



# Global Corporate Briefs

## Knowledge Pays....Always

Vol.1 No.11

June 2009

### Some “strategies/ secrets for surviving the recession.”

- You volunteer to do more.
- You dig deep and always bring a good attitude to work.
- You give new meaning to the idea and intensive practice of “visible management.”
- You shrug off shit that flows downhill in your direction
- You try to forget about “the good old days”— nostalgia is self-destructive.
- You frequently invent breaks from routine and bring a fresh perspective.
- You eschew all forms of personal excess.
- You simplify.
- You sweat the details as never before.
- You are maniacal when it comes to responding to even the slightest screw-up.
- You find ways to be around young people and to keep young people around
- You learn new tricks of your trade.
- You network like a demon – inside the company & outside
- You thank others by the truckload if good things happen—and take the heat yourself if bad things happen.
- You behave kindly, but you don’t sugarcoat or hide the truth—humans are startlingly resilient and rumors are the real killers.
- You treat small successes as if they were Superbowl victories—and celebrate and commend accordingly.
- You shrug off the losses and get back on the horse and immediately try again.
- You avoid negative people to the extent you can—pollution kills.
- You redouble, re-triple your efforts to “walk in your customer’s shoes.”
- You keep your shoes shined.
- You leave the blame game at the office door.
- You become a paragon of personal accountability.
- Tom Peters at ASQ/FICCI Symposium on Innovation and Quality, New Delhi, May 09

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*"The illiterate of the future will not be the person who cannot read. It will be the person who does not know how to learn." - Alvin Tofler, author of Future Shock*

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# The New Economic Environment

Retail 2009

Booz & Co, Jan 09

As the year comes to an end, we at Booz & Company wanted to provide our perspective on how the watershed events of 2008 will reshape the executive agendas of retailers in 2009 and beyond. The only certainty in today's global economy is that nothing is the way it was. Commodity prices shot up, and then settled back as the economic downturn took hold. The formerly safe assumptions of low costs for energy and transportation, cheap labor and little environmental regulation in developing nations, and advantageous currency exchange rates now require reevaluation.

What is clear is that we are staring into the jaws of a global economic recession, and plans for 2009 that were predicated on soaring oil, packaging, and commodity prices need to be adjusted to reflect greater volatility and potential deflationary pressures. Consumer spending fueled by easy credit drove the economic boom. Now, retailers are reeling from the impact of the current credit crunch on consumer spending during a challenging holiday shopping season. Higher inventory levels, shoppers' increasing demand for discounts, and fundamental changes in consumer spending behavior make retail a challenging environment in which to operate. But as with all challenges, this one is accompanied by opportunity. Leading retailers will simultaneously sustain themselves during the downturn and build

capabilities for the next wave of success.

## **Calls to Action in 2009**

As recessionary pressures squeeze consumer spending, retailers are taking numerous measures to handle the crisis, especially in the realm of cost cutting.

The danger in a downturn, however, is that a focus on costs will preclude positive action in other arenas.

Our extensive work with retailers of all varieties tells us that leaders in the field will intensively focus on four areas to help them survive in the short term and thrive in the long term.

- Price and promote to capitalize on consumer spending and switching trends.
- Implement "smart allocation" to increase profit and improve the shopping experience.
- Boost efficiency to strengthen profitability.
- Build capabilities for the long term.

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## After the Crisis, What Next?

IESE Insight(Spain), Mar 2009

Original article in Spanish

Antonio Argandoña

Original document: El panorama macroeconómico de la economía occidental y la crisis financiera

Year: 2009

Language: English

To fully comprehend an economic cycle, one must understand the factors that defined its predecessor. The excesses of thriving economic times are what inevitably bring about recession.

This maxim rang true once again, starting in 2007. A long period of macroeconomic stability, high growth and low interest rates inflated the housing bubble and helped induce the financial mistakes that led to the crisis.

In his article, "El panorama macroeconómico de la economía occidental y la crisis financiera" ("The Macroeconomic Side of the Western Economy and the Financial Crisis"), IESE Prof. Antonio Argandoña analyzes the state of the world economy at the start of the 21st century and offers an interpretation of the post-crisis panorama to evaluate whether it is possible to see a return to the conditions that fostered that previous economy.

### Long Period of Prosperity

The years following the oil crises of the 1970s and the adjustments of the early '80s were about "great moderation." For more than two decades, the expansion periods were long, recessions were mild and inflation rates were low.

