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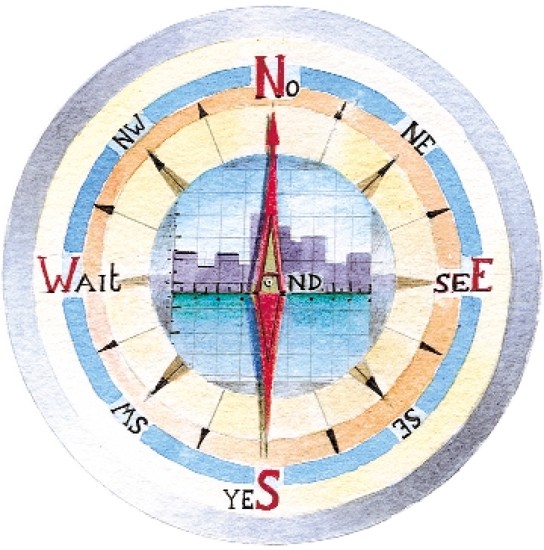

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Manager Update

... is produced in parallel with the Braybrooke Press publication of the same name.

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.

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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.

Manager Update is compiled and edited by Kevin Money, director of the Centre for Organisational Reputation and Relationships at Henley Management College.

Comments and suggestions should be addressed to Chris Jackson BA FCA, Head of Faculty, telephone 020 7920 8486, e-mail chris.jackson@icaew.co.uk, or write to:

The Faculty of Finance and Management,
The Institute of Chartered Accountants in England and Wales,
Chartered Accountants' Hall,
PO Box 433, Moorgate Place,
London EC2P 2BJ

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Making mergers and acquisitions work

Corporate scandals and the bear market prompted a downturn in merger and acquisition activity. While there is now evidence that this activity is on the rise again, investors are more cautious and focus on a wider range of issues before giving their support. They tend to look for tangible benefits rather than strategic visions and insist on clauses that protect their financial position. **Roger Mills**, professor of accounting and finance at Henley Management College, identifies the key factors associated with successful mergers and acquisitions.

Merger and acquisition (M&A) activity is, it seems, picking up after three years of the equity bear market. Last year, the value of announced mergers and acquisitions worldwide increased to $1,300 billion from $1,200 billion in the previous year, according to preliminary data from Thomson Financial. Volumes also increased slightly, with 26,678 deals in 2003 compared with 26,255 in 2002.

The deal upsurge was especially notable in the second half of 2003 and early 2004. 27 October 2003, for example, was the first time since 10 January, 2000 that a number of significant deals were announced within hours of each other. One of the largest in the $70 billion-plus wave of activity was Bank of America's $47 billion bid for FleetBoston Financial. The JP Morgan/Bank One deal was even bigger, and did much to fuel optimism about prospective M&A activity. On 14 January, JP Morgan agreed to buy Chicago-based Bank One Corp for $58 billion in stock, a premium of 14%.[1] The deal created the world's second largest financial institution behind Citigroup, with $1.1 trillion in assets, more than 2,000 branches in 17 US states, and capabilities ranging from lending to asset management.

Of course, a relatively short period of high M&A activity does not necessarily indicate a recovery. To understand whether M&A really is picking up it helps to understand what is driving the market. For many, an improving stock market prompts investors to turn from companies with solid cash flows to those with growth potential. It also allows chief executive officers (CEOs) that have focused on restructuring, refinancing and cutting costs the opportunity to take stock of other potential strategies. With earnings growth relatively low and cheap debt available, asset acquisitions can soon begin to look a more attractive way of achieving growth. Yet, market observers are not expecting to see a repeat of the M&A frenzy of the 1990s – company valuations that reflect reality rather than fiction, they say, will most likely drive this round of activity.

Harbir Singh, for example, from Wharton, believes that the recent increase in M&A deals reflects the release of pent-up demand. "Transactions slowed down after the September 11th attacks. In part, this was because stock prices fell, so companies that were using stocks to make deals were unable to do so. Since then, the economy seems to have improved, interest rates are still low, and stock prices are rising, so the economic drivers of M&A deals have returned."[2]

M&A activity is an effective way to expand into new regions

He sees, in addition to the economy, two other long-term factors that are driving the resurgence of M&A. The first, he says, is industry consolidation: it has become clear to companies in most industries that the minimum size to be a meaningful player has increased. The second is that globalisation has helped redraw the economic and political boundaries of almost every industry. Globalisation is, he says, like a form of deregulation, leading companies to look beyond national borders to seek growth. M&A activity is, therefore, an effective way to expand into new regions.

The increase in M&A activity is unlikely to reach the same scale as during the 1990s boom in the near future. During the period from 2000 to 2002, for example, the value of M&A activity retreated from a record $1.33 trillion to $441.3 billion, according to Mergerstat, which tracks merger and acquisition activity.[3] Mergerstat reckons that overall deal value added up to $194.2 billion in the first half of 2003, compared with about $182.0 billion in the first half of 2002. Mergerstat's web site lists the 2003 deal flow in the US at $487.3 billion, compared with $428.3 billion for 2002. In Europe last year, the deal flow was $531.2 billion compared with 2003's $525.4 billion.

The factors that contributed to the downturn have not yet disappeared

M&A markets, though, may still be sluggish because the factors that contributed to the downturn have not yet disappeared. According to Robert W Holthausen, an accounting and finance professor at Wharton, corporate scandals and uncertainty about the economy played a large part in the decline.[4] Although the economic reasons for M&As – including faster access to new products and markets – did not disappear, he thinks uncertainties drove more companies to sit on the sidelines. Shaky economic conditions also multiply the inherent risks of M&As because acquisitions or mergers are complex transactions. There is a need to determine the strategic fit of the companies, decide who will run the business, agree on compensation as well as tax and legal matters, and define the composition of the board. There are, in other words, a lot of things that can go wrong.

What has been the deal focus?

Investors are much more focused on tangible benefits

Investors, when considering M&A transactions, are now much more focused upon tangible benefits rather than strategic visions. Large deals, for example, must have a clear rationale to gain shareholder approval. Equally, though, institutional investors are loath to let companies sit on cash which might be better deployed to earn a higher return. The view, now, is that corporations should approach investors when they need cash.

According to Neville, the geographical direction in M&A deals seems to have limited influence, although from a European perspective, France, Germany and Italy were strong during 2003.[5] That said, a number of European deals can be thought of as being more strategically important, such as the KLM/Air France merger. Other drivers of M&A in Europe are corporations trying to improve their balance sheets and the long-term force of consolidation (more on this in a later section with reference to European banks).

