From the Faculty of Finance and Management of The ICAEW

Manager Update

ISSUE 11 ISSN 1467-5765 November 1999

PREFACE

This Faculty publication is produced in parallel with the Braybrooke Press publication of the same name. Accordingly, references in the text to issues of *Manager Update* prior to April 1997 relate to the Braybrooke edition.

Manager Update helps the general manager keep abreast of the latest articles in specialist management journals. The most useful ideas in the fields of Strategy and Organisation, Marketing, Accounting and Finance and Human Resources Management are carefully selected from a wide range of publications with the busy general manager in mind. Experts in each field explain and discuss the relevance, practicality and usefulness of the key new concepts and ideas, thus enabling the senior executive to keep really up-to-date.

The articles represent the personal views of the authors and not necessarily those of their organisations or of the Faculty. The nature of some subjects will preclude the articles from being definitive or mandatory. Being general in nature, the points made in *Manager Update* may or may not be relevant to specific circumstances.

The Faculty committee intends that *Manager Update* will act as an aide-memoire for members, provide new ideas, and encourage good practice, but cannot accept responsibility for their accuracy or completeness. Responses from the membership will be a very important part of the successful development of the series. Comments please, to Chris Jackson on 020 7920 8486 (or by e-mail to CDJackson@icaew.co.uk).

Manager Update *is compiled and edited by* Professor Keith MacMillan, *Academic Dean and Deputy Principal of Henley Management College.*

Susan Foreman *is Lead Tutor, Marketing Faculty, Henley Management College.*

Richard McBain *is Director of Studies of the Inter-Company MBA Programme at Henley Management College.*

Ian Turner *is Professor of Management Studies and Director of Graduate Business Studies at Henley Management College.*

Roger Mills *is Professor of Accounting and Finance at Henley Management College, and Consultant Professor to PricewaterhouseCoopers on Shareholder Value.*

ARTICLE SUMMARIES

Manager Update is supplied to Faculty members only and is included in the annual Faculty subscription.

Chartered Accountants may join the Faculty by telephoning 020 7920 8486.

MARKETING

Marketing Organisation and Virtual Communities

Susan Foreman is Lead Tutor, Marketing Faculty, Henley Management College.

Some marketers have in recent years questioned the role of marketing as a function. They state that traditional structures based on a departmental approach to marketing are not able to cope with the modern marketplace. For example, Barwise[1] states that marketing has been complacent :

> *'Ill-defined in its remit, overindulged in its spending, and lacking in relevant performance measures, marketing (as a function) is failing to fulfil its original role, or is a function failing to live up to its pretensions.'*

Naturally this position is seen as being controversial and debatable, as there is little evidence or research which measures the power and influence of marketing in relation to other functions. It is clear, however, that the way marketing is organised and its role in the firm have undergone a number of changes. Modifications to existing structures have been needed to help organisations develop a true market orientation in the firm and to enable them to compete in fast moving, competitive markets.

In line with the changing nature of organisations, which now have flatter structures and use multi-disciplinary teams, more and more companies are moving away from a functional approach to marketing towards one which is aligned to processes rather than functions. Increasingly, process teams are responsible for delivering products, customer satisfaction and service or stimulating demand. Whilst there is still a role for specialists in this organisation structure, instead of being located in functional groups, they become part of a wider pool of talent working together and combining the various skills.

The influence of marketing in the firm

Given these changes, Homburg, Workman and Krohmer[2] have attempted to measure the influence of marketing in the firm. They consider where the power will lie in the organisation, and ask whether marketing will play a leading role in the future. The research is based on an understanding of three principles :

- the understanding of power within business units;
- the use of contingency theory;
- institutional theories of the firm.

These are used to explain the nature of power and influence in relation to functions and to provide an understanding of the position of marketing in the firm. The authors consider the influence of marketing on external factors, internal strategies and organisational context.

External factors

- **Market growth** Marketing's role and influence consists in providing an understanding of customer needs, and reaching customers through advertising and distribution strategies in the growth stages of the product lifecycle.
- **Uncertainty in the market** Where there is uncertainty and change, marketing's information generation and dissemination role provides the basis for influence and contribution to the firm's performance.

- **Technological turbulence** When dealing with constant technological change and turbulence, the influence of marketing may be less than that of R&D and other technical disciplines which provide the tangible benefits and the 'solutions' that customers demand.

Internal strategies

- **Differentiation and cost leadership** The authors suggest that the role of marketing is more influential when the firm is pursuing a differentiation strategy, as it involves understanding 'complex customer-needs structures', whereas cost leadership is more internally oriented.
- **Customer base and distribution** Here the control of information is important. The authors suggest that marketing's influence is weaker when it has less control over the distribution of products. There may also be close relationships between customers and other functions in the firm of which the marketing function may be unaware.

Organisational context

- **Corporate context** Where the culture of the firm is naturally oriented to marketing and the top management have marketing backgrounds, the influence of the marketing function will be substantial.
- **Industrial context** The traditional role of marketing in consumer goods organisations may positively affect its influence, which may not be so prevalent in a business-to-business context.
- **Societal context** National cultural and social attitudes and beliefs influence the role and perceptions of marketing in comparison with other functions. For example, within some contexts, engineering may be more highly valued in the firm.

Not surprisingly, this research found that marketing and sales were the most influential functions! However, the significance of this research is that it provides a framework which enables managers to understand the context of decisions and understand the patterns of influence in their organisation. It is an indicator of the source of power, and thus there is a starting point for identifying the most influential groups when planning and implementing new strategies.

Marketing and e-commerce

In addition to changes in organisation and structure needed to manage conventional markets, managers need to develop good marketing practice in support of their current (and future) customers. Increasingly, the growth of the Internet and the prominence of e-commerce is providing additional challenges for organisations and, in particular, the 'function' of marketing. A recent Economist report[3] stated the following :

> *'The Internet is turning business upside down and inside out. It is fundamentally changing the way companies operate. It goes beyond buying and selling over the Internet or e-commerce and deep into the processes and culture of an enterprise.'*

Online communities

Kozinets[4] has examined the strategic implications of virtual communities. Virtual communities (or, as they are sometimes called, e-tribes), are groups of people who gather together in 'cyberspace', free from the constraints of distance, geography and time, to share social ties and exchanges on common interests. According to Kozinets, many of the interests of these communities are based on consumption and marketing, and thus organisations may wish to consider developing marketing approaches and strategies specifically for them.

In his paper, Kozinets identifies various types of community. These can be broken down according to the nature of the social structure (for example by whether it is loose or tight), and by the nature of the exchange (information exchange or social interaction, for instance).

