash ... but these are not issues that people go to war or become terrorists over.”

Fundamentalism roared back again and became very visible around 1979 when the Christian Voice was formed – an organisation that checked the voting patterns of US congressmen to see how they voted on prayer in schools, abortion, gay rights, equal rights amendments and other liberal causes. Also in 1979, Jerry Falwell established the moral majority and said: “What can you do from the pulpit? You can register people on the ballot, you can explain the issues and you can endorse candidates right there on Sunday morning”.

CULTURAL BACKLASH

So fundamentalism in the US and its revival since the mid-1970s is a backlash to modern culture. It's a backlash of the type John Lewis Gaddis was talking about. It reflects a fear of the forces of integration, a fear of governments imposing cultural standards on society. Of course, that's what fundamentalism is in other places as well. It's a fear of modernity – not economic but cultural modernity.

At Davos I attended a session called, 'Modernity Versus Traditions: A challenge for the Muslim World'. The panel was composed of mainly Muslim commentators, and the clear message I got was that Muslims see modernity in two ways:

(1) Modernisation, which is science and technology, health, highways and better standards of living. Muslims, like Christians, do not oppose these things unless they are of an extreme religion.

(2) Westernisation, which stands for colonisation, Christianisation, mass western culture, latchkey kids, drugs, pornography and changed roles for women.

So both societies are grappling with the same issue: how to adjust to the modern world. It's the cultural aspects of modernity and globalisation that are largely causing the stresses, strains and backlashes in the world today.

Sure, there are protests about the economic problems globalisation brings by increasing inequality and the gap between the First World and the Third World. These are real and very tangible issues. But they are issues that can and are being addressed. The next round of the World Trade Organisation is orientated to addressing them and, as I mentioned before, the US is looking to Europe to cooperate in these politically sensitive issues. So there are economic issues in the globalisation backlash, but they don't generate the heat and the passion of the cultural issues of globalisation and modernity. These are not issues that people go to war or become terrorists over. They are issues that can be worked out in the head rather than the heart. They are issues of exchange and negotiation, not issues of fear and profound belief.

The similarity of fundamentalist issues between US fundamentalists and Islamic fundamentalists is in sharp contrast to the situation in Europe and, for that matter, Australia. Europe and Australia are secular societies where religion is more like it was in the US in the 1970s – when religious belief was relatively private and was without overt political aims set to push back social change. So this difference between the US and the rest of the West is another reason for the divide over how to handle the external threats that we see today.

AN INCREASING DIVIDE

This brings me back to the moralistic views of Bush's Republicans. The president owes his presidency to the growing alliance with the Christian Right and other populist forces. These populist values, as one commentator has said: “are closely linked to the traditional values of hardline nationalism and US exceptionalism”. As Michael Hirsh wrote in *Foreign Affairs*: “One of the nation's founding myths is US exceptionalism: America is a place apart, protected by its oceans. Americans have long believed in a national life of their own, gloriously isolated from Europe and Asia, lording over the western hemisphere”.

The radical nationalism of the Bush administration is not only influenced by religious beliefs and votes. Author and historian Anatol Lieven believes the Cold War led to the creation of a governmental, economic and intellectual structure in the US that requires, for its survival, belief in the existence of powerful national enemies – and not just terrorists but enemy states. He sees the Cold War as legitimising a very old “discourse of nationalist hatred in the US that was ostensibly directed against communists but usually with a very strong colouring of ethnic chauvinism”.

Now, I don't want to leave the impression that president Bush is a religion-driven cowboy. He is clearly a clever politician influenced by many political factors including the religious lobbies. However, I think he has a belief system that is ideological rather than pragmatic. His cabinet advisers are also very clever people but my fear is that they see themselves, as Anatol Lieven argues, as “tougher, braver, wiser and more knowledgeable than their ignorant compatriots and allies and the only force standing between their country and destruction”.

So there we have it. A divide between the US and the rest of the world that will be with us for a long time, irrespective of the ruling administration, because the divide reflects the military power and the policeman role that has been thrust upon the US. Yet, it seems clear that this divide is being widened by a strong nationalism in the US that is both religious and nostalgic for a golden age of US domination and moral certainty. 🌟

* Former Bankers Trust CEO Rob Ferguson is the AGSM's executive-in-residence.

Building managerial talent

Tougher competitive conditions are putting companies under pressure to do more to build executive capability.

Australian companies and organisations, across a range of sectors, acknowledge the need for leadership and management development, but some struggle to implement programs that foster the high level of managerial skill they need to reach new organisational goals, according to an AGSM poll.

Most of the 40 companies and organisations interviewed by the AGSM's executive education group identified various needs for a range of improvements in managerial capability. A financial services company was concerned that it did not have the 'bench-strength' to support the organisational change it needed to meet the pressures of competition. A large manufacturer, which had completed a plant upgrade and launched business process re-engineering, found it was short on management skills to implement the project.

A shortfall in managerial capability was also of concern to a large government agency that was under pressure to develop strategic thinking in executive team members who had been promoted for their operational and technical skills. Another company – in the services sector – began a strategy to develop leadership and management skills to drive improvements in employee morale, customer service and productivity. It encountered difficulties because most team leaders had not received any management development in the last three to five years.

The AGSM poll also found that few companies relied heavily on aggressive recruiting strategies to increase managerial capability. Many sought ways to build rather than buy-in business talent, using a number of methods such as job rotation, mentoring and external education programs.

According to the 2002 Global Leadership Survey by the Society for Human Resource Management, companies build leadership and managerial skills using five key methods (see table).

One company that has successfully focused on building



David Gilham, managing director, Bristile.

Global Leadership Survey

Key methods used to build skills

External education programs	57%
Internal education programs	51%
Demanding 'stretch' assignments	48%
Job rotation	41%
Formal mentoring program	22%

managerial capability using external education programs is Perth-based Bristile, Australia's second-largest brick and tile maker.

Managing director David Gilham says his company has invested in external executive education like the AGSM's Accelerated Development Program to add value to its in-house management training programs.

"What we have found is that the different environment our managers encounter at the AGSM either speeds up the process of attaining skills or helps to reinforce it," he says.

In the mix of strategies available to develop high-potential managers, Gilham says formal external programs are an essential and complementary part of development initiatives his company has in place.

"What does stand out is that a lot of our people, from middle to senior level, come from a rather specialist background. What AGSM [executive education] has helped us to do is broaden their skills in other areas where they may not have had the same level of exposure," says Gilham.

The AGSM's professor Roger Collins calls the rising popularity of short business courses a desire for just-in-time learning. In an

article published in *Business Review Weekly* he said: "You learn something and then you apply it soon after, so that the company and the individual get a benefit. But also the learning is more effective because if you use it you're more likely to embed it".

Collins also noted a growing demand for managerial development courses designed jointly by an executive education provider and the client company to address specific business concerns or projects. He said organisations are now looking to run programs in which managers not only learn but, at the same time, use new knowledge to solve a problem at hand.

USING NEW SKILLS

Another organisation that uses executive education courses to build rather than buy-in managerial talent is Parks Victoria. CEO Mark Stone says it is essential to include an external education component into any organisation-wide management development program.

"You can only do so much internally [for management education]. You can refer to a certain amount of material in all sorts of ways these days – on the Web and so on. But the face-to-face exposure to the latest thinking is vital, along with the opportunity to debate or discuss the business application of that thinking with a wider range of similar level managers," says Stone.

The opportunity to network and interact with managers outside the organisation is also a benefit of external education programs, says Stone.

According to Stone, what stands out about Parks Victoria managers who have participated in the AGSM's Accelerated Development Program is increased confidence and personal strength. 🌟

The AGSM offers a limited number of merit-based scholarships for individuals to attend its popular two-week residential Accelerated Development Program (running on 24 May and 27 July 2003). For more details or information on other executive programs, contact client services on: (02) 9931 9333 or e-mail: enquiries@agsm.edu.au.

by Alan Valvasori and Debra Maynard

“The different environment our managers encounter at the AGSM either speeds up the process of attaining skills or helps to reinforce it.”

Why culture matters

Business dealers from different cultures can have unequal abilities to claim or create value in cross-cultural negotiations. The AGSM's **Anne Lytle** and business negotiator **Jonathon Gregory*** explain why.

Anne Lytle: If we think of any negotiation between two sides, the outcome of that negotiation is driven by the interplay between two different forces. The first is what we call the 'integrative potential', which refers to the maximum amount of value that both sides can create together from a specific negotiation. The second is the negotiation process, which includes the actions and subsequent reactions that occur when two parties negotiate.

The integrative potential comes from the structure of the negotiation, which is defined by the issues, interests, priorities and preferences of each party. Some negotiations have the potential for very high value creation and others have almost none.