The extended bonanza was due to the lack of serious disruptions and the continued low interest rates resulting from

both the surplus of savings worldwide and the expansive monetary policy of the United States.

The consequence was a period of booming growth and abundant liquidity, which generally leads to rising inflation. This did not happen because there was a moderation of labor costs. However, all the ingredients were in place for bubbles to be formed. And at the end of the '90s, one of them burst: the dot-com bubble.

### Inflating the Bubble

The U.S. Federal Reserve found a solution to the recession caused by the collapse of the dot-com companies: it lowered interest rates to 4.75 percent. That fueled family debts, consumption and the housing demand.

When the situation returned to normal, the Fed maintained its policy of low rates, which created a sense of euphoria that in turn led to a worldwide bubble in the real-estate market.

This anomalous policy was followed by others, including the central banks of Europe and Japan. The result: more spending, less saving.

The cheap money produced an unexpected effect: the demand for earning assets went to markets for materials and foodstuff, in search of profitability that was not being generated elsewhere.

Financial innovations were another factor that, along with the abundant liquidity and low interest rates, helped inflate the bubble. Among those new products, Argandoña calls attention to the rise in subprime mortgages, securitization and the development of the shadow banking system.

This all led to a worldwide crisis and recession.

#### What Lies Ahead

To address the difficult situation at hand, governments have responded in the first part of 2009 with measures focusing on two objectives: containing the recession and pushing toward recovery. So, what's the outlook for the next few years?

A number of factors will help determine the macroeconomic framework in the near future.

In the short term, it appears that interest rates will remain low, given the formidable creation of global liquidity by the central banks.

Spending and public deficit will both increase. Many governments are sacrificing fiscal discipline in an attempt to achieve immediate recovery of aggregate demand. However, these measures will entail medium-term costs, such as costlier credit. Therefore, we expect higher rates in the medium term – which could be quite soon.

We are unlikely to see a repeat of the growth rates experienced in recent years. In terms of consumption, moderation will be the trend. Families will have to reduce their debts and there will be a greater tendency toward saving. Presumably, the demand for consumer credit will diminish and the real-estate market will be lethargic. Investment will also be more restrained.

The real-estate, construction and financial sectors, among others, should return to more sustainable levels. The conditions and structure existing in each country, their ability to generate enterprising initiatives and their flexibility in allocating resources will determine which sectors pick up first.

In the long term, the potential growth rate will be more restrained than when housing was driving the economy, for reasons including increased regulation for the financial sector, a volume of credit that will not grow as it did before, as well as higher interest rates and risk premiums.

Worldwide imbalances, particularly the disparity between the savings and spending of certain countries, will be reduced, albeit mildly.

The price of oil will be restored when demand is restored, at which point the supply shortage will be exacerbated. As such, the upward trend of the price per barrel is likely to become accentuated in the future.

Europe will remain sluggish and the United States will continue to lose clout in the world economy. However, Japan will not likely step into the breach. For that, all signs point to emerging countries, particularly India and China.

The recession will likely encourage protectionism, interventionism and economic nationalism, which can only prove harmful to the prospects for worldwide growth.

We do not know whether we will suffer another crisis of this magnitude, or what direction will be taken with the new approaches to economic theory still being made up as we go along.

Nonetheless, as Argandoña states, the focus should not be on looking for someone to blame, but rather on introducing the necessary reforms so that a similar crisis does not strike again.

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## Risk Taking Is Necessary Says Dimon

of JP Morgan Chase

Talk at Stanford GSB, January 2009

Jamie Dimon, JP Morgan Chase & Co. CEO, survived the banking industry meltdown but he admits to having made the same mistakes as others, just that they were smaller and lesser.

Some in the media have showered praise on the dynamic Dimon for his straight-talking management style that guided the company relatively unscathed through last year's financial crisis. With plenty of capital, and less exposure to the subprime mortgage market, JPMorgan acquired Bear Stearns for a discount in a deal with the government, and also bought Washington Mutual Inc.

However, Dimon is not risk averse, as he said during a View From the Top speech to students Jan. 13. "I've been a conservative manager, but that doesn't mean I don't take risks. We knew that taking on Bear Stearns was a massive amount of risk." By its nature, business is a risk, he said, but risks have to be taken in the best interest of clients.

According to Dimon, risk-taking has to be calculated: "You've got to decide what you want to do and what happens if it goes wrong," he said. Any CEO worth his salary knows, "The business takes place in the detail, not the corporate headquarters."