- **Bulletin boards** Bulletin boards are often directly related to consumption. Common interests are shared in virtual 'clubs'. Here, users and consumers share information on music, wine, Lego, Barbie products, cars, environmental issues, consumer issues, and many other matters. These boards are a source of advice, recommendation and information.
- **Chat rooms** Chat rooms are largely recreational and there are high levels of social interaction, but they are less consumption based and less focused than bulletin boards.
- **Lists, circles** Circles and lists are mainly email groups that share information about specific topics, themes, products, and interests. According to Kozinets, they tend to be stable and permanent communities, and thus very interesting to the marketing community.
- **Web rings** Web rings are linked Web home pages where users can find structured information and purchase details on a specific topic.
- **Dungeons** Dungeons emerged from the cult fantasy games of 'dungeons and dragons'. There is a great deal of social interaction and games playing in these, but the groups are also populated by virtual technology products, software and computer hardware consumers.

Virtual consumers

Kozinets states that within these communities there are different kinds of virtual consumer. When they first use the Internet, they largely browse casually on various Web sites, gathering information and learning about products and services, probably from individual company Web sites. With continued use and experience, the user may join shared areas, newsgroups and bulletin boards, and seek out opinions and experiences without making a written contribution. If there is continued interest in the 'product' that is combined with an interest in developing social contacts, the user may begin to ask questions and then participate in group discussions.

One of the tasks for the marketer is to distinguish between browsers and members of consumption communities. The members of the community can be classified in two dimensions in a 2×2 matrix. The horizontal axis measures the users' relationships and strength of social ties with the community, and the vertical axis measures the importance and centrality of consumption to the user. In this way, the communities can be broken down into 'devotees', 'insiders', 'tourists' and 'minglers'. Understanding the nature of the interaction can be a basis for segmentation, and it encourages the development of more effective targeting and positioning strategies.

- **Devotees** Devotees are enthusiastic and interested in the group but have few social attachments.
- **Insiders** Insiders have strong affiliations and engage in regular consumption; as such, they may be connoisseurs and collectors.
- **Tourists** Tourists do not have any social ties to the group but purchase the product or service from time to time.
- **Minglers** Minglers develop more social interaction but buy less frequently, as interaction is more important to them than consumption.

Kozinets states that in these communities 'consumers form e-tribes that use networked computer technology to sharpen their consumption knowledge'. Whilst there may be some self-segmentation in these communities, the next step for marketers is to decipher the most appropriate way to reach them and establish and maintain relationships with the consumer and the community.

Media planning on the World Wide Web

Forrester Research has indicated that, in addition to consumer spending, business-to-business trade is expected to double every year for the next five years, and increase from $43 billion in 1998 to $1.3 trillion by 2003. Together they represent an unprecedented array of opportunities for advertising.

Leckenby and Hong[5] have asked whether the traditional approaches to media planning and measurement are relevant in this new medium. They ask whether new methods need to be 'invented'. The authors concentrate on two aspects of media planning : reach (the number of people or households exposed to advertising in a specified period), and frequency (the number of times that these people and households are exposed to the advertisement). In assessing reach and frequency, it is important to understand the objectives of Web advertising. For example, is Web advertising part of an overall approach to develop brands, is it part of a mass media campaign, or is it an approach which aims to develop close relationships ? The Web facilitates mass communication in that it provides access to tens of millions of potential customers, but it can also accommodate an individual dialogue. It is therefore important to understand the objectives, which will in turn help to determine the appropriate measurement techniques.

Leckenby and Hong take care to highlight some of the technical difficulties of measuring the effectiveness of advertising to Web customers. They advise managers to consider the following :

- **Universe of Internet users** It is important to put a boundary around the group of users and establish a sample to be measured.
- **Size of the Web site** Current practice often concentrates on the measurement of large Web sites, so that the audiences of small sites are not measured. Leckenby and Hong question whether this practice is sensible.
- **Access from home and work** An analysis of home and work users reveals different patterns of usage. Popular sites for users accessing the Web from work tend to be different from the ones used from home, and yet the reason for this difference is not clear.
- **Determination of the object to be measured** Clarity is needed to ensure that the measurement is consistent. Is the emphasis on the Web page, the banner, or an advertisement placed on the Web page ?
- **Site-based measures and consumer-based measures** Site measures count the number of individuals visiting sites, and this can include duplication in the form of repeat visits by a single person. Reach and frequency measurement needs to be based on 'customer-centric' measures.

This investigation examined the performance of six models of reach and frequency for a sample of 650 Web media schedules. Leckenby and Hong were confident that existing models are adequate and that reach and frequency can be accurately used for Web media schedules.

Internet strategy in the business-to-business sector

The involvement of e-commerce in the business-to-business sector in the USA is 'about to accelerate into hyper-growth', with the UK and Germany about two years behind. With this in mind, Evans and King[6] have provided some practical advice for devising, overseeing and evaluating 'business' sites. They argue that the promises offered by the Internet have not been fulfilled for the majority, that suppliers and customers have been frustrated and confused, and that many sites remain unprofitable.

They suggest that the Web provides opportunities in channel management, brand management and image management. It allows access to information and research on commercial issues and specific access to competitive information. For the customer, it also provides up-to-date information at any time. The Web also has a number of obstacles for the customer and the company to consider, and the authors suggest that companies should be cautious and follow a structured approach to developing a market oriented Web site. They advocate following four steps :

- Web planning;
- Web access;
- site design and implementation;
- site promotion management and evaluation.

How can a Web site be evaluated ?

The assessment tool proposed by the authors examines four main categories :

- the Web site goals;
- the target market;
- hardware and technology;
- the nature of the goods and services.

Each of these categories is broken down into specific elements, which are weighted and rated to give an indication of the importance of the categories and elements and, ultimately, an overall importance or performance 'score'.

As the Web expands as a marketplace, so too can we expect new marketing techniques applicable to e-commerce to be developed. Some new techniques have already arrived on the scene, as the above indicates. More will undoubtedly follow.

REFERENCES

1 **'Marketing Today and Tomorrow'**
Barwise, P, *Business Strategy Review* Vol 6, No 1, 1995, pp 45–49.

2 **'Marketing's Influence Within the Firm'**
Homburg, C, Workman Jr, J P and Krohmer, H, *Journal of Marketing* Vol 63, April 1999, pp 1–17.

3 **'Survey : Business and the Internet : The Net Imperative'**
Economist Vol 351, No 8125, 26 June 1999, pp B5–B11.