The negotiation process is defined by the variables of negotiators' actions and reactions. For example, what strategies do each of the parties use for gathering and sharing information, asserting position and power or solving problems? How does communication play out between the parties? Negotiation processes can be easy or difficult, cooperative or competitive.

Cross-cultural negotiations are an interesting context in which to explore the impact of each of these forces. It is no surprise that when business people negotiate across cultures, the process is often more

difficult than within their own culture. Communication barriers and differences in how the negotiation game is enacted can lead not only to simple misunderstandings and confusion, but sometimes a complete breakdown of the process and relationship between the parties. In other words, cross-cultural negotiations have a higher potential for process failure than negotiations within a culture because of the extra obstacles that must be overcome.

On the other hand, the integrative potential of cross-cultural negotiations is a different story. Negotiation theory and practical wisdom have long lauded the benefits of bringing more differences to the table in terms of issues, interests, preferences, priorities and goals. The more differences between parties in what they want and how they value the things they want, the more potential there is for trade-offs and the creation of value. So, in theory, the integrative potential in cross-cultural negotiations should be higher, on average, than the integrative potential in same-culture negotiations.

The challenge for cross-cultural negotiators is to find ways to improve the negotiation process in order to achieve the larger integrative potential ... to find a way to minimise process difficulties that can



PHOTOGRAPH: FRANK LINDNER

NEGOTIATION STRATEGY
Jonathon Gregory and Anne Lytle discuss the implications of culture.



obstruct them from achieving the higher potential value.

Jonathon Gregory: In my experience, I've seen businesses and negotiators put a lot of effort into trying to do a deal, cross-culturally. They know what they want out of it and have often thought very carefully about the negotiating parameters, such as how much money they need to make and how much they can afford to invest. But what happens in most negotiations is that teams don't invest enough energy in agreeing how the two sides will communicate or understand the value base or expectations of the other.

“ One of the most interesting questions for me is why culture is so often used as the excuse for not being successful. ”

It always strikes me as completely crazy that businesses will go into a foreign country with back-to-back meetings over 72 hours (because it is expensive to be there) to negotiate a pivotal deal, but they don't take the time to understand why the deal breaks down. Often it is not building a relationship per se that matters, but it is building a set of definitions, protocols and processes for that collective group to work together to find a solution.

One of the most interesting questions for me is why culture is so often used as the excuse for not being successful. The one thing that you know when you go to negotiate with someone from another culture is that the culture will be different. So, culture can't be the reason you fail because it is the one thing you knew before you went.

DIMENSIONS OF DIFFERENCE

Social orientation

AL: Recent research is helping to compile more useful information that can help us understand and better prepare for cross-cultural negotiations. Recent research suggests that negotiators from different cultures vary in their orientations towards the other party. For example, Israelis were found to be more individualistic or self-interested in their approach compared to Americans who, in turn, were more self-interested than their more cooperatively orientated Chinese or German counterparts. In other words, the Chinese and German negotiators in this study had a higher level

of concern about the relationship with and the satisfaction of their negotiating partners.

There are possible strategic implications to such differences. If you want to negotiate successfully with a Chinese or German negotiator, I might recommend that you reciprocate symbolic concessions to show an interest in the relationship and your counterpart's welfare. If, however, you wanted to negotiate with an American, I might recommend that you do not reciprocate a concession automatically because such pro-social behaviour is not necessarily as valuable. I would suggest you try to convince your counterpart to make trade-offs in which they exchange a low priority issue for one of your high priority issues and vice versa, thereby allowing both parties to increase their individual benefit.

Regardless of social orientation, I would recommend a negotiator to focus on the differences in interests, preferences and priorities in any cross-cultural negotiation. One way to do this is to produce multi-issue proposals. The more issues you can involve in the negotiation at the same time, the greater the probability that there will be differences to be traded. These differences ultimately lead to higher value creation and higher achievement of mutual benefit.

Types of goals

AL: The goals we define as important and the way we go about setting these goals are different across cultures. The Chinese, for example, have been characterised as more inclined to form longer-term, generalised, holistic goals. Australians and Americans,

It's important to recognise that a simple misunderstanding about how to behave in a negotiation can cause fundamental problems before you even get started.

however, tend to set much more specific time-bound goals that they expect to accomplish within a defined period of time. These differences can create significant problems in the negotiation process.

JG: An example of that is a team from an American or Australian company (often made up of people from disparate divisions) that has gone to China for a specific set of meetings. The team expects an outcome but doesn't achieve one. It goes away and begins to attack the minutiae of the deal: 'Oh, we need to change the price, or we need to change product mix, or we'll need to invest more, or we need to take more out'. But in actual fact, both groups are not communicating. One group has an expectation that it would be nice if they have an American or Australian partner in 10 years, but the other's expecting to complete the deal in the next 10 weeks. Such differences in goals can be fundamental deal breakers.

Style of sharing information

AL: We also know that the way negotiators share information and what they choose to share differs from one culture to another. For example, Australians or Americans share

information by focusing on facts and the process of logic or argument. They use facts to persuade and sell their perspective to the other side. But in Japan, negotiators don't want to be convinced – they want to see the data that has been used to support the other side's arguments and conclusions. When the Japanese negotiate they have a variety of issues they will link together into a proposal or package. And they will want to look at all those issues together in an integrated fashion that is not well-facilitated by the persuasive arguments that the Americans or Australians might bring to the negotiating table.

JG: While we have to be careful not to over-generalise – because we're not proposing there is a formula that we can use to rush off and negotiate with anybody – I agree that there are definite cultural generalisations that are applicable and useful. As Anne says, both Americans and Australians will seek to persuade, but what's interesting are their different approaches to doing that. The American style is a fairly conclusive: 'Let me present to you my start-to-finish process that shows why this is the logical way forward, and if you accept my logic you're going to come with me on this ride and we're going to do great things together'. Whereas the Australian attitude is: 'We all agree on 90 per cent of this, so the only things that really matter are these half dozen key points'. The Australians then hammer those points on the assumption that the other 90 per cent of the material is accepted and agreed. In fact, that may not be the case, or what they think is agreed or is common sense or is mutually applicable may not be.

FUTURE ISSUES

One of the interesting developments in our region is that China and India are becoming increasingly active as a trading 'bloc' – they are doing more and more deals in the IT sector, but also in government, where they are conducting some of the highest profile meetings between government ministers that have ever taken place. And from what I understand they are finding it quite difficult because of their opposing methodologies.

We've already spoken about

the cooperative orientation of the Chinese and, while the Indian culture is not part of Anne's research, anecdotally their orientation is individualistic – like the Israelis, they are more driven by self-interest. But there are many observers who believe they will work out their differences. One reason for this may be that both cultures are very diverse, so they are used to being able to overcome or accommodate differences.

Now, the issue for the western world is that India and China combine cutting-edge thought, particularly in IT, software and

software application, with some of the world's most efficient manufacturing. In addition, both nations have an increasing understanding of English and represent a large proportion of the world's population. In terms of cross-cultural negotiation, it is a fascinating development because the traditionally dominant western cultures in international trade may quickly become the minority party in this game.

From both a theoretical and practical perspective, this has huge implications for Australian, European and American

companies because being successful in that 'bloc' is going to be critical. Up to now, the Germans have been the most successful, which suggests their style of doing business is superior in these cultural contexts. The questions that arise from that are: 'What are the implications of these developments in how we go forward?' and 'What will be the consequences of failing to develop a more sophisticated international negotiation technique?'

Jonathon Gregory

It's important to recognise that a simple misunderstanding about how to behave in a negotiation can cause fundamental problems before you even get started. And that's before you then step across to [a much different culture], where you have added barriers of language, history, understanding and terminology.

Use of power

AL: Another interesting finding in our research is how the Japanese use power in a different way from other cultures – in particular, the way they use threats relating to alternative business arrangements as a common negotiating tactic. An example would be a Japanese steel buyer in Australia insisting on a low price regardless of the real cost of production because he or she knows there are alternative suppliers. While some people might find this surprising, it is not unusual to see people of high status in Japan using tactics based on power or position. In cross-cultural negotiations, the Japanese used more power-based strategies compared to the other cultures that we studied.

JG: I think the use of threats is very interesting. [It is one of the reasons] westerners can be extremely intimidated in their negotiations with the Japanese. That's why it is important to understand how threats are used in other cultures. It certainly is not always the intent of the negotiator making a threat to destabilise the negotiation – they can be simply attempting to reinforce a point or demonstrate the strength of their position and their desire to anchor the outcome in a particular direction.

I've seen the Japanese in negotiations use threats such as, 'We will only do this deal at this price', or 'We don't need to do this deal with you', to impose a sense of parameter or barrier across which nothing will cross. This can intimidate senior managers or lower executives, who are often the ones doing these negotiations from the western country, because it can sound like there's nothing else to talk about. But what they are really doing is setting the parameter for the negotiation to begin. And if you can understand that this position is being laid to free the team up to negotiate hard within a set boundary, you can begin a constructive conversation.