He criticized the excessive bonuses of some top executives, but warned against moves to regulate executive compensation as being wrong.

He feels that CEOs should be paid fairly for their years of experience, and that their salaries should reflect the attitude from the

hiring corporation.

The experience of having to lay off 10,000 people at Bank One in his first CEO job taught him a valuable lesson, Dimon said. That year he withheld bonuses from himself and other top execs, and cut club memberships, travel and other perks.

Dimon's career included senior executive positions at Citigroup Inc. previous to being appointed chairman and CEO of Bank One in 2000. He became president and chief operating officer of JPMorgan Chase after the merger with Bank One in 2004 and was named chief executive in 2005 and chairman in 2006.

He says that along the way he learnt that being effective in the top job has less to do with brains than with other less tangible skills.

As far as the future of the financial services industry, is concerned, Dimon acknowledged that players will be under tougher scrutiny from regulators. But he said regulation, or lack of it, wasn't totally to blame for the financial crisis.

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## Globalisation under strain: Homeward bound

The Economist, Feb 5th 2009  
Frazer Hudson

According to the author the biggest threat facing the world economy is protectionism. He feels that though many politicians preached against it at the WEF Davos summit and picked out the risk of financial mercantilism, a reflux of capital from foreign markets to home ones, in the real world the barriers to the free flow of capital are rising fast.

He feels that the politicians are hypocritical, toothless and misguided. Undoubtedly, there is a retrenchment in cross-border credit.

In the emerging markets things are worse. Projections from the Institute of International Finance (IIF), an industry group, show that net inflows of private capital will slow to \$165 billion this year, down from a peak of \$929 billion in 2007. Much of that retreat is happening in the capital markets, but the banks are fleeing fastest. The IIF forecasts a net outflow of bank funds from developing countries this year, as borrowers repay more debt than they take out.

The biggest strain is in Central and Eastern Europe since they binged on international borrowing in recent years. Foreign owned banks are also feeling the pinch.

The reasons for banks to concentrate on their home markets are the scarcity of capital. By selling non-core assets abroad banks can still raise money without hurting their long-term prospects. It is also easier to manage credit risks in home markets, where lenders can draw on better insight and data.

Therefore, politicians may not be able to

prevent the drying-up of cross-border credit and there aren't many signs that they really want to. State support is increasingly accompanied by explicit obligations to lend at home.

This is an insidious type of economic nationalism. Though Western governments are not trying to keep foreign banks out of their markets, they are steering banks towards supporting businesses and jobs at home, not abroad. The short-term phenomenon of financial nationalism may be driven by the market as much as by politicians. However, that is not so of the long-term threat to cross-border capital flows: the changes that regulators make to the landscape for multinational banks, especially in Europe.

One way could be to bring regulators of foreign parents and their local subsidiaries closer together, perhaps even to create a single supervisor of cross-border banks.

A difficult future faces the banks that operate across borders. There are clearly good reasons for local regulators to fret if they face heavy exposures to foreign banks (as in central and eastern Europe). But the risk that the recent homeward flow of bank assets will ossify into a less efficient, less flexible cross-border banking system is real and growing.

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## Mother of all rural marketing schemes

Mint, 24 Mar 09

Project Shakti was launched in Andhra Pradesh's Nalgonda district in 2001, and it has swept the country with big success

Samanth Subramanian Khurrampur, Uttar Pradesh: What worries Gita Devi most about her business is not the economic slowdown but the tea that her neighbours are drinking. "They're drinking City Gold and Tata Tea," she tells Dharmender Mishra, her supervisor. "And they sing their praises. Why don't they like Brooke Bond then?"

"Maybe we should plan a tea party for them," Mishra says.

"Maybe," Gita Devi replies, looking uncertain.

"We'll do the tea party—we'll do some sampling and a demonstration," Mishra says, reassuring her.

It's important for Gita Devi that her neighbours drink Brooke Bond. Gita Devi is Hindustan Unilever Ltd's (HUL's) chief salesperson for her village of Khurrampur and the nearby village of Shalimarbad, and one of at least 45,000 village entrepreneurs enrolled in Project Shakti, the rural marketing initiative of the country's biggest home products maker.

Added income: Gita Devi became a Shakti amma three years ago. Ramesh Pathania / Mint If the neighbours of all those entrepreneurs—or Shakti ammas (literally, "mother", a respectful way to address women), as they're called—drink Brooke Bond, bathe with Lifebuoy and plump for HUL's other consumer goods, it will bear out Project Shakti's promise: to cultivate the vast markets of rural India, sourcing saleswomen from the very villages that it hopes to tap.