It is also important here to note the role of private equity, whose impact has been particularly noteworthy in the retail sector and whose involvement in the M&A market is estimated to have nearly doubled to 14% since 2000.[6] Buyout firms have also been participating in ever larger transactions – one of the largest European deals of 2002, for example, was the purchase of Legrand by Wendel Investissement and Kohlberg Kravis Roberts for 3.63 billion. In 2003, Italian yellow pages company Seat Pagine Gialle was bought by the Silver consortium of BC Partners, CVC Capital, Permira and Investitori Associati: the 61.5% stake was purchased from Telecom Italia for €3.03 billion.

Private equity is also approaching the M&A market differently. Historically, for example, private equity was only concerned with one-off deals, but more recently there have been some changes indicated by a fall in the (typically) required 30% internal rate of return (IRR). If this is so, the private equity perspective now looks little different from that of corporations, although private equity is, by definition, still generally a short-term move with an exit strategy in sight.

Buyer's market and material adverse change (MAC) clauses

A notable feature of some of the deals signed in the last 12 months has been the material adverse change (MAC) clause, which gives the buyer the right to pull out or renegotiate the deal's terms if there is a major change in buyer or seller fortunes before the deal closes. MACs are very significant, says Tim Reason,[7] citing a survey by New York-based law firm, Nixon Peabody. For deals worth $10 million or more, broader and more subjective MAC clauses are becoming more widespread in contracts whilst, at the same time, exceptions to MAC clauses are shrinking.

Although MACs are not a new phenomenon, their popularity typically depends on market conditions. Simply put, if it is a seller's market their popularity is limited because an MAC clause may encourage the seller to walk away; in tougher market conditions, by contrast, the use of an MAC is much more likely.

What is an MAC? An MAC covers the period between signing and closing the deal, so unless a buyer demands and requires earnouts or some other post-close guarantees, there is no recourse after closing. In fact, an MAC clause is like a prenuptial agreement that may offer financial protection, but can put a damper on romance! They are no substitute for financial due diligence and are rarely used as deal breakers. One notable exception, though, was in November 2001 when Dynergy backed out of buying Enron. More typically, invoking an MAC results in the renegotiation of the deal price and, generally speaking, MAC clauses can be thought of as being just an additional level of due diligence.

What types of issues are covered in MACs? Reason illustrates with reference to six major US deals that the following were common:

- business, operations, financial conditions etc;
- seller's ability to close the deal;
- purchaser's ability to close the deal; and
- prospects of the company.

Normal business risk does not count for inclusion as an MAC, and the definition of 'normal' may well change with the passage of time. For example, according to a survey by Nixon Peabody, between 11 September, 2001 and 2 July, 2002, 7% of M&A contracts specifically stated that acts of war or terrorism were not enough to trigger a MAC clause. Last year, the percentage more than doubled to 15%, a further indication that buyers are increasingly accepting terrorism and war as being a part of normal business!

Factors explaining M&A success in European banking[8]

According to Beitela et al, M&As within the European financial sector have changed the continent's banking landscape tremendously in the past decade. They draw upon information from the European Central Bank to illustrate this: although banking assets as a percentage of GDP grew from 177.2% in 1985 to 244.2% in 1997, the number of European banks decreased from 12,670 in 1985 to 8,395 in 1999. Furthermore, they cite information from the European Central Bank to show that the number of banks per 1,000 inhabitants in Europe is almost twice as large (0.49) as in the US (0.27), indicating there is the potential for more concentration through M&A-transactions in the near-term future.

Despite the high level of M&A-activity in the European banking sector, according to Beitela et al, relatively little research seems to have been devoted to the subject. And, that which has, tends to focus on whether European banking M&As have created or destroyed shareholder value. None attempts to give an in-depth analysis of the factors affecting, and which may explain, the value creation process.

Beitela et al's paper aims to understand the factors driving the success or failure of M&A transactions in the European financial sector. They try, for example, to identify the characteristics of bidders, targets and the M&A-transaction, which have explanatory power for bidder returns, target returns, and the combined effect of both bidder and target. They also analysed potential driving factors of M&A-success and apply comparative analysis as well as cross-sectional regression analysis to detect significant relationships. These factors included:

- product/activity focus of a transaction;
- geographic focus of a transaction;
- size of the target;
- growth focus of a transaction;
- risk reduction potential of a transaction;
- profitability (profit efficiency);
- cost efficiency of the target and/or the target in relation to the bidder;
- capital market performance of the target prior to a transaction;
- experience of the bidding bank; and
- method of payment (cash or stock).

Successful bidders, they say, can be identified by investigating their choice of target – they tend to choose smaller and faster growing targets with bad, relative efficiency measures. The authors found that a high difference in the cost efficiency between target and bidder, as well as the poor stock performance of the target prior to the transaction, were significant factors that contributed to value-creating transactions for the targets' shareholders.

MAC clauses can be thought of as being just an additional level of due diligence

M&As within the European financial sector have changed the continent's banking landscape tremendously in the past decade

They also found evidence for the existence of a functioning market for corporate control in European banking in that the shareholders of the targets approve and benefit from the transfer of corporate control away from bad to better managers. Beitela et al also conclude that the stock market reaction to M&A-announcements of European bidding banks can be partly forecasted – this may be very helpful to bank executives who will perform M&As, as well as to the shareholders that need to judge and approve them.

Improving success in M&A deals depends on a analysing companies as a portfolio of customers – rather than as a portfolio of products

Focus upon customers

Larry Selden and Geoffrey Colvin argue that improving success in M&A deals depends on a fundamentally new approach to buying companies, what they refer to as a 'reconception' of M&A through a customer perspective.[9] They argue, for example, that analysing companies as a portfolio of customers – rather than as a portfolio of products – can lead to greater success.

They also place considerable emphasis on the need to understand the true economic profitability of the deal, analysed in terms of customers. Companies, they say, must look beyond the lure of profit and focus carefully upon the balance sheet. 'Unfortunately, most companies never look there' (the balance sheet), they argue – which might ring untrue with some observers – but the point they make may well be valid, and is simply but well illustrated with reference to a numerical example, the substance of which is that it is essential to look at the resulting benefits of the deal in relation to the investment being made. For example, a profit of $100 million looks bleak if it is the result of an investment of $3 billion! Such a return, of 3.3% return on invested capital (ROIC), is guaranteed to result in value destruction unless the cost of capital is lower!