Focus on process versus results

JG: When you get this hard line from the Japanese that appears as though you are not going to be able to move forward, it's important to recognise also that the Japanese

are process-driven. It may be the senior person participating in the meeting, but the view they give is usually bound by a consensus decision reached behind the scenes through a series of meetings with stakeholders. As a result, it is important first to have a lot of one-on-one discussions with the people who are gathering the data to gain an understanding of where the deal's going. And that's how you start to develop a technique for negotiating with process-driven cultures.

Which goes back to my earlier point about Americans and Australians being outcome-driven and going into a negotiation with the view that, 'We're going to do a deal today'. In Japan, if you ask a question such as, 'How will we solve this problem?', it is almost impossible for them to answer that because they need a consensus through their colleagues and, in fact, it would be an insult to their colleagues for them to presume to know the answer. So they don't give an answer, which negotiators from outcome-driven societies can find extremely difficult.

DIFFERENCES IN OUTCOMES

AL: We have also seen, in the cross-cultural negotiations that we've studied, that different cultural combinations make a difference to negotiators' ability to claim and create value. In any negotiation there are two components to an outcome. The first is how much value each party can claim for itself. The second is whether or not each party can create or discover value in the overall negotiation. In negotiations between deal-makers from the same culture, there are really no differences in the ability of the negotiators to claim or discover value. Everyone generally figures out how to achieve a similar outcome. However, in the cross-cultural negotiations that we studied of Americans negotiating with other cultures, the Japanese claimed the least value and the Israelis claimed the most. So, it's useful for negotiators to be aware that different cultural combinations do appear to influence each side's ability to claim and create value. 🔄

** Dr Anne Lytle is a senior lecturer in organisational behaviour at the AGSM, and Jonathon Gregory is a business development director and international consultant on face-to-face marketing and sales.*

FURTHER READING

- 1 Jeanne Brett, *Negotiating Globally*, Jossey-Bass, 2001.
- 2 T. Fang, *Chinese Business Negotiating Style*, Sage, 1999.

CHECKLIST

- Maximise your communications about differences in interests, priorities and goals.
- Minimise process loss – that is, develop effective systems for sharing information.
- Increase your ability to discover what are the interests and priorities of the other side by being flexible in the way you go about communicating and how you try to influence others.
- Build trust by using multiple-issue proposals that get information without being too direct.
- Use understandable language to allow the other side to process the information you have given, using as many different forms of presentation as possible to make sure you get your message across in different ways.
- Minimise unnecessary conflict and develop systems to resolve disputes and problems in a way that is acceptable to both parties.

Anne Lytle

- **Who:** focus on who is in the negotiation. Understand who they are: what is their role in the negotiation, what are they there for, how will they behave, are they an influencer, are they the decision-maker, what is their purpose, are they there to gather information or to give information? And so on.
- **Message:** understand that the message is a two-way thing: know what message you want to give and check that the message you are hearing is the correct one. You may need to put things in writing if the other party is able to read English but doesn't understand as well in spoken negotiations. Don't see this as giving away secrets but as a fundamental tool to establishing a basis for negotiation.
- **Action:** decide what action you want someone to take with the information you are giving them. Also decide what action you are prepared to take having understood the message that you receive. If you think through what action you want others to take, there is less likelihood of reactionary behaviour that can lead to problems.

Jonathon Gregory

IS CUSTOMER RETENTION ALWAYS THE ANSWER?

New retention marketing research¹ in relation to non-contractual businesses such as retailing is challenging long-held assumptions that it is usually more profitable to focus on retaining existing customers than acquiring new ones.

Retention marketing traditionally focuses on meeting the needs of existing customers so that you keep or expand the share of their business that you currently satisfy. The rationale behind this focus on retention is based on the assumption that long-term customers are cheaper to service, more tolerant of higher prices and more likely to recommend your product or service to new customers.

However, recent evidence suggests that while these assumptions may hold in contractual relationships, such as B2B settings or subscription services like insurance or cellular phone supply, they may prove false in non-contractual settings, such as grocery, fashion or petrol retailing, where the relationship between buyer and seller is not governed by a contract or membership.

In non-contractual settings, useful questions for marketers who want to determine what is the likely growth through retention versus acquisition include:

- How much can you feasibly reduce customer defection?
- What are the potential customer gains from acquisition?
- How easy is it to tell if a customer is a new or existing one?
- Which customers should you focus on?

REDUCING CUSTOMER DEFECTION

Annual brand defection in service and portfolio markets is around 10 to 20 per cent. How much can this be reduced? Not much in industries where a lot of the defection is involuntary. A drop in defection from 10 per cent to 5 per cent may be impossible if much of the defection is caused by moving home or other changes over which the supplier, and sometimes the customer, have no control. For example, about half of those



who change their main grocery store do so because a new store has become more accessible.

There is a tendency to forget how much consumer behaviour is controlled by the consumer's environment. Usually the environment helps sustain brand loyalty, but a changing environment can induce customers to switch brands – such as when your favourite airline changes the time of its last flight back to your home town.

GROWTH FROM ACQUISITION

There is usually more potential to grow sales using an acquisition strategy. If defection is 15 per cent a year, this is the maximum you could save through an excellent retention strategy, whereas, acquisition is limited only by the pool of potential new customers.

According to AGSM marketing professor Grahame Dowling,² almost by definition there tends to be no large niche players, and the way to become a big brand is to gain more buyers. In mature markets, these new buyers come from the defection losses of the other brands.

For example, if all brands were to

suffer a 15 per cent defection in a year and your brand had 1 per cent of the market, you could gain 1485 per cent if it was possible to gather up every other brand's defectors. Of course, this is generally not feasible, but in rare cases the share gain from recruitment can be dramatic. For example, Levi sold 20 times the number of 501 jeans in the UK in 1987 compared with 1984, mainly as a result of an extremely effective advertising campaign.

It is important to remember, however, that the Levi example is an exception to the rule – particularly in relation to allocating promotional spending

between acquisition and retention. It is well documented that price promotions mostly encourage purchasing among past customers of the brand (rather than new customers). Similarly, advertising operates mainly on current and past customers in established markets, which means advertising serves to remind buyers of their current purchasing preferences. Thus, much of the spending on advertising and promotion influences retention, not recruitment, and should be allocated to the retention budget.

IS THAT CUSTOMER A NEW OR EXISTING ONE?

How do you know whether a particular sale is to a new or existing customer? This distinction is fundamental to the calculation of customer retention and customer lifetime value and yet, in many markets, it is problematic. In subscription markets, such as electricity, car insurance or mobile phone subscription, the distinction is relatively simple – customers who renew their subscription with you are retained customers and new customers have either switched from another brand or are new to the category. However, in



Contrary to popular thought, in most markets recently acquired customers are more likely to recommend your brand than long-term customers. ¶

many non-contractual or 'portfolio' markets, customers have a number of brands that they are willing to purchase and they choose from among these brands on a specific purchase occasion.

In portfolio markets, it is less easy to classify customers into those whom you have retained and those who have defected. A Shell petrol buyer in April may be defined as 'old' if she bought in March and 'new' otherwise. But most 'new' petrol buyers are just light or infrequent buyers; they are not necessarily new.

The classification of a customer as new, retained or recovered will also change with the interval used for collecting data. For this reason, the classification of customers in portfolio markets requires quite long series of transaction data.

WHICH CUSTOMERS SHOULD YOU FOCUS ON?

Customer-to-customer recommendation

Recommendation is the most common way that customers find a new brand or supplier and should be encouraged.

Contrary to popular thought, in most markets recently acquired customers are more likely to recommend your brand than long-term customers.

Recommendation is higher for recently-acquired customers for two main reasons:

- new customers are more interested in the product and more likely to have researched it and discussed their purchase with family and friends; and
- long-term customers may have once recommended your brand but, as time passes, they run out of people to recommend it to.

Recently acquired customers

If you are setting up a retention marketing program, recently acquired customers merit special attention because if they have switched to your brand from another they have demonstrated they can defect and will be more likely to do so again. For example, in the cellular phone market it has been found that when equally satisfied short- and long-term customers confront

a service failure, the long-term customers are less likely to defect. The explanation is that long-term customers can offset one failure against a longer history of good service, whereas recent customers lack this comparison and may conclude that poor service is typical. Thus, depending on their spending level, if all customers have been subject to a service failure, there is a case for giving most attention to the new customers.

New-to-the-category buyers

Real recruitment occurs when customers are new to the category, such as students getting their first bank account, first-time parents buying nappies or couples setting up home together and choosing a supermarket. In many markets, suppliers try to give this type of buyer extra attention because they are likely to become more profitable over time. However, their attraction as customers varies with initial spending, induction cost and retention rate. For example, first-time parents require considerable acquisition spending but are substantial buyers while they stay. Students are expensive to enrol and their accounts usually make a loss at first. If they switch while still a student they could be a poor acquisition. New recruits to supermarkets impose no initial costs on the store and can give some profit immediately. The point of these comparisons is to demonstrate that the profitability of new-to-the-category buyers will vary, depending on the category, and generalisations across

categories are not very useful.