Project Shakti was launched in Andhra Pradesh's Nalgonda district in 2001, and it has swept the country with such success that Anglo-Dutch multinational firm Unilever is now customizing it to rural markets in Sri Lanka, Bangladesh and Vietnam. In 15 states, it has worked with self-help groups and non-governmental organizations to identify underprivileged women and train them to be saleswomen. Its timing has been fortunate: Its operational run has coincided almost exactly with a decade-long rise in rural India's purchasing power, the last two years yielding a particularly rapid rate of growth.

Nurturing rural markets

Analysts agree that rural markets will prove more resilient to the simmering global economic trouble. "Compared to last year, rural FMCG sales have grown at 6-8% over the last couple of months, while urban sales have grown at 4%," says Debashish Mukherjee, a principal at AT Kearney in New Delhi. "For many of these FMCG companies, rural markets contribute 40-50% of revenues, which is very impressive."

HUL is one of the few companies that could have pulled off Project Shakti, says Pradeep Lokhande, founder of Rural Relations, a consumer relations firm. "It was possible because they have a basket of products to sell," he says. "Another issue is cost—HUL has small packs, and they can push that so that the rural consumer can afford it." (HUL says it does not track Project Shakti's contribution to its profits, although a spokesperson says that it has "played an important role in growing rural markets for HUL").

On average, a Shakti amma records monthly sales of Rs10,000, on which she

earns Rs600-800; those earnings come out of a 3% discount that HUL gives her on its products, as well as a trade margin of approximately 10%. A really outstanding Shakti amma—a Diamond Shakti amma—can even book Rs30,000-40,000 of sales every month, often turning her house into an HUL store.

The ideal Shakti amma candidate is probably Rojamma, the woman from an Andhra Pradesh village who stars in her own 6-minute film on the HUL website. Abandoned by her husband, and with two young daughters to raise, Rojamma was rescued from that cinematically dire life by Project Shakti. “Everybody knows me, I am someone now,” a voice-over says on her behalf, “And I can have big dreams.” Gita Devi’s situation wasn’t quite as precarious when she became an amma three years ago; her husband drives a tractor, and she joined to supplement that income and to better care for her five daughters and one son.

“I was able to pay for my daughter’s sewing classes,” she says, indicating a girl who, ill with typhoid and hooked up to an intravenous line, smiles feebly from a bed. “I also bought that television,” she adds, pointing to a set perched high in one corner, above a poster for the Mimoh Chakraborty film Jimmy.

#### Home-to-home

In a room at the back, next to portraits of assorted deities and another, smaller poster of Jimmy, is Gita Devi’s stock of HUL products: soaps, shampoos, washing powder, lotions and creams. “I sell regularly to 70 houses in this village, and 50 houses in the next, so I visit those home-to-home once a week,” she says. “Otherwise, I go out for an hour every morning to new houses...to convince them not to buy from anywhere else.”

#### Also See Khurrampur (Map)

This routine would ordinarily be inefficient and time-consuming, but in a village where the Shakti amma knows everybody—knows what they can afford to buy and when they buy—and where everybody knows her, the inefficiencies fall away. “I can just go up on my roof and call out to Gita Devi, and she’ll come over and give me what I want,” says Krishna Sharma, a housewife next door.

Earlier, Sharma made the trek to Muradnagar, at least 12km away, to shop. “There were small kirana stores in this village, but they had no range,” she says. “They didn’t have this, for instance”—she pulls a Pears soap bar out of Gita Devi’s bag—“or this”—iodized salt.

Every 15 days, on such visits, Gita Devi is accompanied by Mishra, who as a Shakti trainer helps his wards pitch HUL to prospective customers. Mishra supervises 25 Shakti ammas, helping them keep records, listening to their problems, and liaising with rural distributors; he and 40-odd other trainers are managed, in turn, by one of Uttar Pradesh’s 14 rural sales officers. Gita Devi is thus FMCG’s equivalent of last-mile connectivity.

Mishra’s rural sales officer, P.K. Aggarwal, lives in Ghaziabad but makes village runs nearly every day, monitoring the network of Shakti trainers and ammas under him. Earlier, he worked with Project Shakti in eastern and central Uttar Pradesh, and he calls the state’s western segment “far better off”.