The primary rationale behind the wave of mergers in the 1990s is weakening

Selden and Colvin recognise there are many reasons for buying companies, but their central thesis is that the most common is to acquire customers. Yet, most companies do not analyse customer profitability and, therefore, do not know which are their most profitable. How, then, to measure customer profitability? Selden and Colvin offer a four-step approach:

1. measure product and service profitability, taking into account all costs, including capital costs. This suggests some form of activity-based analysis (although it is not mentioned) to ensure that all costs are allocated and profitability analysis can be undertaken. From the resulting profit a charge for capital needs to be deducted to establish the economic profit. Although not mentioned, this raises two issues – understanding the amount of capital to be allocated and, also, the relevant cost of capital to apply, ie, the capital charge is the product of the amount of capital and the cost of capital;
2. identify which customers buy which products and services to gain some preliminary understanding of customer profitability;
3. subtract from the preliminary estimate of customer profitability all customer-specific costs. This requires understanding not only what customers buy, but how they behave. The key point is that the analysis needs to recognise that the profitability customers provide will be influenced by the amount of staff time they require, the returns they make, how promptly they pay, ie, measuring the cost of support activities; and
4. all business costs that have not been assigned need to be allocated, eg, headquarters costs, with the ultimate objective being to ensure that every cost has been allocated. Of course, from an M&A perspective most acquiring companies will not have profitability data on target customers, but Selden and Colvin argue that it is possible to make a useful first cut. In fact, they state that all best-practice companies they have studied allocate costs fully.

While Selden and Colvin argue that the focus upon customers in terms of M&A analysis is important, others draw attention to the importance of a customer perspective in looking beyond M&A activity. For example, Kevin Coyne et al argue that US banks need to look beyond mergers for growth, saying better earnings must be won from improved value propositions and productivity.[10] They argue that the primary rationale behind the wave of mergers in the 1990s – to achieve substantial economies of scale by exploiting technology and deregulation – is naturally weakening and, for most large banks, further expansion probably will not yield dramatic scale-based savings in systems and product-development costs. So, they say, although mergers will still take place, the opportunities to create substantial returns will diminish, and relatively fewer deals will have the impact of the 1990s. Consequently, executives of large banks must look for new ways to increase earnings.

Coyne et al argue that, until recently, the solution was falling interest rates, which fuelled unprecedented profits from mortgages and credit cards. Now, though, with rates beginning to rise, banks will have to look elsewhere. This means that more compelling value propositions are required if banks are to compete with the non-banks and specialists that have flourished in many markets. Like the best retailers, banks must differentiate themselves by understanding the needs of their customers and giving them a distinctive experience.

To succeed in these tasks, Coyne et al say, banks must innovate in their customer targeting, their approach to lending and asset management, their operations and their use of electronic payments. This agenda is challenging, and it calls for skills beyond those like identifying and valuing acquisition targets and driving integration that served executives so well in the recent past. Significant changes, it seems, lie ahead for managers working toward a new set of performance priorities. **MU**

More compelling value propositions are required

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Communications and brand equity

Communication and advertising are key foundations of brand equity and corporate success, but how can managers ensure that their advertising and communications budgets are well spent? **Susan Foreman**, Marketing Faculty group leader at Henley Management College, reviews new evidence that allows managers to develop strategies and make difficult choices. She suggests that new and established brands should be managed differently, and that managers should focus on the size, the length and the amount information contained in adverts and communications.

Integrated marketing communications are an important part of marketing strategy and key in building brand equity and value in products and services. Brand value, typically, is seen as a combination of brand attributes whose desirability and 'worth' will influence the brand's strength among customers, the market and the company. Customer knowledge about the brand is clearly key, and one way to build this is through media communication and advertising. Specialists in these two industries are required to maximise value from client spending, measure performance and develop integrated and balanced campaigns.

Customer knowledge about the brand is key

Synergy and co-ordination in marketing communications

Marketing managers, advertising and communications agencies, academics and professional associations seem to agree that developing integrated communications and building synergy between multi-media activities can have a much greater impact than individual communications activities. Prasad Naik and Kalyan Raman,[1] however, are not convinced such groups truly understand the role synergy plays in the mind of the modern consumer. Are different media compatible? How is synergy measured? How can brand managers use synergy? Can it be turned up or down? And most importantly, what is the impact on the media budget?

Building synergy between multi-media activities can have a greater impact than individual communications activity

The co-ordination of different media and development of synergy though common practice hasn't been investigated extensively, according to Naik and Raman. Thus, it seems, synergy, which they define as, 'the added value of one medium (print, radio, internet, sales promotions, etc) as a result of the presence of another medium, causing the combined effect of media to exceed the sum of their individual effects', is a widely accepted practice which, in fact, only has a limited research basis. They have extended an existing model used in advertising to analyse multi-media strategies in a quest to find the 'presence' of synergy.

They applied a complex modelling process to the multi-media communications strategy of the Levi-Strauss/Dockers brand. First, they tested if synergy existed between the different media and, when this was established, tested the impact of synergy on media budgets. As synergy increases, they argue, the budget should be increased to improve the effect. Interestingly, though, they say, the increased funds should be allocated to the less effective 'media' in the mix – not the most effective – to complement the media with the most impact. This work makes an important contribution to our understanding of integrated communication – and has added more weight to a concept that is embraced widely – largely because its intuitive appeal has up until now had only a limited research base.

Information in advertisements

George Franke, Bruce Huhmann and David Mothersbaugh[2] have examined the amount of information in print advertisements needed to build a customer's perception of the brand and to increase sales. Many corporations spend a great deal of money on advertising. In the UK, for example, Proctor and Gamble spent £162 million on advertising in 2002 alone.[3] While all advertising strategies are different, some do not seem to recognise that there is a limit to the amount of information that customers can physically process. Instead, they aim to maximise the amount of information available with little concern for potential 'overload'. Others, however, are more selective and targeted in the way they disseminate information, acknowledging such limitations and accepting that customers' need for information can vary.

For example, the researchers investigated whether potential customers (readers of advertisements) use all the information provided in advertisements. They also ask whether readership of this information varies between product groups. Franke, Huhmann and Mothersbaugh investigated a number of different types of products, services and 'experiences'.

They examined 'search products', like household goods, carpets, furniture, etc, which can be evaluated before purchase, and about which customers can make informed buying decisions. 'Experience products and services' are ones that are not easy to evaluate, as they are difficult to sample and try before purchase. This category was divided into convenience and shopping goods, where convenience goods (food, drink, cosmetics, medicine, toiletries, telephone, TV, internet connection) are bought on a regular basis. Shopping goods (healthcare services, insurance, financial and legal services, cars, computers, DVD players and cameras), on the other hand are bought infrequently as they have higher prices and are perceived as more risky.

For these products the researchers assessed the advertisement length, the visual size, the amount of print copy and the picture, space and information in a number of advertisements in leading US magazines. Their research findings indicate that:

- the length of advertisements did have a negative effect on the levels of readership of advertisements for experience products. Readers seem to be more sceptical about advertisements for more intangible products and services that are difficult to try and sample. This, unsurprisingly, wasn't the case for search products that can be more easily evaluated;
- the size of advertisements helped to grab the reader's attention and also increased readership for all three categories;
- the least information was found in advertisements for convenience products. Franke, Huhmann and Mothersbaugh confirmed that when too much information is provided in advertising for convenience products, readership levels can be reduced, and added information is simply a waste of advertising spend;
- shopping products that carry higher financial risk don't seem to be receiving enough attention by advertisers. More information here could increase readership, enhance knowledge, build awareness and lead to increased purchases; and
- the most information was found in advertisements for shopping products rather than for search products.