Brand switchers

How valuable are potential customers who have switched brands or stores?

There is evidence that switchers buy less, certainly at first, than existing customers. They may also be unattractive customers because, on the basis of past behaviour, they seem more likely to defect than established customers. In addition, if you don't target them more effectively than your competitors, the switchers you acquire from a competitor will be similar to the ones who have defected from your brand. In portfolio markets, unless your targeting is better than that of your competitors, the choice is between spending money to either retain or acquire low-loyalty customers. New customers should be compared with the ones you lose and, in the absence of superior targeting, these two groups will have the same spending patterns.

In summary, companies looking for future growth (especially in non-contractual settings) should remember that acquisition will come about as a result of treating all customers as well as possible. By spending more on improving your core product, service and communications (within budgetary constraints), your current customers will have no pressing need to defect. More importantly, they will also help you to grow through recommendation and referral. 🌟

Dr Kathy Hammond teaches the popular Retention Marketing executive program at the AGSM, which will be offered again later in the year. She is also director of the London Business School's Future Media Research Program.

FOOTNOTES

- 1 W. Reinartz and V. Kumar, 'The mismanagement of customer loyalty', *Harvard Business Review*, vol. 80, no. 7, p. 86, July 2002.
- 2 Grahame Dowling, 'Customer relationship management: in B2C markets, often less is more', *California Management Review*, vol. 44, no. 3, pp. 87-104, Spring 2002.



Defining risk

In volatile times, it is prudent for business to disassociate risk from uncertainty, writes **David Anthony***.

“**T**he times, they are a-changing,” sang Bob Dylan back in the 1960s. He was right: the times today seem highly volatile. September 11, the Bali bombing, increasing strife in Israel-Palestine, continued tension in Kashmir and Iraq, and the fragility of the US economic recovery have cracked the cocoon of the late 1990s, when economic growth and the e-revolution were our main concerns, and exposed us to what seems a much starker world panorama.

Yet, that does not necessarily mean the world today is riskier than it was 18 months ago. It is our perception of the risks (that is, uncertainty) that has been heightened by recent events. The threat of Al Qaeda did not spring up overnight, nor did the problems in Palestine, Iraq or the imbalances undermining the US economy. Why, then, are they now causing anguish?

HINDSIGHT

People are generally only cautious after the event. In fact, our ability to assess the risk of an event occurring again and its associated negative consequences is limited. Witness the continued financial crises in emerging markets (such as Mexico, Asia, Russia, Argentina and Brazil) which many analysts and financial investors failed to forecast, even though there were precedents.

What is it that impairs our assessment of risk? There are three fundamental difficulties: deficiency, asymmetry and bias associated with information pertaining to risk. That is, not having enough information (deficiency), having much less information than others (asymmetry) or having biased information

(bias) about a company, market or event that may impair risk assessment and, consequently, our perception of risk. Regular, balanced and independent information is, therefore, a key requisite for good risk assessment.

RISK IS NOT UNCERTAINTY

Disassociating risk from uncertainty has several benefits from a business standpoint. It allows a company to isolate the impact of contemporary or temporal situations on its investments from the fundamental risks associated with those investments. This is particularly important for investors in risky sectors such as emerging markets or technology stocks.

Financial markets exhibit a tendency to be strongly influenced by factors that affect short-term uncertainty, and often pay less attention to long-term fundamentals. For companies or markets with low or moderate reliance on financial markets for funding, such fluctuations in market sentiment will have only a modest impact on their operations, and their underlying position will probably remain relatively immune to uncertainty.

However, for companies or markets with a strong reliance on financial markets for funding or refinancing, fluctuations in sentiment that change financing conditions can have a strong direct impact on underlying risk. Argentina, whose reliance on financial markets was immense, is a stark illustration of how underlying risk – in this case, sovereign default risk – can be affected by market sentiment.

MANAGING UNCERTAINTY

Managing uncertainty will be a key priority for business this year. There will be a strong temptation to be extremely cautious in making investment decisions, in keeping with the prevailing mood. While seemingly prudent, and in many cases truly so, investing for the long haul during a period of asset price adjustment can also yield benefits. While the threats of global terrorism and recession are real, they are hardly the worst of times. Memories are short, and I would argue that the threat of nuclear war during the Cold War might have been a far greater threat to our lives than that of the terrorism we face today. Yes, the US economy is stuttering, Europe appears fragile and Japan seems moribund, but there are supportive factors.

Fiscal positions in the US and Europe are better than they have been in previous decades, thanks to more prudent handling of budgets. Competition and liberalisation have helped to suppress global inflation, reducing the risk of stagflation. And innovation and creativity, particularly in the field of high technology, promise further cost reductions and productivity improvements in the future.

Asset markets are probably due for further correction in 2003 as companies work off the over-investment of the 1990s, but they will recover. A positive shock, possibly from a political event such as the resolution of the situation in Iraq, may herald a new period of growth and confidence in late 2003 or early

2004. In those circumstances, with markets on the up, business would do well to remain vigilant in its long-term planning. As long as imbalances in private sector indebtedness and, increasingly, fiscal positions in the major OECD economies persist, then the steady, robust growth of

the 1990s is unlikely to be repeated. In short, the message is: hope for the best, but prepare for a bumpy ride. ☺

“Investing for the long haul during a period of asset price adjustment can yield benefits.”

* David Anthony is director, country risk alerts, Economist Intelligence Unit, London. He travelled to Sydney last November to give a presentation at the AGSM's inaugural Alumni Conference.

The views expressed in this article are those of the author and do not necessarily reflect the position of the Economist Intelligence Unit.

books

Reviews and news of business books.



ON EQUILIBRIUM
by John Ralston Saul
(Penguin Books, 2001)

Reviewed by Meredith Rogers,
PhD candidate

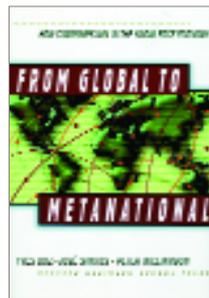
It is challenging for a manager, or a management scholar, to be confronted with John Ralston Saul's examples of the damage he attributes to our utilitarianism. Mad cow disease resulted when the utilitarian requirement for greater production overwhelmed the scientific imagination – which may have foreseen the dire consequences of introducing animal products into the diet of a herbivore. A utilitarian focus on short-term gain, unimpeded by ethical considerations, allowed IBM to supply to the Nazis the Hollerith services that facilitated the cataloguing of the Jews. Yet *On Equilibrium* is highly recommended precisely because it causes us to question how we participate in organisations and society.

Saul proposes that we cannot escape uncertainty and that the best response is to hold in equilibrium six qualities – common sense, ethics, imagination, intuition, memory and reason. Saul describes how each of these is stronger when informed by the others, and criticises thinkers, from Plato to Descartes and beyond, for placing undue reliance on reason as the sole arbiter of human affairs. He claims that this overreliance on reason has led to specialisation, managerialism, utilitarianism and the marginalisation of normal citizens.

Corporations have thus been empowered to undermine the cooperative and collective good of humanity. He cites Third World debt

as an example of actions that defy common sense, all the more distressing because we have collectively forgotten that the same predicament was resolved in pre-Socratic Athens. Solon, the appointed ruler, provided a solution to the disruption resulting from the farmers' indebtedness to the merchants by cancelling their debts, thus reactivating Athens' democratic processes.

This book is enriched by quotations from poets, philosophers, politicians and others, which Saul uses skilfully to support his ideas. However, the resulting wordiness demands committed reading and in my opinion the book could have been shortened without substantially weakening the force of the argument. It has provided me with new ways of thinking, and the illustrations and stories will assist me to reflect and build on Saul's ideas.



**FROM GLOBAL TO METANATIONAL:
HOW COMPANIES WIN IN
THE KNOWLEDGE ECONOMY**
by Yves Doz, José Santos and
Peter Williamson (Harvard
Business School Press, 2001)

Reviewed by Pierre Richard,
PhD candidate

The past few decades have been marked by the rise of multinationals – from fast food to pharmaceuticals they have come to dominate our consumer and business lives. The premise of *From Global to Metanational* is that best practice within a company's global operational network has become a necessary but not sufficient condition of

outstanding performance. Simply put, the authors argue that the ability of multinational companies to achieve best practice is no longer enough to differentiate them from their competitors.

The authors introduce the term 'metanational' to describe a knowledge-focused organisation that they say is the future of corporate activity. Metanationals gather diverse knowledge from around the world from which they generate new knowledge to foster innovations they can distribute globally. The authors predict that the processes of gathering and using knowledge, especially innovation, will become the primary sources of competitive advantage.