“The average income of a family in this belt is around Rs3,000 per month, and I’ve seen that rise by 6% or 7% in the last year and a half,” Aggarwal says, adding that four out of every five of the villages’ households are engaged in some way in

wheat cultivation. Ghaziabad is one of the state's most prosperous districts, a sign of which is that the number of households in the district demanding employment under the National Rural Employment Guarantee Act is one of the three lowest in Uttar Pradesh.

#### Not cheap

To do business in rural India is not a cheap alternative. Apart from orienting an urban-centric supply chain to access smaller villages, companies have to accept that rural consumers often have illogical or impenetrable loyalties. "Rural consumers are more sensitive to getting value for their money, especially with consumer goods," Lokhande says. "Now a secondary school student is an opinion leader. He knows what he wants, and his parents will listen to him."

Show and tell: Roshni, a Shakti amma from Dhindaar village in Uttar Pradesh, says sales of Fair and Lovely improved after she conducted a seminar to show her customers the right way to apply the cream. Ramesh Pathania / MintHUL learned very early that Shakti ammas should be encouraged to sell to retail shops as well as homes if they were to feel optimistic about their earning potential. "We also advise our Shakti ammas not to sell on credit," says Prashant Jain, an area sales and customer manager for central Uttar Pradesh (rural) with HUL. "Recovery is sometimes difficult, because many of these customers are also relatives or known to her in the village, so they feel embarrassed to ask for money. So we advise them to sell (for) cash only."

Another lesson rose out of Project Shakti's logistics. Jain describes how HUL initially thought it viable to only target villages with a population of 2,000 or more, how market

strategists sat down with census lists, and how ammas were found in those selected villages and started off with a minimum of Rs10,000 worth of stock.

When HUL started delivering stock to these ammas twice a month, however, it realized that it was also in its best interests to cultivate Shakti ammas in the villages that lay along that route, however small they were. "Even if we are just dropping off stock worth Rs1,000 or Rs2,000 at these villages on the way, it makes economic sense," Jain says. Unorthodox solutions.

Some of the ammas' problems require unorthodox solutions. Last year, Roshni, a Shakti amma in a neighbouring village called Dhindaar, found that her customers were dissatisfied with the effects of the Fair & Lovely she sold them. So she organized a seminar devoted to showing the women the correct way to use Fair & Lovely—what her Shakti trainer, Jitendra Kumar, calls the "aath ka funda", the method of daubing spots of the cream in a figure of eight on the face, and then massaging it in. "And now it sells much better," Roshni says.

The Fair & Lovely seminar was similar to the tea party that Gita Devi and Mishra are planning for Khurrampur—a marketing event to help persuade their audience to buy Brooke Bond tea. It's a sound idea, although Jain admits that to replicate such events across a state as large as Uttar Pradesh can prove costly, and the returns are not always commensurate with that expense.

"But, more importantly, as a businesswoman, she needs marketing support. Having given her the business, it is my duty to give her the marketing support she needs as well," Jain says.

“The good thing is that she’s coming out and asking for it—she’s not passive, she wants to actively sell. That’s the most heartening part of it all.”

**Code No. T 444**

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## India's Demographics Challenge

Business Week, 1 Jun 09

Ambitious young Indians give their homeland economic strength. But what will it mean for business when they start to retire?

What happens, however, to the Indian economy when the country's dependency ratio tilts higher, as today's youth begin to retire? The Indian workforce is on pace to transform into an enormous healthcare burden for the country as workers age, live longer, and demand more medical services, as well as pensions and other correlated elements of social security. India will have no choice but to spend more of its GDP on healthcare. India's soaring birth rates will expound this dilemma. By 2050, the United Nations expects India to boast the world's largest population.

The Planning Commission in India is well aware of this future problem. For years, innovators in the life sciences have been racing to find novel ways to reduce costs and expand care in the hope of capitalizing on the economies of scale Indian consumers provide, such as the expansion of digital health records, the promotion of medical tourism, a focus on biostatistics for outcomes research, a drug patent system that protects generics for widespread distribution, and inducing competition for cheaper medical devices. This rush of activity has produced so many new techniques that India is beginning to export its expertise in these areas to other countries. Add to this that the Indian government will continue to liberalize the industry, doll out tax breaks, and encourage more private competition, and the recipe may be robust enough to put the country on a sustainable path to meet its future healthcare needs.