4 **'E-Tribalized Marketing ? The Strategic Implications of Virtual Communities of Consumption'**
Kozinets, R V, *European Management Journal* Vol 17, No 3, 1999, pp 252–264.

5 **'Using Reach/Frequency for Web Media Planning'**
Leckenby, J D and Hong, J, *Journal of Advertising Research* Vol 38, No 1, 1998, pp 7–20.

6 **'Business-to-Business Marketing and the World Wide Web : Planning, Managing, and Assessing Web Sites'**
Evans, J R and King, *Industrial Marketing Management* Vol 28, 1999, pp 343–358.

HUMAN RESOURCES MANAGEMENT

Resistance, Fairness and Satisfaction

Richard McBain is Director of Studies of the Inter-Company MBA Programme at Henley Management College.

The modern tradition of human resources management (HRM) emphasises the importance of gaining and maintaining the commitment of all employees to the organisation, and of recognising the importance of 'soft' issues of perception. What are the consequences, though, of employee resistance when compared with commitment ? To what extent is it within the power of the organisation to manage perceptions and commitment ? What balance must HRM strike between meeting the needs of the individual employee and pursing organisational interests ? These are 'big' questions, to which there is perhaps no simple answer. However, recent research on the role of HRM in the success of mergers and acquisitions, on dispositional and situational factors in pay satisfaction, and on perceptions of fairness in pay processes and in layoffs throws some light on these issues.

Resistance in mergers and acquisitions

Larsson and Finkelstein[1] have provided an interesting examination of the potential for realising synergies, that is, major benefits, in mergers and acquisitions. In a study of 61 mergers and acquisitions in Europe and the USA over the past 30 years, three major antecedents of mergers and acquisitions success were identified. Synergy realisation was significantly dependent upon the following :

- 'combination potential';
- employee resistance;
- organisational integration.

Organisational integration was the most important factor, but employee resistance, whether active or passive, to the combination and subsequent integration of joining firms was found to be negatively associated with synergy realisation. The stress, career disruption and culture clashes following a merger may engender resentment, hostility, and dissatisfaction. While employee resistance tends to be a generalised phenomenon in most mergers and acquisitions, strategic similarity tends to be a stronger predictor of employee resistance than does complementarity; similarity may be seen as more threatening than difference. Cross-border mergers and acquisitions were also found to reduce employee resistance marginally. This could be because such mergers are perceived as less threatening, or because cultural differences are more carefully attended to.

Similarity of management style may also cushion perceptions of the degree of change. The authors argue that management style similarity may influence eventual synergy realisation more by reducing cultural differences between merging organisations than by facilitating interaction and co-ordination among various management groups.

There are a number of important lessons for practitioners from this research :

- Symbols and rituals, and the role of leaders in the management of a merger and acquisition, are critical.
- In order to realise synergies, the combined organisation must minimise employee resistance through the use of effective strategies for gaining commitment and cultural integration.
- Complementary acquisitions offer significant potential for an effective approach to realising synergies.

When should an organisation outsource human resources management ?

Increasingly, human resources management activities such as recruitment and selection are being outsourced. What, however, are the key criteria that will enable a firm to decide on whether or not to outsource particular activities ? According to a transaction cost economic theory (TCE), the concern is to minimise total transaction costs. Market contracting (or outsourcing) is more likely to produce costs associated with opportunistic suppliers, while rigid HRM departmental structures are more likely to produce costs associated with bureaucratic inefficiency where there are weaker incentives for performance, and lower responsiveness to supply and demand. TCE predicts that firms will adopt market structures when organisational conditions make them less vulnerable to the costs associated with this form of activity.

Klaas, McClendon and Gainey[2] used a TCE perspective to identify a number of organisational-level factors that may influence both the degree of reliance on HRM outsourcing, and the perceived benefits from outsourcing :

- idiosyncratic HRM practices;
- uncertainty;
- pay levels;
- firm size;
- overall level of outsourcing;
- cost pressures;
- strategic involvement of HRM.

In a study of members of the US-based Society of Human Resource Management, they found support for this TCE-based view. While idiosyncratic HRM practices reduced perceived benefits resulting from HRM outsourcing, perceived benefits were greater for firms facing more uncertainty, for smaller firms, and for firms reporting greater cost pressures. No evidence was found to suggest that pay levels, overall outsourcing levels, or a strategic emphasis by HRM moderated the impact associated with increased outsourcing.

The relevance of this research is that it identifies a number of factors that may guide an organisation in deciding whether or not to outsource. At the same time, the authors make the point that by developing trust and building partnership relationships, by forming fully specified contracts, and by selecting ‘best in class’ outsourcing firms, an organisation may benefit from outsourcing even if it possesses characteristics which are inhospitable to outsourcing. Furthermore, they recognise that while cost considerations are important, they are not the only motive for outsourcing; access to specialised expertise, increased quality of services, and time saving may also be relevant.

The role of human resources management in the modern organisation

Rousseau and Arthur[3] have argued that the role and function of human resources management is changing :

> *‘The twin pressure for flexibility and stability – making both people and firms more successful – is the essence of the new role of contemporary HRM.’*

The principal role of the HRM function is not to retain activities that can more effectively be performed outside, but rather to sustain and to nurture the core firm, or ‘people who are essential’. The ‘new HRM is about keeping the firm alive, both vital to and drawing vitality from the markets it serves’. To achieve this, the HRM function must manage two principal interfaces with the host economy :

- **knowledge interface** interaction with the labour market to promote the firm's distinct knowledge advantage;
- **moral interface** the present or future employability of its people.

In the era of the 'boundaryless career' and increased competitive pressures, firms should act on the basis of two traditionally opposing ideas :

- **agency** the ability of individuals to make decisions and to act in their own interests;
- **community** participation in interdependent relationships.

They propose that six interdependent features will define the nature of contemporary and future HRM practices; the first three are principally aspects of agency, and the second three are aspects of community :

- **voluntarism** offering choices and opportunities to participate in the design of the employment arrangements;
- **market discipline** maintaining employment terms that have value in the external labour market as well as in the firm's internal market;
- **leveraged career competencies** applying emerging skills and knowledge and personal networks to new employment markets;
- **resilience** maintaining each person's capacity to respond to job, career, and life changes;
- **collaboration** creating relationships among individuals both within and between firms;
- **civility** maintaining the safety nets and supports to make people less vulnerable to dynamic market changes.

What makes pay procedures 'fair' ?