There is a limit to the amount of information that customers can physically process

Producing copy and controlling information levels are an important part of any advertising strategy. This is especially important when one looks at the huge costs involved in advertising in popular magazines – women's magazine, *Cosmopolitan*, typically charges £15,000[4] per page for a colour advertisement, for example. Companies should seriously consider costs when, for example, a half page advertisement might have the same or more impact – sometimes less can, indeed, be more. The marketer needs to understand the level of risk and the attention span of the reader – and to invest accordingly.

The marketer needs to understand the level of risk and the attention span of the reader – and invest accordingly

Advertising repetition and brand development

It is clear advertising plays a key role in helping build brand visibility and familiarity and advertisements are repeated to try and increase customer knowledge. In this way, advertising as a part of an integrated communications strategy plays an important role in building brand equity. Assessing the effectiveness of repeating advertisements on a regular basis is another area where the cost/benefit analysis needs to be considered.

When investigating the relationship between advertising and the familiarity of the brand among different groups of customers, some researchers have found there is no relationship between the repetition of advertisements and the effectiveness of the message.

Others claim that the advertising message is effective when repeated at low levels. Margaret Campbell, Kevin Keller, David Mick and Wayne Hoyer,[5] are particularly interested in whether repeating advertisements decreases the effectiveness of the message and whether brand familiarity has a role to play in that process.

Brand familiarity is developed when consumers build 'mental pictures'

Brand familiarity is developed when consumers build 'mental pictures' from experience, recommendations, information from print advertising media, packaging, press releases and so forth. Therefore, some customers have strong connections with some well-known and mature brands but are inevitably less familiar with others. From their research, it seems that when consumers aren't familiar with a brand they exert effort in thinking about and examining the messages contained in advertisements.

While this seems to be a positive outcome, Campbell, Keller, Mick and Hoyer suggest that the more times advertisements are repeated the more weary readers become and suspicions can increase. Consumers, they say, become 'concerned about marketers persuasive techniques'. This, though, doesn't seem to be the case for familiar and better-known brands. Paradoxically, then, it seems that the more attentive the customer, the more weary they can become about the advertisement.

Research suggests the more times advertisements are repeated the more weary readers become

Such conclusions raise a number of issues for marketing managers and communications specialists. If you are responsible for a mature and familiar brand with high equity, it is possible to 'maintain a positive attitudinal response' when repeating advertisements. When trying to build a new brand, however, the strategy should include:

- a blended approach which uses a range of communication methods;
- some complexity in the strategy to keep the customer interested;
- limiting the number of repeats to increase communication effectiveness;
- skilful development of the media plan and ad schedules; and
- a focus on building customer attitudes and brand familiarity, not just advertising recall.

It is clear from this research that the more times people see advertisements for unfamiliar brands, the more weary they become. Thus, when competing with more familiar brands, it is not necessary to match their media strategy but, to be creative, to focus on the customers' needs and behaviour and, plan accordingly.

Managing brand equity

Advertising and multi-media communication help bring strength, longevity and value to the brand. Determining the value of the brand – and its equity – is a complicated but important process.

According to Kusum Ailawadi, Scott Neslin and Donald Lehmann,[6] there is widespread agreement on the general definition of the concept of brand equity but different perspectives on its nature. Brand equity is 'the marketing effects or outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name'. The challenge for all marketing professionals is, of course, to understand which dimensions build equity and, most importantly, how to measure it.

Those used presently are either consumer-based – examining for instance the customer's awareness, attitudes and loyalty – or they are product/market based measures which are used to assess the product's value in the marketplace. Here, the key element is discerning the premium consumers are happy to pay for a brand. Finally, financial measures are based on the brand as an asset. Here, brand value/equity is measured when the brand is sold or on the value of licensing fees, royalties or profits and growth potential. All these measures are used by different companies – they may have their advantages but they don't give managers a simple, useful, objective measure, Ailawadi, Neslin and Lehmann say.

Many have attempted to uncover an 'ideal' measure of brand equity. Recently Charles Pahud De Mortanges and Allard Van Riel[7] investigated the role of the brand as an asset and examined the link between brand equity and shareholder value. They used a consumer-based approach called the 'brand asset valuator' model developed by Young and Rubicam Inc.[8] This states that brand value is a function of strength and stature, derived from customer knowledge, esteem, relevance and differentiation. When they compared the brand performance of over a thousand brands with their shareholder-values, they found a relationship between the performance of the brand and the value of the firm. Yet the authors, themselves, recognise the limitations of their work and acknowledge their approach doesn't examine the magnitude of the shareholder-value. Nor, in fact, can they relate their findings to marketing decisions and investments.

This is both interesting and valid, but Ailawadi, Neslin and Lehmann's approach is more confident. They suggest, for example, that product/market measures are more relevant to marketing management as they are based on real data and, therefore, reflect the brand's performance over time. Thus, a measure of revenue premium is their preferred approach. This approach simply involves a comparison of the revenue generated by a branded product when compared to the non-branded/private label alternatives, through the use of existing company and market research data.

Revenue measures are appealing as they are related to the marketing inputs like advertising, promotion and pricing, whilst valuing the performance measure that most marketers and financial professionals focus on. Ailawadi, Neslin and Lehmann strongly recommend their approach as a test of 'brand health', which can be measured over time and against competitors.

Advertising is, clearly, a key element in communications strategy and while it's an important part of building brand equity it isn't the only method for communicating with the customer. Many different communication tools can be used together to build awareness and brand knowledge.

The parts of a campaign need to be combined skilfully

Media advertising, publicity, PR, sponsorship and exhibitions, amongst many others, need to be combined skilfully and used wisely to develop a dialogue with customers. It is also important that it is not necessary to maximise communications all the time. Communications need to be proportionate and balanced according to customer needs and used strategically to build brand equity. **MU**

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Training effectiveness and evaluation

Training is a key responsibility of the human resource function, but is training an effective way to develop an organisation and its people? What are the best training methods, and how can they be properly evaluated? **Richard McBain**, director of distance learning programmes at Henley Management College, reviews new evidence and suggests that training is key to the success of the human resource function. The benefits of in house training, action training and executive coaching are identified and an evaluation is suggested.

Training is a key way to develop sustainable competitive advantage through human resources and 'one of the most pervasive methods for enhancing the productivity of individuals and communicating organisational goals to new personnel'.[1] How, though, does an organisation know if its training is effective? Consistent training evaluation is rare and many organisations do not always know how, exactly, their training impacts performance. Research into training effectiveness, both in terms of types of training interventions and evaluation methodologies, has also been limited.