Several other long-term approaches are underway:

1. Inversion of the traditional "blockbuster" model. In India—and other emerging economies—drug firms have little choice but to focus on compounds that reduce unit prices and reach a wider audience to drive up sales volumes.
2. Bigger, faster, and stronger clinical trials.
3. Entrepreneurship in healthcare delivery.
4. R&D innovation partnerships between global pharma and medical schools
5. Innovation in healthcare insurance. One such system creates pathways whereby patients and healthcare providers are paid to make healthy choices and sound medical decisions, respectively. In rural sections of India, women typically give birth in the village and do not see a medical doctor; instead, a midwife-type figure traditionally helps with delivery. However, in pregnancy cases where the mother absolutely needed professional medical attention, the midwife did not have an economic incentive to refer her patient out. Enter the conditional cash transfer. With this simple idea, now a midwife who correctly refers pregnant mothers to doctors will receive a nominal cash payment in lieu of the lost income—while the patient herself is given the best chance to get the best possible medical care available to her.

Despite these advances, troubles loom. A growing middle class will inevitably demand more health care, which it will view as a right—not privilege. This trend could force the government to increase

medical regulation and expand malpractice.

India will have to innovate with its technologies and delivery mechanisms in order to avoid the trap other developed economies find themselves in today, India will also have to innovate around the edges of the problem in order to preserve the fruits born during today's economic growth.

-----India's  
Demographics Challenge

Business Week, 1 Jun 09

Ambitious young Indians give their homeland economic strength. But what will it mean for business when they start to retire?

India's favorable demographics are often touted as one of the major reasons behind the country's growth. Millions of educated Indians under the age of 30 act as the pistons firing in a multi-cylinder economic system, which continues to expand at enviable rates despite the global recession. There's no doubt that this confers upon India an enormous demographic advantage, an upper-hand that will continue to fuel growth for decades to come.

What happens, however, to the Indian economy when the country's dependency ratio tilts higher, as today's youth begin to retire? The Indian workforce is on pace to transform into an enormous healthcare burden for the country as workers age, live longer, and demand more medical services, as well as pensions and other correlated elements of social security. India will have no choice but to spend more of its GDP on healthcare. India's

soaring birth rates will expound this dilemma. By 2050, the United Nations expects India to boast the world's largest population. While India cannot impose draconian rules such as its neighbor's "One Child" policy, the sheer scale of these numbers places tremendous pressure on the country's ability to succeed in innovation in medical science and delivery models to help India avoid the burdens of healthcare costs that some countries, such as the United States, carry today.

The Planning Commission in India is well aware of this future problem. For years, innovators in the life sciences have been racing to find novel ways to reduce costs and expand care in the hope of capitalizing on the economies of scale Indian consumers provide, such as the expansion of digital health records, the promotion of medical tourism, a focus on biostatistics for outcomes research, a drug patent system that protects generics for widespread distribution, and inducing competition for cheaper medical devices. This rush of activity has produced so many new techniques that India is beginning to export its expertise in these areas to other countries. Add to this that the Indian government will continue to liberalize the industry, doll out tax breaks, and encourage more private competition, and the recipe may be robust enough to put the country on a sustainable path to meet its future healthcare needs.

Several other long-term approaches are underway:

1. Inversion of the traditional "blockbuster" model. Traditional western drug pipelines were fueled by high margins to drive profits; in India—and other emerging economies—drug firms have little choice but to focus on compounds that reduce

unit prices and reach a wider audience to drive up sales volumes.

2. Bigger, faster, and stronger clinical trials. India is becoming an increasingly hot destination for foreign and indigenous drug makers to run clinical trials, capitalizing on the country's vast, diverse, and relatively poor population in order to improve the efficacy and pace of getting new drugs from the lab into customers' hands.

3. Entrepreneurship in healthcare delivery. The Indian government is not in a position to supply anywhere near the level of care that many citizens require. In its place, private players are filling critical gaps in the healthcare space: for example, private ambulance operators dramatically reduce the time it takes to transport sick patients to a hospital.

4. R&D innovation partnerships between global pharma and medical schools. India's education system is renowned for its strength in engineering and science, which provides the country a large pool of talent. In order to attract this talent, big drug firms have invested in large R&D labs in India as well as scientific collaborations with medical schools. The hope is that this talent will be able to establish drug discovery protocols that leapfrog western models.

5. Innovation in healthcare insurance. One such system creates pathways whereby patients and healthcare providers are paid to make healthy choices and sound medical decisions, respectively. Barry Bloom, former dean of Harvard's School of Public Health and one of the founding forces behind the Public Health Foundation of India, once relayed to me an example of such innovation. In rural sections of India, women typically give

birth in the village and do not see a medical doctor; instead, a midwife-type figure traditionally helps with delivery. However, in pregnancy cases where the mother absolutely needed professional medical attention, the midwife did not have an economic incentive to refer her patient out. Enter the conditional cash transfer. With this simple idea, now a midwife who correctly refers pregnant mothers to doctors will receive a nominal cash payment in lieu of the lost income—while the patient herself is given the best chance to get the best possible medical care available to her.