Employees notice the level of fairness in human resources decisions, and their perceptions of fairness have an impact upon their attitudes and behaviours. The psychological processes involved have been explained by two key factors :

- **instrumental** whether the process is seen to produce the desired outcomes;
- **value expressive** how employees value the social interactions themselves.

Perceptions of fairness may, therefore, be affected by whether employees can indirectly determine outcomes or can influence decision making.

Jones, Scarpello and Bergmann[4] have shown that individuals can have both types of perceptions when evaluating the fairness of pay procedures. However, it can be difficult to differentiate instrumental and value-expressive concerns in the workplace. Economic and social relationships are intertwined.

The authors quote existing research showing that employees view HRM activities in various ways. For example, perceptions of job evaluations and pay raise procedures tend to have the most influence on pay satisfaction and voluntary turnover, whereas the fairness of the performance appraisal procedure is the most crucial to supervisor satisfaction and job performance :

> *'Knowing that individuals use both instrumental and value expressive standards to evaluate the fairness of procedures to allocate pay suggests that to cultivate a work climate that encourages desired individual behaviours, productive superior–subordinate relationships and commitment to the organization, the organization and its agents must not only strive to allocate pay fairly but also to ensure that each pay allocation procedure is perceived as fair.'*

Disposition and pay satisfaction

Why are some people more satisfied with their pay than others ? Given the absolute and relative size of an organisation's wage bill, and the link between reward, motivation and performance, this is a key question. Researchers have considered such factors as individual characteristics, actual pay levels, and fairness. Shaw, Duffy, Douglas Jenkins and Gupta[5] have argued that, overall, there are few consistent predictors of pay satisfaction.

The results of their study of employees in two southern US states showed that background characteristics, age, gender, and length of tenure were not strong predictors of pay satisfaction, and that actual salary levels had a moderate positive relationship with pay satisfaction. However, something they call 'positive affect' was found to interact significantly with actual salary levels in predicting two out of four dimensions of pay satisfaction :

> *'PA is a dimension that can be characterised by the extent to which a person feels enthusiastic, active and alert, and is empirically related to the personality factor of extraversion.'*

People who are high in PA are also described as having social potency and volatility.

The research, despite the mixed results, supports the idea that the sensitivity of individuals to the reward and punishment signals in pay and benefits is important, and that both dispositional and situational factors play a role in pay satisfaction : 'people cannot leave their dispositions behind when they come to work'.

When is a layoff perceived as 'fair' ?

Wanberg, Bunce, and Gavin[6] carried out a longitudinal study of laid-off individuals, looking at how a number of characteristics of a layoff, including received explanation and two individual characteristics (negative disposition and prior organisational commitment), are related to layoff victims' attitudes and perceptions of fairness. They found that individuals who reported that they were given full explanations about how termination decisions were made were more likely to perceive their layoff as fair, to be willing to endorse the terminating organisation, and to indicate that they did not wish to take the past employer to court. Also, individuals who perceived their layoff to be fair continued to do so over time. The authors also found that re-employment status moderated the relationship between severance benefits, prior organisational commitment, negative disposition and perceived fairness. Negative disposition was a predictor of low perceived fairness of the layoff for re-employed individuals, but not for continuously unemployed individuals. For the continuously unemployed individuals, there was a positive relationship between their previous organisational commitment and their desire to sue their past employer. The key lesson of this research is that it is important, whether on moral or instrumental grounds, for management to go out of its way to explain its actions to employees, particularly when the news is bad, and especially when its employees have been committed and loyal.

REFERENCES

1 **'Integrating Strategic, Organizational, and Human Resource Perspectives on Mergers and Acquisitions : A Case Study of Synergy Realization'**

Larsson, R and Finkelstein, S, *Organization Science* Vol 10, No 1, 1999, pp 1–26.

2 **'HR Outsourcing and its Impact : The Role of Transaction Costs'**

Klaas, B S, McClendon, J and Gainey, T W, *Personnel Psychology* Vol 52, 1999, pp 113–136.

3 **'The Boundaryless Human Resource Function : Building Agency and Community in the New Economic Era'**

Rousseau, D M and Arthur, M B, *Organizational Dynamics* Spring 1999, pp 7–18.

4 **'Pay Procedures – What Makes Them Fair ?'**

Jones, F F, Scarpello, V and Bergmann, T, *Journal of Occupational and Organizational Psychology* Vol 72, 1999, pp 129–145.

5 **'Positive and Negative Affect, Signal Sensitivity, and Pay Satisfaction'**

Shaw, D, Duffy, M K, Douglas Jenkins Jr, G and Gupta, N, *Journal of Management* Vol 25, No 2, 1999, pp 189–206.

6 **'Fairness of Layoffs Among Individuals Who Have Been Laid-off : A Longitudinal Study'**

Wanberg, C R, Bunce, L W and Gavin, M B, *Personnel Psychology* Vol 52, 1999, pp 59–84.

STRATEGY AND ORGANISATION

Making a Difference

Ian Turner is Professor of Management Studies and Director of Graduate Business Studies at Henley Management College.

This issue of *Manager Update* takes a look at some well established principles and theories in strategy, and subjects them to new scrutiny.

Strategy is about doing things differently from your competitors, is it not ? Well, up to a point. There is a strong thread in writings on strategy, particularly competitive strategy, which goes back to, and even pre-dates, Michael Porter's work in the 1980s, which held that, in order to survive and grow, a company needed to differentiate itself from its competitors. This proposition, which is derived from economics, holds that the less strategic similarity there is between a company and its rivals, the greater will be the performance of the company. This is because, by staking out a distinctive position in the marketplace, the successful differentiator removes itself from the threat posed by imitators, and creates a little island of non-competition around itself. This need to be distinctive, therefore, is extremely important as a concept in strategy, and it not only lies at the heart of Porter's work on competitive strategy, but also is central to writers in the so-called resource-based school who urge companies to develop distinctive capabilities or core competencies upon which to build the company's competitive strategy.

As David Deephouse has pointed out, however (see reference 1, pp 147–166), there is another side to this differentiation question. Being too different can also be problematic. The proposition here is that companies that pursue strategies that are too dissimilar face the possibility of a 'legitimacy challenge' from one of their key stakeholders (see reference 1, p 152) :

> *'A firm which selects strategies outside the range of acceptability does so at its own peril. It is subject to questions and actions challenging its legitimacy, reliability and rationality.'*

Such legitimacy challenges can make life extremely difficult for companies pursuing unorthodox strategies. It can diminish the capacity of the company to acquire resources in an exchange with other partners, for example customers, suppliers or regulators.