Consistent training evaluation is rare and many organisations do not always know how training impacts performance

The most widely used and straightforward approach is that of Donald Kirkpatrick[2] which identifies four dimensions, or levels, of evaluation. The first is the reaction level, which relates to the affective and attitudinal responses of those experiencing the training. This is the most common level of evaluation and sometimes the only type undertaken. It is usually carried out at the end of the training event.

The 'learning level' involves assessing the achievement of specific learning outcomes, while the 'behaviour level' attempts to evaluate actual on-the-job performance. Finally, the 'business results level' requires the evaluation of organisational productivity or profits. This is the most critical for an organisation because it identifies if the training has met its needs but it is also rare, partly because of the difficulties of gaining data, of separating the effects of training from those of other interventions, and the lack of suitable evaluation methods.

There can also be difficulties, though, at the other levels. For example, reliable and valid evaluation of the behavioural impact of a training programme may require the use of experimental methodologies and control groups. Some participants (the treatment group) may receive training while others (the control group) may not. The performance of the two groups after the training would then be compared. This approach is not always feasible in an organisational context.

This article reviews recent research into training effectiveness and evaluation, focusing on the evaluation of specific types of training, and on various methods of evaluation. It starts, though, by considering more general issues related to training effectiveness and the evaluation of business results.

The effectiveness of training in organisations

In their analysis of training literature published between 1960 and 2000, Winfred Arthur and colleagues[3] undertook a useful study of training effectiveness at the highest level. Their analysis, based on 165 published sources, considers whether the effectiveness of training in organisations is related to specific training design and evaluation features and is focused on:

- type of evaluation criteria, using the four levels of evaluation described above;
- training needs assessment, involving an analysis of organisational, task and person requirements; and

- match between the skill or task characteristics of the training and the training delivery method.

The key results of their analysis were that:

- organisational training is generally effective, with medium to large effect sizes;
- the effectiveness of training depended on the level of evaluation, with the 'learning level' being marginally more effective than training at the other three levels;
- the time interval between training and evaluation did not seem to have an impact on training effectiveness;
- there seemed to be no consistent link between carrying out a training-needs analysis and the effectiveness of training; and
- lectures, surprisingly, emerged as a generally favourable method of training.

This research suggests, then, that organisational training is an effective means of developing human resources and, it seems, more effective than many other organisational activities. A comparison of published 'effect sizes' suggests that it is more effective than appraisals and feedback, or management by objectives, for example, but less effective than goal-setting.

However, the effectiveness of training depends on criteria like the training delivery method and the skill or task being taught. In addition, the authors say, the social context of the organisation plays an important role in helping transfer the skills being taught to the job itself and also impacts upon the effectiveness of training evaluated on behavioural or business results criteria.

The impact of training on effectiveness and profitability

Another recent study also examines the overall effectiveness of training on performance at the business level, but this time through looking at 457 small to medium-sized enterprises (SMEs) in five European countries. Antonio Aragón-Sánchez and his research team[4] focused on effectiveness and profitability.

To assess the former, an organisation needs to know the costs of training, while to evaluate the latter it needs to have knowledge of both costs and revenues. The measures of effectiveness and profitability used in their study were:

- *effectiveness* – employee involvement (including team work and motivation), HR indicators (including absenteeism, number of internal appointments) and quality (including service quality, delivery time and customer complaints); and
- *profitability* – sales volume, benefits before interest and taxes, and profitability.

The main findings of the research may be summarised in terms of the two categories:

- *training effectiveness* – on-the-job training, given by in-house trainers, has the highest positive influence on training results, perhaps because issues of transference of learning to the work environment are minimised. Skills training impacts upon both quality and productivity. Employee involvement increases when employees act as trainers, but increasing the amount of training does not in itself increase involvement. A lack of training planning does not in the short-term, reduce the impact of training. Finally, they say, the higher the level of competition faced by an organisation, the greater the impact of training on both quality and HR indicators; and
- *training profitability* – the authors also say that internal training positively affects sales volume, while external training can be negative – possibly because it entails absence from work. In contrast to considerations of effectiveness, training must be planned to be profitable, they say. Co-operation in training and cost-sharing can be beneficial for an SME. While, in the short-term, expenditure on training may have a negative impact on sales and profitability, possibly due to a reduction in number of working hours, increasing the percentage of skilled workers in an organisation, unsurprisingly, can positively affect sales volume.

Such research further supports arguments about the positive benefits of training, but it also demonstrates that the consequences for employee effectiveness may, in fact, be different to those for profitability. In the short-term, it seems, training is unlikely to lead automatically to improved profitability. But some training activities may impact on effectiveness in the same period. Furthermore, while the level of training investment seems important for effectiveness, the key for profitability is the percentage of trained employees, and training investment may adversely impact profitability in the short term.

The effectiveness of training depends on criteria like the delivery method and the skill or task being taught

In the short term, training is unlikely to lead automatically to improved profitability

Intriguingly, the level of planning does not seem to be correlated with training effectiveness, but it is important for profitability.

Training for charismatic leadership

Charisma is a form of social authority and a central component of transformational leadership. Charismatic leaders communicate a vision that inspires others. Such influence usually stems from a communication style that involves good eye contact, facial expressiveness, body gesturing and speaking with an animated voice. It also comes from the person being able to articulate a vision that taps into followers' values, and which can be facilitated by the appropriate use of autobiography, stories and metaphors, for example. Evidence suggests that charismatic and inspirational communication improves performance. However, the effectiveness of training in charismatic influence – and to what extent this can be achieved – remains an open question.

Evidence suggests that charismatic and inspirational communication improves performance

Two studies evaluating the effects of charismatic leadership training

Annette Towler's[5] study of the effectiveness of training in 'charismatic' communication style and 'visionary' content addresses both the learning and behaviour levels of evaluation. It also uses a control group design, with pre-testing prior to the training intervention and subsequent post-testing.

She undertook two linked studies. In the first, 41 business students were divided into three groups. One group received charismatic influence training, another received presentation skills training (covering charismatic communication style but not visionary content training), and the control group received no training at all. The training sessions lasted two and a half hours, and all participants prepared a speech that was video-taped. They assumed they were recruitment managers giving a speech to recruiters. In the second study, 102 students watched one of the videotaped speeches in small groups and then performed a task based on instructions given to them. The participants then assumed the role of recruiters evaluating resumés for a management training position.

Training may help develop charismatic influence behaviours

Training effectiveness was assessed in the first study by means of a test of participants' knowledge of charismatic influence and their demonstration of charismatic influence behaviours. The second study evaluated the effects of the influence training on 'recruiter' performance, commitment and satisfaction. The key findings were that:

- charismatic influence trainees performed better on the knowledge test and they exhibited certain charismatic behaviours to a greater extent than those in the other groups. For example, they demonstrated a greater use of animated voice tones but not of facial expression, and they made greater use of analogies and stories, but not of vision or value statements, autobiography or raising expectations; and
- participants who viewed the speech of a charismatic influence trainee performed best. They performed better in the task of writing a letter to a job applicant, were more satisfied with their task and perceived the charismatic influence trainee to be more effective in their delivery, but there were no effects in terms of task motivation, effort or self-efficacy.