Despite these advances, troubles loom. A growing middle class will inevitably demand more health care, which it will view as a right—not privilege. This trend could force the government to increase medical regulation and expand malpractice.

India will have to innovate with its technologies and delivery mechanisms in order to avoid the trap other developed economies find themselves in today, India will also have to innovate around the edges of the problem in order to preserve the fruits born during today's economic growth.

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## Gone shopping: Indian firms' foreign purchases

The Economist, May 28th 2009 |

As Indian companies juggle their pricey foreign acquisitions, the country's largest telephone company embarks on the biggest shopping expedition of them all

Between 2000 and 2008 Indian companies announced over 1,000 international mergers or acquisitions, worth over \$72 billion. Most of those deals have been sealed since 2006 . Corporate India's shopping spree gained momentum after 2002, when the rapid growth of the Indian economy began to bolster companies' balance-sheets. In February 2004, government allowed firms to finance their foreign acquisitions by borrowing abroad. And borrow they did. Indian companies took on a mountain of debt, largely because it was there.

But several of corporate India's acquisitions now seem ill-advised. For example, the purchase of Jaguar Land Rover (JLR) in 2008. In a recent interview, Ratan Tata, the group's chairman, admitted that the company bought JLR at an "inopportune time".

So were these acquisitions fundamentally sound decisions cursed by poor timing? Or were they bad decisions flattered by easy money? But Alan Rosling, who sat on the board of the Tata Group's holding company during its rapid overseas expansion, makes the opposite case: the Tatas' foreign acquisitions were not daring, they were in part defensive.

In the 1990s Mr Tata inherited a group that sprawled across many industries, but remained largely cooped up in a single country. As India opened its economic borders, the group would have to contend with foreign competitors at home, whether

or not it ventured overseas. There was nothing prudent about remaining subscale in a newly open market, prey to foreign multinationals.

Gautam Thapar, chief executive of the Avantha group says that to hold on to their market share in the long run, it has to compete on the basis of the technology it offers as well as the price it charges.

The pursuit of technology is a powerful motive for foreign acquisitions. Before Tata Steel's purchase of Corus, the Indian steelmaker did not hold a single American patent. The takeover bought it over 80, as well as almost 1,000 research staff. Sometimes new markets and new technologies go hand in hand. The spur for innovation comes from more sophisticated foreign customers, who are "willing to sit down and discuss ideas". One of Thapar's acquisitions, for example, makes slim transformers which tuck inside the shaft of wind turbines, saving space in crowded European countries.

Western acquisitions often have a crude motivation: to combine revenues without combining costs. Savings must be identified in advance to justify the deal to shareholders, and realised quickly afterwards. The result is a disruptive yoking together of two organisations, shaking up management and laying off staff, which as often as not fails to achieve its aims.

Because Indian companies are often seeking know-how and technology, they treat their new acquisitions with greater respect and forbearance. They are careful not to break what they have just bought. Hindalco, Mr Kumar points out, was happy to leave Novelis's senior managers in place. For six months it supplemented

them with only two of its own. In 2000, when yet another part of the Tata empire, Tata Tea, bought Tetley, a British rival, it also retained its managers, anxious to preserve their knowledge of local markets.

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## Why Good Leaders Make Bad Decisions

HBR, Feb 09

By Andrew Campbell, Jo Whitehead, and Sydney Finkelstein  
Neuroscience reveals what distorts a leader's judgment. Here's how you can keep your own judgment clear.

Decision making lies at the heart of our personal and professional lives. Every day we make decisions. Some are small, domestic, and innocuous. Others are more important, affecting people's lives, livelihoods, and well-being. Inevitably, we make mistakes along the way. The daunting reality is that enormously important decisions made by intelligent, responsible people with the best information and intentions are sometimes hopelessly flawed.