- A company which is perceived as operating an unorthodox or illegitimate strategy may find that if resources are available to it, they are only available at less advantageous terms.
- As the perception among rational partners may be that companies pursuing unorthodox strategies are more likely to fail, they may demand a risk premium in contracts with the company.
- Companies that pursue strategies that are regarded as illegitimate may have difficulty in recruiting or retaining quality managers and outside directors, which in turn may reduce the company's overall effectiveness.

Such challenges to legitimacy may come about as part of normal business practice. They may affect a company's ability to operate in its competitive environment, for example through direct intervention by regulators. They may cause customers or potential customers to become confused and to lose confidence in the provider, and may generate adverse comment in the media.

Getting the balance right

Given the tension, therefore, between having a distinctive strategy on the one hand and being similar enough to other competitors to retain legitimacy on the other hand, Deephouse postulates that companies need to attain a strategic balance between the two extremes. Overall, he hypothesises, moderate amounts of strategic similarity are probably most likely to increase performance.

Deephouse tests this hypothesis using data from the banking industry. This research tends to support his original proposition. It also throws up a number of interesting sidelines. Thus the theory of strategic balance is essentially static as it stands, but Deephouse believes that more work should be done on examining how strategic balance points (the point at which differentiation and similarity are balanced in such ways as to maximise overall performance) change over time. He suggests that the punctuated equilibrium model drawn from complexity theory and discussed in previous issues of *Manager Update* may be applicable. This suggests that in any industry there are likely to be periods of convergence as well as divergence. Long periods of convergence around broadly accepted norms and practices are likely to be punctuated by periods of rapid divergence when industries try out new strategic recipes, possibly prompted by periods of poor performance.

He recognises, too, that testing the theory on one industry, the banking industry, will inevitably produce certain limitations. In an established industry such as banking, norms of legitimacy will be very strongly entrenched. He postulates that in the so-called new industries, for example IT, the institutional environment which 'polices' legitimacy is typically under-developed. Until such time as the institutional infrastructure of such industries has been established, it is likely that the norms of legitimacy which place boundaries on differentiation will be more relaxed, that is, it will be easier for new companies to come in offering new recipes without suffering the penalties of illegitimacy.

Appropriating competitive advantage

Competitive advantage should lead to higher levels of firm performance, should it not ? Not always, as Russell Coff (see reference 2, pp 119–133) has demonstrated in a recent study. Coff points out that we are used to thinking of competitive advantage as deriving from the possession of certain key resources or capabilities which are rare, valued by customers, and not easy for competitors to imitate or substitute for. However, he argues that possession of these distinctive resources, whilst it may confer competitive advantage, will not necessarily lead to an improvement in performance as indicated by conventional measures of profitability. This is because powerful stakeholders in the company, for example key employees, may, by exercising their bargaining power, translate some of this profit into wages or salaries, thus depressing shareholder returns.

Coff's starting point is that we should perhaps think of a firm not as a bundle of resources or as a set of assets, but rather as a nexus of contracts between the various stakeholders in the firm. Using this definition, the true measure of profitability or surplus is not that which is purely available to shareholders, but is rather any surplus received by employees or other stakeholders which is greater than that which is needed to prevent them from exiting the company. To put it another way, Coff maintains that a firm can be said to be generating surplus when all the stakeholders receive sufficient compensation to keep them in place, and some stakeholders get more this.

What is needed, therefore, according to Coff, is a theory of profit or surplus (he uses the economists' term 'rent') appropriation, as well as a theory of how it is generated. For this he falls back on the literature on bargaining power, and he identifies four determinants of such power. Thus stakeholders are likely to have the greatest bargaining power when the following are the case :

- They are capable of acting in a unified manner.
- They have access to key information about the company.
- It is very costly for the company to replace them.
- They would face low costs if they were to decide to move to another firm.

Coff then goes on to apply this model to both small team situations and a large corporate entity. He concludes that internal stakeholders, notably the management of the company, are always likely to have greater stakeholder bargaining power because they possess better information and have more critical skills for adding value, and will therefore have a very high replacement cost. It is most likely, therefore, that internal stakeholders will be in a strong position to appropriate any surplus gained from a resource-based advantage. Conversely, external stakeholders tend to be in a comparatively weak position relative to internal people. Coff cites the examples of Microsoft and other knowledge-based companies, which recognise the importance of skilled employees and have therefore allowed them to appropriate surplus in the form of stock options and other ways of transferring wealth.

Coff sees two main threats to the appropriators of economic surplus in firms. The first clearly comes from competitors. The problem here, however, is that, because the full nature of the company's profits is concealed by those people (for example employees) who appropriate the surplus, competitors may not be able to determine the overall returns made by the company. Even if they can, they may be unable to work out exactly why the company is capable of generating superior returns. This is the phenomenon known by the resource-based theorists as 'causal ambiguity'. The other threat is the discipline of the stock market. However, as Coff points out, corporate raiders focus predominantly on firms with poorer performance. Companies that are generating average returns are not normally so susceptible. Unless the company is seen to be performing poorly, shareholders generally defer to the explanations of the company's management, and even when these are not entirely credible, they may fear that mounting a hostile acquisition of the firm may destroy some of the resources, for example through the exit of individuals who have generated the surplus in the first place.

Coff's work clearly challenges our notions of performance measurement in companies. If, as he puts it, shareholder returns give an imperfect view of the company's competitive advantage, what implications does this have for shareholder value analysis and other techniques based on assessing shareholder returns as a measure of corporate health ? Coff believes that this problem is surmountable inasmuch as competitor advantage should be apparent over time through the use of a variety of measures, for example market share, valuations, and growth. In the long run, he speculates (see reference 2, p 130), survival may be the best measure :

> *'All stakeholders have an interest in an organization's continuing existence. Furthermore an advantage that is hard for competitors and other stakeholders to detect may help the firm survive even more than if the rent (surplus) were easily observable.'*

First-mover (dis)advantages

Getting into a market first will confer overwhelming advantages on a company, will it not ? Well, not always. Consider the problem. Your company is a market leader, having attained a dominant position within the industry and a recognised mastery of technology. A new, revolutionary technology now threatens to disrupt the industry, offering consumers step changes in functionality and in value for money. Do you position the company aggressively to take advantage of this change, and, in the process, cannibalise your existing position, or do you hang back hoping to learn more about the technology and see how the industry develops ? This is, of course, one of the most critical decisions on strategy that a company has to make, and it leads to a discussion of so-called first-mover advantages. This concept, which originally owed much to the work of Alfred D Chandler, was first systematically explored by Lieberman and Montgomery in their pioneering 1988 paper on first-mover advantages. Lieberman and Montgomery have recently revisited the topic[3], reviewing the work of authors in this area in the past 10 years and updating our knowledge on its relative merits and demerits.