While the small sample size, artificial setting and brevity of the charismatic training may have limited its impact, this study indicates that training may indeed help develop charismatic influence behaviours and demonstrates a methodology for evaluating such training.

Another approach, by Michael Frese et al[6], not only supports the notion that charismatic leadership training may be effective, but also demonstrates a different methodology for undertaking such an evaluation. Their research used a 'non-equivalent dependent variable design', using a single treatment group, all of whom received the same training. However, the key is to identify two sets of similar dependent variables, one of which is seen as influenced by the training together with one group that is viewed as not directly affected.

Thus, this research sought to train charismatic behaviours, which included both visionary content and charismatic communication style. At the same time, certain aspects of charismatic communication behaviour are very similar to characteristics of effective public speaking, which could be improved through the training even though this was not its objective. They are therefore treated as control variables in the research. The impact of charismatic influence training is then evaluated in terms of any difference between the trained effects and any improvement in the control variables. It is important for this design to identify control variables that are conceptually similar but measurably distinct from those variables to be trained. This may not be an easy task, but where it can be achieved, the approach may be useful for evaluating training in a commercial setting because it is less invasive than the control group design.

Two relatively small-scale studies were undertaken by Frese and colleagues in which the participants, all of whom were managers, received the same one-day action-training programme. This involved training in the development of a departmental vision and in the skills of inspirational speech. The only difference between the two studies was the list of public speaking variables used as control items. Twelve variables were measured as 'trained' items in the first study and 14 in the second. These included eye contact, use of gestures, variation of speed and loudness, emotional appeal and repetition of the vision. In both studies there was significant improvement in the 'trained items' as a result of the tutoring, especially in terms of emotional appeal. In study 1, three out of the eight control items showed an increase, and in study 2 only one out of the seven control items – that of good organisation – had increased.

This research, then, not only demonstrates that action training may improve one aspect of charismatic leadership – that of inspiration – but it also suggests that a 'non-equivalent dependent variable design' may have potential for training evaluation.

The effectiveness of executive coaching

Another area of increasing interest is that of executive coaching. This usually involves a one-to-one relationship between the manager and a trainer, focused upon achieving personal goals and learning. Both practitioner and management literature suggest it can be an effective form of management development; allowing managers to develop skills, set appropriate goals, adjust to change and increase personal accountability.

Little research, though, has focused on the impact of executive coaching on either behaviour change or performance improvement. This, surely, is a key issue for organisations given the financial and temporal investment such training demands. James Smither and research team[7], however, have sought to examine the impact of executive coaching in terms of multisource feedback. They have also researched whether working with an executive coach affects the goals that managers set and the likelihood that they will discuss their feedback with those who have rated them in order to obtain ideas for improvement.

Executive coaching is of increasing interest

1,361 senior managers in a global corporation – all of whom received multisource feedback – participated in the study. This involved performance evaluations gathered from line managers, peers and subordinates and goal-setting based upon the feedback. One year later, 1,202 of the managers (88% of the original sample) received multisource feedback from another survey which sought to evaluate progress towards each individual's goals. Of the original participants, 404 worked with an executive coach to review their feedback and set goals and 400 of these managers participated in the follow-up survey.

The executive coaching in the study involved only a small number of meetings, leading to a total of between five and seven hours of coaching. Coaches were carefully selected – most had organisation development, psychology, human resources or relevant industry experience and typically worked with between five and six senior managers. The most important findings were that:

Senior managers who worked with a coach set more specific goals

- 86.3% of managers said they wanted to work with a coach again;
- senior managers who worked with a coach set significantly more specific goals than those who did not, although the effect size was small;
- senior managers who worked with a coach were more likely to share their feedback and solicit ideas for improvement from their superiors;
- the relationship between executive coaching and improvement in direct report and supervisor ratings was positive but small; and
- the improvement in ratings was not related either to the number of coaching conversations or to the managers' ratings of the coaches' effectiveness.

This research suggests that executive coaching may have benefits for the individual manager, even if the size of the benefits is relatively modest. However, as the authors point out, even small improvements in performance may be associated with meaningful economic benefits for the organisation.

Organisations need to evaluate behaviour change

Concluding comments

Research suggests training may be an effective way of developing people within an organisation. It also suggests that organisations should look beyond simply evaluating the reactions of trainees to training events and, indeed, the achievement of learning outcomes. Organisations also need to evaluate behaviour change and performance to justify the expenditure on training and development programmes. Methods for undertaking this evaluation are developing, and studies are demonstrating the value of specific types of training.

Furthermore, recent research suggests that organisations have ways to evaluate training effectiveness and profitability at the business results level and that such evaluation may provide them with an improved understanding of their efforts to develop competitive advantage. **MU**

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Why mission statements matter

Pressures on companies in different parts of the world have led to a convergence in governance structures and strategic options. In such an environment a focus on business process and real options theory may provide a useful addition to more traditional theories and techniques. **Ian Turner**, professor of management studies and director of graduate business studies at Henley Management College, reviews evidence that suggests that comprehensive vision statements can lead to success for many organisations.

It used to be common to refer to different varieties of capitalism, distinguishing the anglo-saxon model, say, from the Continental European or Japanese approaches. British companies, for example, were said to be driven by equity markets and, thus, ultra sensitive to shareholder interests. In Germany – where capital markets were less developed and large industrial companies often connected with the large banks and insurance companies – though, developing the longer-term competitive position of the firm was generally seen as more important than shareholder interests.

Britain and Germany are, though, both long-standing if not always harmonious co-members of the European Union, which at least since the early 1990s has promoted the idea of a single market with greater intra-European trade and investment. Both UK and German companies also operate increasingly in global markets and many large German companies are now listed on foreign stock exchanges, including in the US, and are thus more susceptible to shareholder pressure.

Given these similarities, is it still possible to discern national differences of approach in corporate structures and strategies adopted by companies in the two countries? A survey first conducted in the mid-1990s and repeated in the later 1990s by Thomas Kirchmaier offers some interesting insights.[1]

British companies used to be amongst the most highly diversified in the world. By contrast, German companies have typically been seen as highly specialised. Certainly, many so-called Mittelstand companies, usually in the engineering sector, dominate global niches very successfully. But many large German companies are also highly diversified conglomerates. In the 1990s, it seems – and particularly during the earlier part of the decade – most British companies and just over half of all German firms reduced their diversification. That meant many large British firms tended to be more focused than their often still highly diversified German counterparts.