One of the strengths of *From Global to Metanational* is that it provides systematic explanations of concepts including the challenges of managing complex knowledge and why it is increasingly dispersed. However, the book does more than succinctly elaborate theories.

The authors draw on several core cases, including studies of STMicroelectronics, Nokia, Polygram and Ciba-Geigy, to illustrate their vision of the future. While admitting that there are, as yet, no true metanationals, the authors examine developments within these companies that illustrate metanational capabilities.

On the whole, the authors deliver an intriguing and convincing model of corporate organisation and activity. The subtle undertone is one of optimistic pluralism, where globalisation does not lead to global homogeneity but, rather, where geographical and cultural diversity is increasingly valued. However, *From Global to Metanational* left me feeling somewhat sceptical about the vision portrayed. Given the operational strength and consumer preference-setting power of the world's multinationals, I doubt they will be forced to pursue a metanational strategy.



AUTHENTIC HAPPINESS
by Martin Seligman (Random
House, 2002)

Reviewed by Roger Collins,
professor of organisational
behaviour

This is a book you must seek out and read! Seligman has a formidable reputation from his earlier writings: *Learned Helplessness*, *Learned Optimism* and *What You Can Change and What You Can't* have all been high impact, robust and practical books. It is profound not only because he, with others, is trying to change the direction and utility of psychology, but also because it offers readers lucid insights and practical tools to increase their wellbeing, contentment, performance and success.

Why would you want to be happier? Seligman documents the tangible benefits to our physical and mental health, the quality of our relationships, our work performance and success in a punchy chapter entitled, 'Why bother to be happy?' He then moves to present the evidence as to whether we can become lastingly happier (we can!).

Seligman then explores three dimensions of happiness: satisfaction with the past, optimism about the future and happiness in the present. Finally, he considers the implications of being happy for work and personal satisfaction, love, raising children and the higher dimensions of our experience.

Every 10 years or so someone produces a book that will change how we think and behave – a book that changes outcomes, a book that is both clear and rigorous. *Authentic Happiness* is such a book. 🌟

bush telegraph

THE AGSM ALUMNI BULLETIN BOARD

MBA

2002

Vivienne Yu has taken up a new position as executive manager with the Commonwealth Bank of Australia. Contact:

yuvi@cba.com.au,
Tel: (02) 9312 9670.

Chen Lu has moved from Sydney to Shanghai, China. Contact:
sunshineluchen@yahoo.com,
Tel: (+86 21) 6282 0800.

2001

Aditya Agarwalla reports that he married Shradha on 1 December 2002.

Helen Cheng has been appointed financial valuation consultant at American Appraisal (UK). Contact: **hcheng**

@american-appraisal.com.

Peter Lee has moved from the role of assistant manager, business administration at Siemens to commercial manager. Contact:

peter.lee@siemens.com.au,
Tel: (03) 9721 2586.

2000

In Hong Kong, **Owen Kwan** has left Far East Landfill Technologies to join Laser Computer as product manager. Contact:

owen_kwan@laser.com.hk,
Tel: (+852) 2753 1681.

Shiv Madan has moved from the role of associate with Lehman Brothers to manager with Daiwa Securities SMBC Australia. Contact:
shiv.madan@daiwasmbc.com.au,
Tel: (03) 9916 1388.

Jag Rawat has taken up a new position as management consultant with Nuvista Development. Contact:

jag@foodavenue.com.au,
Tel: (02) 9283 0625.

Jeremy Huelsman has moved from Sydney to Ohio in the US. Contact:

jezzathesurfy@hotmail.com,
Tel: (+1 937) 436 4560.

1999

In India, **Mohit Aggarwal** has left Planetasia to join ICICI OneSource

as manager, business development.

Contact: **mohit.aggarwal**
@icicionsource.com.

Shireen Bernstein has moved from the role of project manager with Westfield to senior research associate with Eli Lilly Australia.

Contact: **shireenb@lilly.com**,
Tel: (02) 9325 4365.

Eric Chan has taken up a new position as manager, customer programs with AMP. Contact:

Eric_G_Chan@amp.com.au,
Tel: (02) 9257 8470.

1998

Brian Kernick has left KPMG to join Advantage Inns & Suites in Canada as development manager.

Contact: **bkernick@monarch.net**,
Tel: (+1 403) 609 8623.

Atul Sabharwal has left PricewaterhouseCoopers to join IBM Business Consulting Services as a management consultant.

He is now living and working in Los Angeles, US, having moved from Mumbai, India. Contact:

atul.sabharwal.wh98
@wharton.upenn.edu,
Tel: (+1 415) 595 7151.

Shingo Tamura has taken up a new teaching position at St Columba's College. Tel: 0402 656 796.

Clarence Yap has joined CIT Financial (Australia) as chief information officer. Contact:

Clarence.Yap@cit.com,
Tel: (02) 9424 1519.

1997

Raymond Fan has started work at CLP Power Hong Kong in the role of strategic account manager.

Contact: **rayfan@clp.com.hk**,
Tel: (+852) 2678 7361.

1996

Scott Henderson has taken up a new position as CEO with Skywest Airlines in Western Australia.

Contact: **scott.henderson**
@skywest.com.au,
Tel: (08) 9478 9999.

1995

Sam Wong has left Yahoo! NetRoadshow to join Standard & Poor's investment services in

Hong Kong as director of operations. Contact: **samuel_wong**
@standardandpoors.com,
Tel: (+852) 2532 8067.

1992

Herbert Chang has taken up a new position as vice-president with Merrill Lynch International Bank in Singapore. Contact:

herbert_chang@sg.ml.com,
Tel: (+65) 6331 3593.

Damian Licari has moved from Sydney to Westcliff-On-Sea, Essex, UK. Contact:

damian.licari@yahoo.co.uk,
Tel: (+44 1702) 331 848.

David Day recently returned to Sydney from Hobart where he has spent a year-and-a-half leading the turnaround program at the Pasminco zinc smelter. David works with Partners in Performance International, a consulting and investment firm specialising in delivering rapid and sustainable improvements in performance through a hands-on approach.

Also working with Partners in Performance International on the Pasminco project have been fellow AGSM alumni **Peter Ragg (MBA '90)** and **Alex Perrett (MBA '93)** as well as current MBA student

Mark Denton. Please feel free to contact David at:

dhdlay@attglobal.net,
Tel: 0414 565 200, or check the Web site to learn more about their work **www.pipint.com**.

1991

Paul Couvret is now working with changedrivers, a management consultancy, where he has been engaged on an assignment to improve HR business processes across the armed services and civilian groups of the Australian Department of Defence. Contact:

paul-couvret
@changedrivers.com.au,
Tel: 0409 771 115.

James Hastie has formed a new company with four ex-Deutsche Bank colleagues. Brennan Partners specialises in business evolution, design and implementation for financial services. Current clients include fund managers, banks and financial intermediaries. The company is based at Level 4, 2 O'Connell Street, Sydney – right opposite the new AGSM CBD campus.

1990

Andrew Lowe has taken up a new position as assistant director, strategy and program group, with Total Access Communications in Thailand. Contact:

andrew@dtac.co.th,
Tel: (+66 2) 202 8000.

James Anderson was recently recognised as one of the longest continuously serving instructors on the AGSM MBA (Executive) program. Since starting as a tutor in the full-time MBA program in 1990, James has taught the Quality Management course since 1991 and, more recently, the Managing People course. James continues his adjunct faculty role in 2003, taking on, among other topics, the new Data Analysis course in the MBA (Executive) program.

Theresa Collignon is working as national director of AFS Intercultural Programs Australia, a specialist student exchange organisation. Her previous education sector experience was with the AGSM – as an instructor on the MBA (Executive) program, an alumni committee member and, back in 1991, acting associate director of the MBA program. More recently Theresa worked at the Securities Institute of Australia.

Martin Lynch is now back in Perth working as a consultant for Iluka – after 18 months in Labrador City with the Iron Ore Company of Canada and a few months in Salt Lake City with Kennecott. Martin also reports that his book, *Mining in World History*, was published in May 2002 by Reaktion Books in London. He advises that if someone is interested in reviewing it for *AGSM Magazine*, review copies are available through Stephanie Whitelock at **academic.press@unsw.edu.au**.

1989

Jeremy Bean has left the Australian Film Commission to join ScreenWest Inc. as director, corporate and commercial services. Contact:
jeremy@screenwest.com.au,
Tel: (08) 9224 7345.

1988

John Lewis has moved from the role of principal with Lewis Davoren to managing director with

Noosphere Ideas. Contact:
john@noosphere.com.au,
Tel: (02) 9264 4250.

1987

Gordon Makryllos has taken up a new position as general manager with Telstra Corporation. Contact:
gordon.makryllos@team.telstra.com, Tel: (02) 9298 5007.