The original first-mover advantages proposition was that early entry into a particular market would enable a firm to pre-empt resources and seize the high ground. Thus a pioneer in retailing would be able to secure the prime locations, whilst in technology-intensive industries early movers would be able to patent their innovations, and in consumer-goods industries they would capture customer attention. Having secured their initial position, pioneers could then expand and defend it through line extensions. Moreover, the early entrants could also mould the way that customers approached the market. Thus customers might become familiar with the pioneer's products and might face switching costs if they subsequently choose a competitor's product. They might prefer to adopt the early entrant's product as the industry standard, as this would lower their overall cost of use.

Of course, the possession of first-mover advantage is no guarantee of long run success or even survival. Early entrants can be overtaken subsequently by competitors with a larger resource base, an aggressive posture, and an ability to learn from the mistakes of the pioneers. Lieberman and Montgomery explain this as follows[3] :

> *'Ultimately the sustainability of the first-mover advantage depends upon the initial resources captured by the pioneer, plus the resources and capability subsequently developed, relative to the quality of resources and capabilities held by later entrants.'*

This is another way of saying that whether you are able to generate an advantage from being a first mover is, to some extent, a function of your company's pattern of strengths and weaknesses. Research suggests that market pioneers have different skills from market followers. The latter tend to be more skilled in marketing and to be more efficient at manufacturing. On the other hand, and perhaps surprisingly, R&D skills do not apparently have any effect on entry timing. Nor can it be said from the research that has been done to date that first movers in any particular industry tend to be intrinsically stronger or have greater capabilities than later entrants. Much apparently turns on the nature of the innovation. Where a new technology is perceived as revolutionary, incumbents are generally slow to adapt, and are therefore unlikely to be first movers. On the other hand, industry incumbents are most likely to be pioneers if their core products are threatened and their base of expertise still retains some value in this new technological era.

The extensive research on first-mover advantages is apparently beset by methodological and definitional problems. Lieberman and Montgomery are sceptical about one historical survey which purported to show that market pioneers, that is, first movers in any particular market, had a failure rate of 47%, which is much higher than that for companies that were early market leaders but not necessarily pioneers. On the other hand, there does appear to be an accumulating weight of evidence which suggests that innovative later movers ('fast followers') may be more profitable than pioneers. The authors conclude that first-mover advantages vary greatly across product categories and geographical markets, and that the advantage conferred by pioneer status is likely to dissipate over time, but will increase in cases where lead times are longer before a competitor enters the market. They also believe that the impact of first-mover advantages, while significant, is likely to be weaker than effects relating to price and advertising. This means that later entrants have the ability to catch up and surpass early pioneers. Ultimately, the authors believe that the potential advantages of being a fast follower may be as important as those that are conferred upon pioneers.

The literature on first-mover advantages appears to be diverse and eclectic. For example, much interesting work appears to be focused on the psychology of consumer reactions to pioneering products. It is puzzling to note, however, that very little work appears to have been done on the impact of culture, leadership or comparative business systems upon the propensity of a company to be a first mover or a follower. It is apparent, at least anecdotally, that some companies seek to be the first to enter any particular market almost as an article of faith. This is manifest, for example, in the strategy of the confectionery giant Mars. Other companies, by contrast, are more cautious and more prepared to analyse a new market in some depth before committing themselves. Unilever falls into this category, for example. These differences cannot be accounted for by industry differences, but may be explained by historical practice which is, in turn, incorporated into the 'dominant logic' of top management in firms.

REFERENCES

1 **'To Be Different, Or To Be the Same ? It's a Question (and Theory) of Strategic Balance'**
Deephouse, D L, *Strategic Management Journal* Vol 20, 1999.

2 **'When Competitive Advantage Doesn't Lead to Performance : Source Based View and Stakeholder Bargaining Power'**
Coff, R W, *Organization Science* Vol 10, No 2, 1999.

3 **'First-Mover (Dis)Advantages : Retrospective and Link with the Resource-Based View'**
Lieberman, M B and Montgomery, D B, *Strategic Management Journal* Vol 19, 1998, p 1113.

ACCOUNTING AND FINANCE

Mergers and Acquisitions

Roger Mills is Professor of Accounting and Finance at Henley Management College, and Consultant Professor to PricewaterhouseCoopers on Shareholder Value.

Merger mania remains at an all-time high. For example, 1998 was the fourth record-breaking year in a row, with global mergers and acquisitions amounting to $2.6 trillion in total value. In fact, 1998 exceeded 1997 volumes by 55%, and it was driven by a great number of ever-larger transactions. In fact, nine of the top ten deals in history were announced in 1998 (see *Table* 1)[1].

Six industries accounted for 52% of all mergers and acquisitions activity. Banking and finance led the way, accounting for 16%, insurance followed at 8%, and then telecoms, technology, the media and utilities each accounted for 7%.

The global level of mergers and acquisitions activity has been spectacular, and it shows no sign of slowing. Expectations for 1999 are similar, with the activity among financial institutions being notable. This is evidenced by the hostile bid by BNP (Banque Nationale de Paris) for SG (Société Générale) and Paribas. On 1 July 1999, BNP raised its bid and added £584 million of cash to its earlier deal. If the BNP bid succeeds, the result will be the creation of the world's largest bank, with more than $1000 billion (£629 billion) of assets and 130 000 employees[2].

The healthcare and telecommunications sectors are also expected to show signs of continued activity globally. However, what is particularly noteworthy are the developments within Europe. The prospective BNP deal provides a good indication of the current significance of Europe, and this is supported by the statistics. Activity in Western Europe surged to a new peak in 1998 with deals totalling $229.613 billion (as against $139.213 billion in 1997). For the first time, UK companies were at the top of the purchasing tree, toppling the USA from its traditional position as the biggest acquirer worldwide, and the UK now accounts for nearly 25% of the world's cross-border transactions. In 1998 it attracted deals worth $86.11 billion ($55.41 billion in 1997). Germany was the next most popular destination with $36.73 billion ($19.28 billion in 1997), with Belgium coming in third at $26.15 billion ($6.36 billion in 1997)[3].