There are still national differences of approach to structure and strategy

Mergers and acquisitions (M&A) are also often seen as a typically anglo saxon attempt at growing a business while German companies prefer slower – but less risky – organic growth. Yet the research shows that whilst de-mergers and divestments are still much more popular amongst British companies, M&As are equally favoured in both countries. There also appears to be convergence in the purposes for which companies use mergers and acquisitions. Unrelated diversification and vertical integration are out of fashion. Many mergers and acquisitions now involve horizontal cross-border expansion, prompted by the opening up of international markets and intensification of global competition. In this latter respect however, British companies seem to be further advanced than German companies who remain focused primarily on their own markets. British respondents also seem to be more positive about the impact of the M&A activity on their share price than their German counterparts. This suggests that managers, particularly in the UK, systemati-

M&As are equally favoured in the UK and Germany cally over-estimate the positive impact of M&A activity on their financial performance.

Companies cite more intense competition as a driver

There are also differences between the two countries for management buyouts. Clearly, this is related to the differences in levels of diversification, since British companies have been much keener to use management buyouts to reduce the degree of diversification than their German counterparts.

Much has been written about the increase in joint venture and strategic alliance activity, and the survey also revealed this practice was equally important to German and British industrial businesses, with just under half in each case involved in at least one such combination in the period under review. It is worth noting, though, that collaborative activity only accounts for about 5% of the total sales of a company in these countries and that in the case of British companies, at least, the practice seems to have abated lately in favour of mergers and acquisitions.

What drives such changes? According to the survey, companies in both countries attribute greater importance to the intensification of competition in their product markets than they do to pressure from capital markets, although, interestingly, capital market pressures are now cited almost as frequently by German companies as by British firms, indicating that considerations of shareholder value are now becoming more widespread in Germany as well.

Business processes as a source of competitive advantage

In the last issue of *Manager Update* we examined a recent contribution to the resource-based view which concluded that companies seeking to achieve sustainable competitive advantage should focus on what was different or asymmetrical about their business and develop this into a capability which would be valued by customers and difficult to replicate by competitors. Even so, Jay Barney, a doyen of the resource-based view, recognises that, while the theory is compelling in its logic, it is quite difficult to prove empirically.

Resource-based logic works at the level of business processes

Trying to establish a relationship between possession of distinctive capabilities or core competencies on the one hand – and firm performance on the other – is often quite complicated. First, the possession of distinctive capabilities in certain parts of the business could be outweighed by competitive weaknesses ('core incompetencies'?) in others. Moreover, even where possession of distinctive capabilities confers advantage, that advantage may not necessarily translate into superior financial performance because the additional profit is appropriated by other stakeholders, eg, powerful suppliers, or highly sought after creative brains or experts in research.

In his most recent paper, Barney[2] attempts to test the resource-based view by taking a different set of dependent variables – the effectiveness of business processes – rather than overall firm performance through investigating customer service processes in insurance companies. Each element of the process is dissected using the resource-based approach; thus, he concludes that investing in technology or in customer-service processes is unlikely to confer advantage per se, since neither of these is difficult for companies to imitate.

So-called 'managerial IT skills' (the ability of line and IT managers to work together and create a common understanding on the use of IT) are, though: 'the trust, inter-personal relationships and a shared body of the firm's specific knowledge between the IT and the line manager at a level where they are able to effectively work together to conceive, develop and implement novel applications of IT can take years to develop.

Thus the development of managerial IT knowledge is often path-dependent on a socially complex process. To the extent that this shared knowledge is valuable and heterogeneously distributed across firms, it can be a source of sustainable competitive advantage, since it is not subject to low cost imitation'.[3]

By measuring aspects of those companies' customer services processes on the one hand – and then correlating them with several independent measurements of customer service quality on the other – Barney and his colleagues are able to demonstrate empirically that resource-based logic works at the level of business processes, since only those processes which are socially complex, path-dependent and difficult to imitate give rise to sustainable competitive advantage.

What is not a real option

Past issues of *Manager Update* have commented on the growing interest in real options theory, a reaction against the dominance of shareholder value analysis techniques. SVA's critics often maintain that it leads to systematic under-investment in conditions of uncertainty by ignoring the value of flexibility inherent in viewing strategic investments as a sequence of options to be exercised, or not, at some point in the future.

For Ron Adner and Daniel Levinthal,[4] real options theory will only make a distinctive contribution to strategic thinking when it involves something more than simply substituting a series of smaller down-payments for one large, lump-sum payment. For them, real options offer the ability to abandon investment initiatives at some point in the future when the company has a clearer picture of the likely return from such investments. Only by adhering to the principle of abandonment, say Adner and Levinthal, will the real options approach deliver on what they say is one of its key virtues – limiting the downside risk.

Real options theory assumes, though, that the value of the option is independent of investors' activity, and that its value cannot be affected one way or the other by management action. However, if the investment decision assumes that the markets and the technical agenda for the investment are flexible, then real options theory is likely to be less appropriate as a framework than more incremental learning processes, as described, for example, in the literature on innovation. When a decision to invest is viewed as an open-ended search it becomes impossible to prove that such an investment, even though it may not meet the initial target conditions, doesn't produce some valuable outcome. In this case it will violate the principle of abandonment, which Adner and Levinthal characterise as being at the core of real options theory.

The real options approach makes sense where the target market is fixed and the technical agenda is stable as, for example, in the case of an oil company investing in a new oil field. But where these agendas are flexible, like the development of wireless internet, abandonment may prove particularly difficult. In such cases, options on strategic opportunities rarely have explicit expiry dates, and thus it is always tempting to postpone abandonment until conditions improve or initial shortcomings have been overcome. Adner and Levinthal identify a number of 'option traps' which can prevent companies from abandoning opportunities. The decision to terminate a project, or to continue investing in an initiative, is often linked with organisational politics, or, as they put it, 'the systems and support mechanisms put in place to create an impetus for starting innovations act directly against objective reassessment and termination'.[5]

Real options theory can work well when applied to specific investments

The authors believe real options theory can work well when applied to highly specific investments and project teams need tightly defined terms of reference. Formal milestone planning and go/no-go decision steps are also necessary, Adner and Levinthal say. In addition, they argue, organisational culture and reward systems must tolerate failure, while decision-making must be structured and disciplined both at the outset and at the point of exercising an option.

Other approaches to managing strategy in uncertain environments are clearly possible – and may in some circumstances have the sort of desirable outcomes that weren't originally intended. But, unless the company has a disciplined approach to abandoning projects, it is more likely that the real options approach will lead it to over-investing and destroying value. Some, though, disagree with Adner and Levinthals' attempt to reject the type of strategic decisions for which real options theory is likely to be appropriate. Rita McGrath et al,[6] for example, believe options theory can be used to structure strategic thinking in conditions of uncertainty, even where market applications or technical agendas are flexible.