1985

Mark Pemberton has left PricewaterhouseCoopers to join IBM as a principal. Contact:
mark.c.pemberton@uk.ibm.com, Tel: (+44 20) 7968 5135.

1984

Lynn Wood has been appointed an independent director of the board responsible for the Macquarie Goodman Funds Management property trusts, which are in the top 100 such vehicles in Australia. Lynn has been involved with the trusts as an external member of its compliance committee since 2000. Lynn is also the president-elect of the New South Wales division of the Women Chiefs of Enterprises International, which recently created a new scholarship for women at the AGSM. The scholarship was awarded in February to a final-year MBA (Executive) student, Stephanie Hughes. Contact:
lynnwood@ozemail.com.au.

1979

Ingrid Jackson (nee Hallein) has celebrated six years working as a consultant. Her current assignments include managing communications for a major change program at the Commonwealth Bank, and designing organisational structures for Commonwealth Bank business units on the basis of Elliott Jaques' Stratified Systems Theory. Meanwhile, family life has been enriched with her second grandchild born last August.

MBA (EXECUTIVE)

2002

Brian Almeida has started Network Corp, an executive search and career advancement company, designed to meet the needs of alumni of top business schools.

Brian says: "Network Corp aims to build one of the most influential and powerful networks in corporate Australia by facilitating the off-campus networking of alumni from prestigious business schools like the AGSM, and source proven talent for business". For further details on how Network Corp can add value to you and your company please visit:
www.networkcorp.com.au or call Brian, Tel: (02) 9293 2953.

Simon Andrews has been appointed to the Australian Broadcasting Corporation (ABC) advisory council for a four-year term. The advisory council meets three times a year and provides feedback from the community to the ABC board regarding all aspects of ABC services. Simon would be pleased to hear from any members of the AGSM community – alumni, students, faculty or staff – who may have comments regarding the ABC for him to pass on to the board. Please contact Simon via his personal e-mail address:
andrewsfamily@webone.com.au.

2001

Lance Batty has moved from the role of commercial manager with *TNT Magazine* to inbound and market development manager with the South Australian Tourism Commission. Contact:
batty.lance@saugov.sa.gov.au, Tel: (02) 9361 1605.

Mark Croudace and his wife Cathy are pleased to announce the birth of beautiful twin girls, Jessica and Isabelle, on 14 January 2003. All are well and enjoying life. Mark is director and principal, business development, for Ernst & Young Australia. Key responsibilities include leading the sales team, developing the 'go to market' strategy and managing major accounts for sustainable revenue growth. Contact: **mark.croudace@ernstyoung.com.au**, Tel: 0410 684 936.

David Watt has taken up a new position as sales manager, public sector, with Vistorm in the UK. Contact: **david.watt@vistorm.com**, Tel: (+44 1925) 665 500.

Vito Carrozzo has established his own executive search practice, located at the Chifley Tower in Sydney, under the banner of VSP

Search. The core area of specialisation will continue to be the property industry. Vito says: "Having spent 10 years with the Lend Lease Group in a variety of operational roles, combined with another three years in the field of recruitment, means [VSP Search has] a compelling and distinctive value proposition relative to other service offerings on the market". Contact: **vito@vspsearch.net**, Tel: (02) 9293 2991.

2000

Amitav Goswami has joined Projectvision as project manager. Contact: **a.goswami@projectvision.com.au**, Tel: (02) 9890 5010.
Peter Nimmo has moved from the role of general manager IT with Warner Music Australia to IT manager with MM Electrical Merchandising. Contact:
peter.nimmo@mmem.com.au, Tel: (02)8839 9000.

1999

Matthew Dunstan has taken up a new position as solution consultant with Microsoft. Contact: **mattddun@microsoft.com**, Tel: (07) 3218 7036.

Wendy Geraghty has begun work at Fivenines Professional Services as director. Contact:

wjg@fivenines.com.au,
Tel: (03) 9888 1759.

Sharron Kennedy has moved to a new role as managing director of BSR Solutions. The organisation specialises in strategic IT and business consulting with particular expertise in government gained over many years. Contact:
sharron.kennedy@bsrsolutions.com,
Tel: (02) 9267 6777.

1998

Shane Guthrie has been promoted to a principal at Port Jackson Partners (PJP). "After 10 years with PJP I have become the first homegrown leader of the practice, the others joining us after successful careers elsewhere." Contact: **guthrie@pjpl.com.au**, Tel: (02) 9221 2222.

Peter McNulty has moved from the role of director with Credit Suisse First Boston in Surrey, England, to CFO Asia-Pacific with Barclays Capital in Hong Kong. Contact: **peter.mculty@barcap.com**.

Chris Tait has taken up a new position as sales director, tax services with Deloitte Touche Tohmatsu. Contact:

ctait@deloitte.com.au,

Tel: (02) 9322 5679.

Peter Tyrrell has left Commerce Quest Inc to join Aspect as customer service manager. Contact:
peter.tyrrell@aspect.com.au,
Tel: (02) 9928 1188.

1995

Ian Hodge has moved into the role of managing director with J.D. Edwards. Contact:
ian_hodge@jdedwards.com,
Tel: (02) 8879 2500.

GCM/GMQ

1998

Frank Romanin has joined Datafast Telecommunications as CEO. Contact:

frank.romanin@datafast.net.au,
Tel: (03) 9670 6111.

Michael Ross has moved from the role of senior consultant with Napier & Blakeley to director with Apex Property Consulting. Contact:
mross@apexproperty.com.au, Tel: (02) 8243 5790.

SMDP/DPM

1994

Jeanette Donaldson has moved from the role of management consultant with Business Catalyst International to consulting director with iManagement Consulting. Contact: **jeanettedonaldson@bigpond.com**, Tel: (02) 9238 6654.

GMP

2000

Olota Rokovunisei has taken up a new position as general manager with Fiji National Provident Fund. Contact: **OlotaR@fnpf.com.fj**, Tel: (+679) 330 7811.

MMGMT

2000

Roseta Lau has taken up a new position as brand marketing executive with Turner International Asia Pacific in Hong Kong. Contact: **roseta.lau@turner.com**, Tel: (+852) 3128 3544. 🌐

alumni at large

THE AGSM ALUMNI BULLETIN BOARD



OUT IN THE OPEN Hong Kong alumni branch members set aside cocktail hour for some networking of a more vigorous kind in the south-eastern hills of Hong Kong Island. With friends and family, branch members hiked to popular weekend beach Shek O. Alumni who took part were **Christina Hong (MBA '01)**, **Zeta Shek (MBA '00)**, **Craig Schwartz (MBA '01)**, **Craig Millar (MBA Exec '00)**, **Sophia Yu (MBA '98)**, **Dave Hui (MBA '98)**, **Victor So (MBA '88)**, **Phoebe Chau (MBA '00)**, **Anthony Kong (MBA '82)** and **Adrian Tse (MBA '01)**.



STANFORD ALUMNI Front row (from left) are: Gerald Thomas, Hugh Morrow and Paul Anderson. Back row (from left) are: Zack Herlich, Peter Bonomini, Diggory Howitt, John Walton, professor Don Gibson and Paul Morton.

Alliance in action

Stanford University alumni based in Australia turned out for the AGSM's first 2003 Leadership Series event in February. The drawcard was Bob Joss, former Westpac CEO and dean of Stanford Graduate School of Business, "who gave an entertaining and engaging speech on leadership", says Stanford Australia Club president Hugh Morrow.

It was the first event of the alumni network alliance established last year between the AGSM and Stanford GSB. "We had been trying to do something for some time, and this was a fabulous way to start," says Morrow.

"We're keen to maintain a closer relationship, and I hope that through our alumni we can really help this alliance come alive."



IN THE SWING Walter Bachmann (second from left) played cornet with the Elite Syncopators at the Manly Jazz Festival in Sydney.

All that jazz

Foundation alumnus **Walter Bachmann (MBA '78)** put his longstanding love for jazz into action at the Manly Jazz Festival in Sydney late last year during his annual holiday to Australia from Mollis, Switzerland.

He travelled with Swiss-based band, Elite Syncopators, which also played at downtown Sydney jazz club Soup Plus. "We had wonderful audiences and a very memorable trip – especially the Soup Plus evening with AGSM friends Michael Vitale and lovely Pam Taylor," says Bachmann.

A cornet player and fan of Dixieland jazz, Bachmann has been playing music in Sydney since 1977 – when he enrolled in the AGSM's first MBA class. He also studied jazz improvisation at the Sydney Conservatorium and drew MBA classmates into the swing of playing – **Ross Hutcherson (MBA '78)** on drums and **Richard Lamrock (MBA '78)** on guitar, among others.