Table 1 Ten largest mergers ever

Acquirer	Target	Value, $ million
Mobil	Exxon	86 355
Travelers	Citicorp	72 558
SBC	Ameritech	72 357
Bell Atlantic	GTE	71 324
AT&T	TCI	69 897
Nationsbank	BankAmerica	61 633
BP	Amoco	55 040
WorldCom	MCI	43 352
Daimler–Benz	Chrysler	39 513
Norwest	Wells Fargo	34 353

The mergers and acquisitions trail in Europe

It seems that Europe is now going through what US capitalism experienced in the 1980s[4]. The nature of and pace of change in the European mergers and acquisitions market has been dramatic. Some of this can be attributed to the preparation by the region for a single currency, but the pressures of global competition, in which mergers and acquisitions are a critical part of the push to get ahead, cannot be ignored.

There have been many significant recent European mergers and acquisitions transactions, with the top ten transactions in 1998 each exceeding $10 billion (see *Table* 2)[1].

Table 3 shows Europe's busiest acquirers in 1998. The UK currently leads the way.

While most of this activity has been intra-European, transatlantic activity is still substantial. Most of the flow has been from Europe into the USA, but many US companies also made significant acquisitions in Europe and bought from European sellers. The $5.4 billion acquisition of Energy Group in the UK by Texas Utilities and the purchase of DuPuy from Roche of Switzerland by Johnson & Johnson are two illustrations of this.

Table 2 Top ten European mergers and acquisitions transactions, 1998

Acquirer	Target	Value, $ million
BP	Amoco	55 040
Daimler–Benz	Chrysler	39 513
Zeneca	Astra	32 173
Hoechst	Rhone–Poulenc	21 223
Total	Petrofina	13 000
Scottish Power	PacificCorp	12 617
Fortis	Générale de Banque	12 299
Commercial Union	General Accident	11 159
Credito Italiano	Unicredito	10 959
Universal Studios	Polygram	10 254

Table 3 European acquirers, 1998

Country	Proportion of total European activity, %
UK	35
Germany	17
France	15
All others	15
Netherlands	7
Italy	6
Spain	5

Accounting problems still prevail !

There is little doubt that accounting problems still prevail in mergers and acquisitions deals. Until this year, UK companies could write off any goodwill to reserves, thus ensuring that earnings were protected from future goodwill amortisation. With a new regime that requires goodwill to be capitalised and amortised against future earnings, the attraction of merger accounting is considerable, but the UK rules on merger accounting have been tightened enormously. For example, FRS 6, the relevant UK accounting standard, states the following :

> *'Merger accounting is not appropriate for a combination where one of the parties results from a recent divestment by a larger entity, because the divested business will not have been independent for a sufficient period to establish itself as being a party separate from its previous owner.'*

A good example of these accounting issues emerged in BAe's £7.8 billion acquisition of GEC's Marconi Electronics. The deal begged the question of whether it was a merger or acquisition and how it would be accounted for[5]. Treating a deal of this size as an acquisition would have a significant impact upon future earnings. Of course, as the issue is about accounting rather than value, it should not really matter. However, it has been argued that the market may not be adept at recognising such technicalities, so that the capitalisation of goodwill under the new accounting rules could act as a brake on the premiums paid in acquisitions. Interestingly though, the current mergers and acquisitions trends do not seem to suggest any such dampening of enthusiasm.

It is not only in the UK that problems arise with respect to mergers and acquisitions accounting. The proposed $35 billion merger of Astra and Zeneca, the Swedish and UK pharmaceuticals groups, was opposed by Sweden's small shareholders' association, the members of which held 11% of Astra's shares. Lack of support by the association was seen as having the effect of potentially treating the deal as an acquisition rather than a merger, with significant consequences in terms of prospective goodwill payment and amortisation charges[6].

Tradition versus the new way

Whilst many of the deals are held to be in the interests of creating value, there is a view that a probe beneath the surface may find that good old-fashioned intrigues are still being played out. The real changes that have been identified are the following :

- Global consolidation is leading to the use of aggressive takeover tactics.
- Booming capital markets are providing fuel for companies' ambitions.
- Chief executives have learned the Anglo-American 'song' about value creation to woo fund managers, and politicians have realised the need not to intervene as much as before.

Despite the activity in Europe, companies that fit the Anglo-Saxon mergers and acquisitions paradigm (consolidators creating synergies in pursuit of global goals and stock price growth) are harder to find in Germany, France and Italy. Telecom Italia's proposed merger with Deutsche Telekom has been identified as one example of a deal that shows desperation and does not really reflect major opportunities for value creation through integration. The companies do not have overlapping fixed-line phone franchises, and while Telecom Italia is strong in mobile phone services and has expanded into Latin America, Deutsche Telekom is more interested in online access and Eastern Europe. However, by comparison with Olivetti's attempted hostile takeover of Telecom Italia, the proposed merger pales into insignificance. Olivetti made a leveraged offer of $56 billion in February 1999 for all Telecom Italia's shares, but there appears to be little industrial logic in the deal, and it has been contended that a victory would have little to do with creating value. Rather, it has been portrayed as being a case of one clan rather than another getting its hands on what is seen as being potentially one of Italy's most rewarding assets[4].

Mergers and acquisitions in Asia

In spite of the currency crisis and the ending of the Asian miracle, the mergers and acquisitions activity has remained buoyant. According to Anandan *et al*.[7], between August and December 1997, in the thick of the crisis, more than 400 mergers and acquisitions worth a total of $35 billion were completed in Asia (excluding Japan), which was an increase of more than 200% over the same time period in 1996.

Anandan *et al*. have suggested five reasons why mergers and acquisitions offer a viable strategy for growth in Asia, despite the economic circumstances :

1. **Easing of regulations** Thailand and South Korea, for example, have eased restrictions on foreign ownership as part of an attempt to attract foreign capital.
2. **Restructuring of family-owned conglomerates** The Asian crisis plus liberalisation has forced companies to sell off non-core businesses.
3. **Sale of state-owned companies** State-owned companies have been sold via privatisation initiatives to increase performance and to attract funds.
4. **Overcapacity** Overcapacity has prompted struggling companies to consider selling out, and it offers acquisitive companies a relatively cheap way to buy in.
5. **Deregulation of fragmented industries** Many Asian industries are fragmented and too small to be economic in scale. While they have survived in markets shielded from open competition, as the local economies integrate with the global economy and multinationals enter local markets, their future is threatened. To give them a fighting chance, Asian governments have been encouraging, and sometimes forcing, smaller companies to merge.

Anandan *et al*. identify three value-creation strategies :

1. improving operating performance (GE Capital's approach is cited as an example of how to achieve this);
2. capturing scale economies through consolidation;
3. restructuring the industry (Hindustan Lever, a subsidiary of Unilever, is changing the face of India's fragmented ice-cream market for example).