They also dispute Adner and Levinthal's emphasis on abandonment as the defining principle of the options theory approach, pointing out that the downside risk can be minimised in other ways like, for example, scaling down the investment or setting limits on further expenditure. In general, though, it is hard not to be persuaded by Adner and Levinthal's argument that there is a difference between exercising financial options – the value of which you cannot influence – and realising a return on investment on a project or the development of a new product, the value of which may depend in large part on the activities of the company.

Options theory can be used to structure strategic thinking

Honest conversations about strategy

Many organisations, despite decades of research, have problems in implementing strategy effectively. As Michael Beer and Russel Eisenstat[7] point out, "in an extraordinary number of companies unclear strategy and conflicting priorities obstruct performance".[8] The solution, they believe, is for leaders to confront publicly the reality about the obstacles to strategy implementation in their organisations.

Unclear strategy and conflicting priorities obstruct performance

Such organisation-wide conversations, they say, are likely to be painful for the protagonists but the authors say such pain is essential for adaptation. Many of the companies Beer and Eisenstat have dealt with are probably quite large entities, and the authors seem to assume that middle and senior managers throughout the organisation are aware of the major issues and can easily identify the strengths and weaknesses. Top management teams, though, seem unable or unwilling to recognise or resolve the issues.

Harvard's Centre for Organisational Fitness advocates a structured approach to organising conversations within businesses – after 15 years of research and practical experience. For them, the top management team cannot simply absolve itself from the responsibility for setting the strategic direction but should be ready to move repeatedly backwards and forwards between advocacy of a particular strategic direction and enquiry about the best way to achieve it.

Honest conversation about a company's future direction isn't likely to happen spontaneously

Yet it is clear that honest conversation about a company's future direction isn't likely to happen spontaneously – a process needs to be designed to achieve it. Their process eschews modern techniques such as 360-degree appraisals, employee satisfaction surveys or external consultants. Instead, they say, senior management, having developed a statement of organisational direction, needs to create a task force of the company's best managers. They, in turn, need to interview the people below them who have important things to say about the organisation and their perceptions of its strengths and weaknesses – and what the barriers to implementing the new strategic direction are likely to be. The task force should eventually feed back its findings to the top management team in a so-called 'fish bowl' meeting. This, the authors say, should prompt the management team to reflect on the findings and incorporate the insights from the feedback into a plan for how the organisation should then proceed. This plan is then presented to the task force, who have the opportunity to critique it. Once the plan has been 'stress tested' in this way it is ready to be implemented.

Of course, designing a process for strategic conversations in this way is fraught with problems. For example, some task force members may be anxious that speaking painful truths about the business could limit their careers. Thus, the ground rules should be explicit so as not to discourage attempts to uncover and diagnose real business problems. Beer and Eisenstat make powerful claims for their process, citing major changes and improvements to business performance as a result. The first attempt to embark on this dialogue is likely to be the most difficult but they believe that, having once launched the process, successive attempts become much easier, leadership is perceived to be more effective, cynicism is reduced and trust and commitment encouraged.

Mission statements revisited

The formulation and definition of a mission statement has long been recognised as a vital first step in setting the direction of an organisation and framing the strategy formulation process. Unfortunately, though, there is only limited evidence that the possession of a mission statement leads to superior performance. Jatinder Sidhu has sought to address this problem by looking at companies in the Dutch multi-media sector.[9] Sidhu reports increasing reluctance on the part of managers to spend time formulating mission statements, as well as anecdotal evidence from consultants that companies are abandoning mission statements en masse.

Sidhu reviews the literature and concludes that mission statements typically include four distinct but related elements: the organisation's vision (ie, where it sees itself in the future), the business domain (ie, the scope of the business and the business that the organisation believes it is in), its competencies (or distinctive capabilities) and its values or philosophy.

Of the 38 companies who responded to his survey, 17 had a mission statement and 19 a so-called business domain statement that specified what business they were in. All indicated that the statements had been formulated more than three years ago (consistent with the notion that mission statements should be more durable than strategies, for example) and had been reviewed, on average, around twice in the last three years.

The results correlated the presence of the mission statement – as well as the content of the statement – with business performance (specifically sales growth, vis-à-vis competitors). Although the study was small scale, the results did indicate that there was a significant positive relationship between comprehensiveness of the mission statement and the company's performance. This relationship held good even after controlling for the effect of strategic planning and organisation size. Consequently, he concludes that it may be too early to consign mission statements to the shelf and it is at least plausible that the discipline of formulating a mission statement and reviewing subsequent strategies against the mission statement is likely to have a beneficial impact upon a company's long-run performance. **MU**

The discipline of formulating a mission statement... is likely to have a beneficial impact upon a company's long-run performance

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OTHER FACULTY PUBLICATIONS AND SERVICES

Finance & Management
This is a monthly newsletter containing a range of short articles and analysis of current topics, as well as Faculty news and events. It is published at least 11 times a year. Ideas for articles and contributions from members are welcomed.

F&M special reports
These reports, which are published around six times a year, have replaced the previous *Management Quarterly* and *Good Practice Guideline* publications and contain several articles devoted to one central theme. The aim is to provide readers with practical solutions to a series of topical questions. Recent subjects have included 'Strategic planning', 'The future of the finance director' and 'International accounting standards'.

Executive Summary
This publication provides a quarter;ly summary of articles covered in the full range of Faculty publications during the previous three months. It is a useful tool for busy members.

Index of Publications
This guide, updated annually, provides members with a full index of Faculty publications.

Guide to Business Books
We summarise the principal books to assist members in wide range of subject areas in this occasional publication.

Events
The Faculty has an active programme of events for members, both in London and in regional centres. These take the form of lectures, conferences and evening discussions and provide opportunities for learning and networking.

Directory of Expertise
This on-line facility allows Faculty members to contact each other for advice on a wide range of topics. Only those members who have volunteered to offer advice are listed. Contact is on an informal free-of-charge basis. The directory is carried on the web site, giving flexibility for searching through the database – over 700 members are listed there. There are 43 areas of expertise, subdivided into geographical area and company size.

Web site
There is a wide range of information about the full range of Faculty services, including PDF versions of many publications, on the Faculty's web pages – exclusive to members.

CDRoms
Video and audio versions of certain Faculty events and publications are made available to members on CDRom.

For further information on the Faculty's services, please contact Jo Kinlochan jo.kinlochan@icaew.co.uk

If you are not already a Faculty member, why not join now?
For further details, please see page 23

Manager Update

... is produced on behalf of the Faculty by Silverdart Ltd, Unit 211, Linton House, 164-180 Union Street, London SE1 0LH. Tel: 020 7928 7770; fax: 020 7928 7780; contact: Alex Murray or Gabrielle Liggett.

www.icaew.co.uk/fmfac

The Faculty of Finance and Management,
The Institute of Chartered Accountants
in England and Wales,
Chartered Accountants' Hall,
PO Box 433,
Moorgate Place,
London EC2P 2BJ

Telephone: 020 7920 8486
Fax: 020 7920 8784

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND & WALES

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