Bachmann says: "My favourite Australian musicians are James Morrison and his brother John; I think Australia's greatest jazz musician is Don Burrows, and I also love Bob Barnard's style". In Switzerland, Bachmann is a director of mechanical engineering company Sauter Bachmann, and he plays in two jazz bands. ♣

PHOTOGRAPH: DAVID KARONIDIS

ALUMNI BRANCHES

The AGSM alumni association now has branches and committee members in 10 cities around Australia and the world. If you'd like to discuss networking or upcoming events in your city or region, contact a representative from the following list.

Adelaide: president Amanda Heyworth (MBA '99), amanda.heyworth.99@alumni.agsm.edu.au. Other members are Peter Davie (MBA Exec '01), Bruce Holland (DPM '98), Nigel Lippett (MBA Exec '00), Michael Jacobsen (MBA '99) and Golda Munro (MBA Exec '96).

Brisbane: president Mathew Jeremy (MBA Exec '97), mathew.jeremy.97@alumni.agsm.edu.au. Other members are Cliff Kaye (MBA Exec '97), Mark Nikolai (MBA Exec '97), Ken Price (MBA Exec '98), Ian Sandford (MBA Exec '96) and David Taplin (MBA '97).

Canberra: president Helen King (MBA Exec '98), helen.king.98@alumni.agsm.edu.au. Other members are Simon Andrews (MBA Exec '02), Jenny Bergin (GMQ '92), John Brain (GMQ '91), John Bridge (GDM '97), Terry Daubney (MBA '90), Philip Eliason (GMQ '93), James King (MBA Exec '01), Peter May (MBA Exec '99), Chandy Paul (MBA '92), Ward Roberts (GDM '01), Sabesh Shivasabesan (MBA '89) and Catherine Smith (ADP '97).

Melbourne: president Andrew Stops (MBA Exec '99), andrew.stops.99@alumni.agsm.edu.au. Other members are Bruce Boswell (GDM '95), Michelle Beveridge (MBA Exec '00), Ashish Chaturvedi (MBA '00), Steve Evans (MBA Exec '97), Shauna Kelly (MBA '93), Steve Mitchell (MBA Exec '98), Kris Peach (ADP '01), Anuja Rao (MBA Exec '99) and Marvin Schneider (MBA '94).

Perth: president John Cameron (GDM '01), john.cameron.01@alumni.agsm.edu.au. Other members are Claire Bremner (MBA '90), Michael Brown (MBA '87), Kingsley Burton (MBA Exec '01), David Devenish (MBA Exec '00), Dianne Doust (GMP '01), Ray Jesen (MBA Exec '96), Paul Lynch (MBA Exec '00), Richard Pearce (MBA Exec '99) and Robert Turner (GDM '99).

China: in Shanghai contact Chun Wah (Paul) Li (MBA '97), paul.li.97@alumni.agsm.edu.au; in Beijing contact Yong Zeng (MBA '00), yong.zeng.00@alumni.agsm.edu.au.

Hong Kong: president Karin Schulte (MBA '98), karin.schulte.98@alumni.agsm.edu.au. Other members are Michael Leung (MBA '99), Craig Millar (MBA Exec '00), Susanna Ruegger Koechli (MBA '01), Zeta Shek (MBA '00), Hang Shing Wong (MBA '99), Vanita Sehgal (MBA '00), Victor Mo-Chun So (MBA '88) and Adrian Tse (MBA '01).

Singapore: president Samantha Mark (MBA Exec '00), samantha.mark.00@alumni.agsm.edu.au. Other members are Charlie Koh (MBA '97), Casey Lan (MBA '94), Andrew Price (MBA '85), Anand Thiagarajan (MBA '96) and Pramod Vijayasankar (MBA '96).

United Kingdom: president Geoff Walker (MBA Exec '94), geoff.walker.94@alumni.agsm.edu.au. Other members are Lee Baxter (MBA Exec '01), Batbayar Burentogtokh (MBA '98), Ben Crawford (MBA '94), Sean Mahony (MBA Exec '01), Derek Myers (MBA '93) and Kris Thirlaway (MBA '99).

United States: contact Linda Hood (GMQ '97), who is based in Boston, linda.hood.97@alumni.agsm.edu.au. 🌟

Star paper

The AGSM's professor **John Lyon** and co-author Brad Barber have won the prestigious *Journal of Financial Economics*' All Star Paper award for their paper, 'Detecting abnormal operating performance: the empirical power and specification of test statistics'. The award is given for the highest average annual citations over the past five years.

In the news

Head of marketing, professor **Murali Chandrashekar**, was invited to contribute an article to *The Australian Financial Review*'s business incentives special report, published on 6 February 2003. His article, 'The trick is to kick goals', gave insights into the latest research on what motivates salespeople.

On the board

Professor **Robert Wood** has been elected academic staff member of the AGSM board for a two-year period commencing 1 January 2003.

New faculty

Professor **Greg Clinch**, professor of management in accounting, has returned to the full-time faculty of the AGSM. Clinch is an outstanding researcher in the accounting field; his research has been published in many leading international journals, and he has won a number of major research grants. He has been a visiting professor at the Wharton School at the University of Pennsylvania in the US and London Business School.

Dr **Gal Raz** has joined the AGSM as a lecturer in operations management. Raz completed his PhD at Stanford University last year. He also has

an MA in business research from Stanford and a Bachelor of Science in industrial engineering and management (cum laude) from the Technion Israel Institute of Technology. While studying in the US and Israel, Raz won a number of scholarships and was nominated to the 2001 INFORMS Doctoral Student Colloquium. His main research interests are in pricing and supply chain management, supply chain contracts and operations management marketing and policy.

Dr **Sally Wood** has joined the AGSM as senior lecturer in the area of statistics. Wood has an MBA from the University of Western Australia and completed her PhD at the AGSM. She has worked as a visiting assistant professor in statistics at Northwestern University in the US, where she taught MBA students at the Kellogg Graduate School of Management. She has also worked as a lecturer at UNSW and has won a large ARC research grant. Wood will teach introductory mathematics and the Statistics for Managers (Advanced) course in the MBA program.

Farewell

Professor **Doug Foster** has left the AGSM to join the Faculty of Commerce at the University of New South Wales. Foster joined the AGSM in early 1999 and during his tenure he continued his success in publishing his research in top-tier journals. He developed a course called Corporate Valuation in the full-time MBA program and was also a co-director of STARlab. Foster joined the AGSM from the University of Iowa, where he became a professor of finance in 1996.

Fellowships and visiting faculty

Kevin Clarke has joined the AGSM for six months as the school's first fellow in finance (while he is on leave from the University of Western Sydney). Clarke has been an outstanding adjunct teacher for the AGSM in the MBA (Executive) and MBA programs, and he will continue that work during his fellowship at the school. He is also completing his PhD in finance and accounting.

Associate professor **David Sparling** is a visiting senior research fellow at the AGSM until July 2003. Sparling is from the University of Guelph in Canada, where he teaches and researches in the area of agricultural economics and business. Sparling is teaching Managerial Issues in Biotechnology in the MBA program, as well as undertaking research in innovation management and the impact of biotechnology on agrifood industry structure.

In January, the AGSM welcomed assistant professor **Don Moore**, from Carnegie Mellon University in the US, as a visiting senior research fellow (for three months). Moore has been teaching the Negotiations and Strategy course in the MBA program with professor Jeremy Davis, and he has run an executive education course on the subject. His research focus is managerial decision-making. ★

Marketing matters

A GSM marketing lecturer Kristin Rotte has won the US Marketing Science Institute's (MSI) Alden G. Clayton Doctoral Dissertation Proposal Competition for 2002. Rotte, who joined the AGSM last September from the University of Cincinnati, shared the honour with the University of Iowa's Sangkil Moon.

The MSI prize recognises the importance of Rotte's research, which looks at how companies detect and manage customer uncertainty when moving existing customers from a current product, service or channel to a new one – what Rotte calls “forced migration initiatives”.

Rotte says trends of rapidly advancing technology and consolidation within markets have contributed to making customer migration a necessity for the survival of companies – whether a computer company upgrading software products and services, or a bank migrating customers from retail to Internet channels.

While some companies have been migrating customers from one product to another for many years, “little attention has been given in the academic literature to understanding how customers are affected by planned migrations and what strategic actions suppliers can take to



Lecturer Kristin Rotte.

“My research is about what suppliers can do to understand customer uncertainty during product or service migration.”

implement effective strategies”, says Rotte.

Rotte's dissertation focused on business-to-business relationships – in particular the business customers of a large financial services company that were faced with a planned migration to a more efficient electronic-based retirement plan.

“My research is about what suppliers can do to understand customer uncertainty during product or service migration, as well as the effect of marketing interventions and relationship variables on mitigating uncertainty and fostering efficient migration,” says Rotte.

Her work also sought to understand the indicators of customer vulnerability, timing of migration decisions and potential time-dependent effects of marketing interventions.