Raising funds is clearly a particular problem for Asian companies. That issue aside, three prerequisites for success have been identified :

1. **Building of local networks** Local networks should be built in recognition of the fact that Asian markets will not change overnight. Asia is still seen as being substantially driven by connections and personal relationships.
2. **Management of uncertainty** Uncertainty should be managed in terms of the economic outlook, the regulatory environment and the competition.
3. **Assessment of target quality** Accessing good quality information about businesses and the market can be a significant problem. The completion of due diligence can also be very difficult, necessitating much more time being spent than would be the norm in the West. This is illustrated by GE Capital spending more than three months completing due diligence for a recent acquisition in Asia, whereas this would normally take only a few weeks in the West, even for the largest deals.

Lessons from the past

The currently active market for corporate control is nothing new. There were many successful takeover attempts in the 1980s, for example, but many also failed. A typical defensive posture by the management of a target is that the acquirer's offer is insufficient and that the firm would be worth more if it remained independent. Higher value can typically be found from profit forecasts, but often these are viewed with a good deal of scepticism. In a study of 537 unsuccessful takeovers during 1982–91 by Safieddine and Titman[8], for example, 47 targets in the sample explicitly announced that they were rejecting offers because 'the price is too low or inadequate'. In response to these 47 announcements, the share prices of targets declined by an average of 3.42%. The authors also found that, whatever the stated reason, investors were generally sceptical when target managers terminated a takeover attempt. In the entire sample, target prices declined by an average of 5.14% around the date of the termination announcement.

As Safieddine and Titman illustrate well, 'actions speak louder than words'. They found, for example, that many of the targets of failed takeovers substantially increased their leverage (gearing) ratios. In keeping with two earlier studies, they found that 207 of the 328 targets in their sample increased their leverage ratios from approximately 60% one year before the unsuccessful takeover attempt to 71.5% one year afterwards[9, 10]. Such actions are open to various interpretations. On the one hand, they may represent a signal to the market that things are going to change, whilst on the other they can be viewed as a commitment to deliver promised improvements[11–13].

It is often argued that increasing leverage is a significant defensive strategy. Two explanations have been suggested for this :

- An increase in leverage can increase the credibility of the promises by the management of the target. This increases the target's share price, and therefore increases the cost of the takeover.
- Leverage can increase the cost of the target without necessarily improving its value by improving the target's bargaining power. Unlike the first explanation, the second does not imply that increased debt following failed takeovers should lead to increased performance.

The study by Safieddine and Titman supports the view that higher leverage reduces the probability that a firm will be taken over in the future. They found that only 38% of the target firms that increased their leverage ratio by more than the median between the year preceding and the year following the hostile takeover attempt were taken over. In contrast, 57% of those that increased their leverage by less than the median were taken over within five years. In terms of why there should be an observed relationship between leverage changes and subsequent takeover activity, the Safieddine and Titman study supports the view that higher leverage ratios act as a deterrent because they are associated with performance improvements. This is supported by the observed positive relationship following failed takeover attempts between the operating performance of former targets and the change in the leverage ratio. The authors found that this relationship held after controlling for several other characteristics of unsuccessful takeovers that may explain performance. Furthermore, they found that the targets that increase leverage the most also decrease investment, sell off assets, reduce employment, and concentrate the focus of their firms.

REFERENCES

1 *M&A Update*, Credit Suisse First Boston, January 1999.

2 **'BNP Sweetens its Offers for Targets SG and Paribas'**
Iskander, S, *Financial Times* 2 July 1999, p 19.

3 *Dealwatch*, Corporate Finance Survey 1998, KPMG, 1998.

4 **'Europe Plays the Take-Over Game'**
Walker, M, *Euromoney* May 1999, pp 42–46.

5 **'When a Merger Might Turn into an Acquisition'**

Kelly, J, *Financial Times* 27 January 1999, p 30.

6 **'Shareholder Group Opposes Astra Merger'**

Burt, T and Pilling, D, *Financial Times* 26 January 1999, p 28.

7 **'M&A in Asia'**

Anandan, R, Kumar, A, Kumra, G and Padhi A, *McKinsey Quarterly* No 2, 1998, pp 65–75.

8 **'Leverage and Corporate Performance : Evidence from Unsuccessful Takeovers'**

Safieddine, A and Titman, S, *Journal of Finance* Vol 54, No 2, 1999, pp 547–580.

9 **'Managerial Entrenchment and Capital Structure'**

Berger, P, Ofek, E and Yermack, D, *Journal of Finance* Vol 51, 1996, pp 1411–1438.

10 **'Defensive Changes in Corporate Payout Policy : Share Repurchases and Special Dividends'**

Denis, D, *Journal of Finance* Vol 45, 1990, pp 1433–1456.

11 **'The Determination of Financial Structure : The Incentive-Signalling Approach'**

Ross, S, *Journal of Economics* Vol 8, 1977, pp 23–40.

12 **'Corporate Financial Structure and Managerial Incentives'**

Grossman, S and Hart, O in *The Economics of Information and Uncertainty*, J McCall (ed.), University of Chicago Press.

13 **'Agency Costs of Free Cash Flow, Corporate Finance and Takeovers'**

Jensen, M, *American Economic Review* 76, pp 323–329.

Each member of the Faculty in the year of publication will receive one copy of every *Manager Update* published by the Faculty free of charge. Copies are not available to non-Faculty members.

Manager Updates published to date are :

Issue 1 : April 1997	Issue 5 : May 1998	Issue 9 : May 1999
Issue 2 : July 1997	Issue 6 : September 1998	Issue 10 : August 1999
Issue 3 : October 1997	Issue 7 : November 1998	Issue 11 : November 1999
Issue 4 : February 1998	Issue 8 : February 1999	

Any members who have not received the above should contact Chris Jackson at the Faculty using the contact details set out below.

Faculty website – http://www.icaew.co.uk/finman.htm

Comments and suggestions should be addressed to Chris Jackson BA FCA, Head of Faculty, telephone 020 7920 8486, *e-mail CDJackson@icaew.co.uk, or write to the Faculty of Finance and Management, Institute of Chartered Accountants in England & Wales, PO Box 433, Chartered Accountants' Hall, Moorgate Place, London EC2P 2BJ. (The ICAEW web site is located at http://www.icaew.co.uk.)*

This issue of Manager Update *is produced by Letterfit Publishing Services, Godalming, and printed by Solar Offset, London E6, on behalf of the Faculty of Finance and Management of the Institute of Chartered Accountants in England & Wales.*