“We know that customers resist migration a lot because they often have to commit new assets or more time to use new technology or transfer to a new channel.

“But there are ways to resolve customer uncertainty by providing financial incentives, such as rewards for electronic trading, or offering programs to educate customers,” says Rotte.

Rotte's dissertation also looked at how migration can provide a unique opportunity for a company to improve overall profitability by creating an innovation that is not suitable for less profitable clients, thereby “forcing” the less profitable customers to seek a new supplier/provider.

Use of migration to target the profitable customers a company wants to retain is an interesting strategic dimension, says Rotte, “but in most cases, organisations opt to improve profitability and minimise the loss of relationships by initiating a planned migration that is suitable for all clients”.

Rotte will continue her research into how managers can run smoother and more efficient migration initiatives while teaching in the full-time MBA and MBA (Executive) programs at the AGSM. ★

publications & papers

PUBLISHED WORK AND RESEARCH PRESENTATIONS

BOOK CHAPTERS

Professor **Eddie Anderson** and A.B. Philpott, 'On supply function bidding in electricity markets', in C. Greengard and A. Ruszczynski (eds), *Decision Making Under Uncertainty: Energy and Power*, Springer-Verlag, New York, 2002.

S. Kuruvilla, professor **Steve Frenkel** and D. Peetz, 'MNCs as diffusers of best practices in HRM/LR in developing countries', in W. Cooke (ed.), *Multinational Companies and Global Human Resource Strategies*, pp. 167–193, Greenwood Publishing Group, Westport, US, January 2003.

A.E. Drake and professor **Robert Marks**, 'Genetic algorithms in economics and finance: forecasting stock market prices and foreign exchange – a review', in Shu-Heng Chen (ed.), *Genetic Algorithms and Genetic Programming in Economics and Finance*, pp. 29–54, Kluwer Academic Publishers, Boston, US, 2002.

K. Unsworth and associate professor **Sharon Parker**, 'Proactivity, creativity and innovation: promoting a new workforce for the new workplace', in D. Holman, T.D. Wall, C.W. Clegg, P. Sparrow and A. Howard (eds), *The New Workplace: A Guide to the Human Impact of Modern Working Practices*, John Wiley & Sons, Chichester, UK, December 2002.

JOURNAL PUBLICATIONS

Dr **Chongwoo Choe**, 'A comparative study of Australian and Korean accounting data in business failure prediction models', *Journal of Accounting and Finance*, vol. 1, pp. 43–69, 2002.

PhD candidate **Tim Coltman**, professor **Timothy Devinney**, A. Latukefu and D. Midgley, 'Keeping e-business in perspective', *Communications of the ACM*,

vol. 46, no. 8, 2002.

C. Soo, professor **Timothy Devinney**, D. Midgley and A. Deering, 'Knowledge management: philosophy, process and pitfalls', *California Management Review*, vol. 44, no. 4, Summer 2002; and P. Auger, P. Burke, professor **Timothy Devinney** and J. Louviere, 'What will consumers pay for social product features?', *Journal of Business Ethics*, vol. 42, pp. 281–304, 2003.

Professor **Lex Donaldson**, 'Dammed by our own theories: contradictions between theories and management education', *Academy of Management Learning and Education*, vol. 1, no. 1, pp. 96–106, 2002.

P.W. Roberts and professor **Grahame Dowling**, 'Corporate reputation and sustained superior financial performance', *Strategic Management Journal*, vol. 23, pp. 1077–1093, December 2002.

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Professor **Lex Donaldson**, 'Challenging the conventional wisdom on board structure', presented at the Australasian Corporate Governance Congress, Sydney, 19–20 February 2003.

Professor **Steve Frenkel**, 'Collaborating for high labour standards: the case of Adidas in China', presented at the International Conference on Globalization and Corporate Social Responsibility, Beijing, 25–26 November 2002.

Associate professor **Sharon Parker**, 'Designing healthy jobs: enhancing the evidence-base', presented at Occupational Stress in Australia: Academy of Social Sciences Workshop, Adelaide, 28–29 November 2002.

CONFERENCE PROCEEDINGS

Professor **Timothy Devinney** (with AGSM PhD candidate **Tim Coltman** and D. Midgley), 'An empirical assessment of e-business implementation constraints', in *e-Business Review*, Academy of e-Business, 2002; and (with S. Gudergan and S. Ellis), 'An integrated framework of alliance governance and performance', in *Growing the International Firm: Success in Mergers, Acquisitions, Networks and Alliances*, Carnegie Mellon University Press, Pittsburgh, US, 2002. 🌟

MASTERING CAREER CHANGE

Paul Murnane* offers some home truths about the path to reinvention.

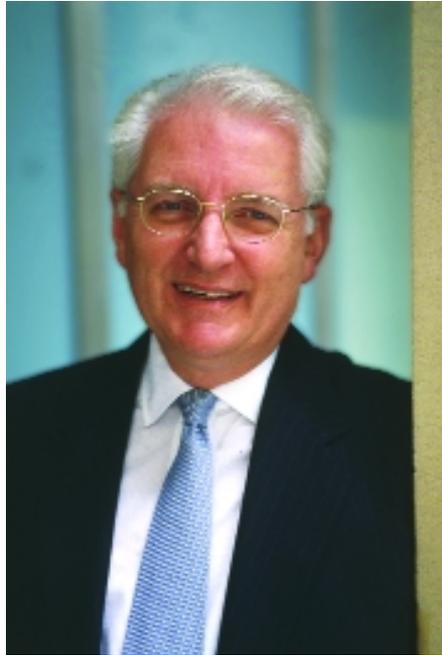
It is commonly held these days that job security is ancient history. It is a reality that means most MBA graduates will make two or more career changes in their working lives. Baby boomers, with greatly increased life expectancy and expectations, are definitely entering a period of career change.

Of course, career change is a personal responsibility and we each have the option of doing nothing about it, or improving our chances of success by embracing change. But how do we do that effectively? This is a question I posed to AGSM alumni at my presentation on career reinvention at the inaugural Alumni Conference held late last year.

Contrary to popular belief, success comes not so much from standard career change techniques, such as interviewing skills and job search capabilities, but from a more fundamental ability to develop an ‘invest in oneself’ way of thinking. There are well-tested indicators of such an approach. They include an emphasis on personal development, self-initiated performance appraisals, work-related reading, further education, mentoring and coaching, specific skills development and, of course, networking. People who do these things, and who are also more flexible and responsive to the workplace, are typically more active, motivated and employable.

But I think the real secret to successful career reinvention is a high level of self-awareness. It is necessary to understand change in ourselves – to recognise that while career change may be triggered by factors outside our control (such as retrenchment) it can also come about from periods of creative uncertainty. These might be characterised by conflicting feelings: we have accomplished much yet want a new direction; we feel satisfied yet sense we have lost something as we mature professionally; we are confident yet doubt we can change because of the risks.

We have to be able to assess honestly



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“Of course, career change is a personal responsibility and we each have the option of doing nothing about it, or improving our chances of success by embracing change.”

our current situations and the alternatives to recognise what is and what could be. Successful personal change usually requires an understanding of the tensions between critical self-analysis and imagining the future alternatives. Seeking help from friends, colleagues and professional counsellors is often essential to gaining a deeper sense of self-understanding but it is hard for many of us to do.

Developing a sense of realistic optimism will also drive success. This means having a hopeful (but not over-optimistic) perspective on life, informed by lessons

learned from work and life experience. This is not easy – it can mean countering our natural tendencies to be too optimistic, or lowering our expectations and settling for the status quo or less. It invariably means avoiding denial about our strengths and shortcomings, cultural stereotypes and ‘baggage’ we collect throughout our lives. For example, our youth-focused culture devalues maturity, which may confuse us in our efforts to reinvent ourselves as we grow older.

Self-awareness and realistic optimism should also lead us to a more positive identity or self-image. Contrary to traditional thinking, our personal direction and identity are not set unless we choose them to be. It can be invigorating to identify and discard stereotypical thoughts such as, ‘I’m too old’ or ‘I don’t have the right experience’ that can block our progress.

Finally, we are more likely to succeed in career change if we develop skills in finding a balance between work and play. We live in permanent white water where the emphasis is on increasing productivity and efficiency, and working harder and longer amid widespread organisational change. It is no surprise that often professionals who suffer from stress become ambivalent about their work and choose to ‘downshift’ to less stressful lifestyles or work.

But for many of us, success and satisfaction, in whatever career path we choose, will increasingly depend on our openness to discarding traditional ideas of career progression and adopting Charles Handy’s concept of a portfolio of work and other activities. 🌟

** Paul Murnane is an executive director of JBWere, a leading Australian investment house. He has had four careers over 35 years, working for 20 years as an equity analyst, stockbroker and investment banker, then spending 15 years in global executive search at board and CEO level. He has counselled numerous senior executives on career changes.*