### Idea in Brief

Consider Jürgen Schrempp, CEO of Daimler-Benz. He led the merger of Chrysler and Daimler against internal opposition. Nine years later, Daimler was forced to virtually give Chrysler away in a private equity deal. Steve Russell, chief executive of Boots, the UK drugstore chain, launched a health care strategy designed to differentiate the stores from competitors and grow through new health care services such as dentistry. It turned out, though, that Boots managers did not have the skills needed to succeed in health care services, and many of these markets offered little profit potential. The strategy contributed to Russell's early departure from the top job. Brigadier General Matthew Broderick, chief of the Homeland Security Operations Center, who was responsible for alerting President Bush and other senior government officials if Hurricane Katrina breached the levees in New Orleans, went home on Monday, August 29, 2005, after reporting

that they seemed to be holding, despite multiple reports of breaches.

All these executives were highly qualified for their jobs, and yet they made decisions that soon seemed clearly wrong. Why? And more important, how can we avoid making similar mistakes? This is the topic we've been exploring for the past four years, and the journey has taken us deep into a field called decision neuroscience. We began by assembling a database of 83 decisions that we felt were flawed at the time they were made. From our analysis of these cases, we concluded that flawed decisions start with errors of judgment made by influential individuals. Hence we needed to understand how these errors of judgment occur.

### Idea in Practice

In the following pages, we will describe the conditions that promote errors of judgment and explore ways organizations can build protections into the decision-making process to reduce the risk of mistakes. We'll conclude by showing how two leading companies applied the approach we describe. To put all this in context, however, we first need to understand just how the human brain forms its judgments.

### How the Brain Trips Up

We depend primarily on two hardwired processes for decision making. Our brains assess what's going on using pattern recognition, and we react to that information—or ignore it—because of emotional tags that are stored in our memories. Both of these processes are normally reliable; they are part of our evolutionary advantage. But in certain circumstances, both can let us down.

Pattern recognition is a complex process that integrates information from as many as 30 different parts of the brain. Faced with a new situation, we make assumptions based on prior experiences and judgments. Thus a chess master can assess a chess game and choose a high-quality move in as little as six seconds by drawing on patterns he or she has seen before. But pattern recognition can also mislead us. When we're dealing with seemingly familiar situations, our brains can cause us to think we understand them when we don't.

What happened to Matthew Broderick during Hurricane Katrina is instructive. Broderick had been involved in operations centers in Vietnam and in other military engagements, and he had led the Homeland Security Operations Center during previous hurricanes. These experiences had taught him that early reports surrounding a major event are often false: It's better to wait for the "ground truth" from a reliable source before acting. Unfortunately, he had no experience with a hurricane hitting a city built below sea level.

By late on August 29, some 12 hours after Katrina hit New Orleans, Broderick had received 17 reports of major flooding and levee breaches. But he also had gotten conflicting information. The Army Corps of Engineers had reported that it had no evidence of levee breaches, and a late afternoon CNN report from Bourbon Street in the French Quarter had shown city dwellers partying and claiming they had dodged the bullet. Broderick's pattern-recognition process told him that these contrary reports were the ground truth he was looking for. So before going home for the night, he issued a situation report stating that the levees had not been breached, although he did add that further

assessment would be needed the next day.

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## The chaos theory of leadership

Financial Times, London December 1 2008

The secret of WL Gore's success, ( the high-tech materials company) according to Terri Kelly, the company's chief executive officer is that they don't use the word manager or employee.

But it isn't as easy as abolishing management and getting rid of all the employees.

WL Gore was founded, by husband-and-wife team Bill and Vieve Gore in 1958, and they were able to invent a corporate culture from scratch and fifty years later that culture is intact.

Leaders emerge through a democratic process rather than being appointed from the top, and peer appraisal is crucial to both salary levels and career advancement.

Ms Kelly says that it may take longer to reach a decision under this democratic approach but once it is in place, it is pursued energetically.

"I think that what you find in a lot of companies is that if there isn't true support for the decision, it gets undermined along the way," she says.

When Bill Gore left DuPont to found his own company at the age of 46,he drew inspiration from Douglas McGregor's theory X and theory Y. Gore found Theory Y that people are self-motivated and keen to find meaning in their work more attractive.

Apart from Gore , Semco, Google and Whole Foods have all experimented with management conventions and challenged the orthodoxy .

However, according to Ms Kelly, flat hierarchies can be confusing to traditional managers. "When you invite 'the head, the heart, the spirit' of associates, you get the normal dynamic of teams forming and storming and so it's very chaotic," and she wonders whether the leaders have the stomach for that? It doesn't mean you can't put discipline in place, but you have to be willing to almost give up power. For many folks, giving up power and actually tapping into the knowledge, and not being a person that's in control and ultimately the decision maker, is scary."

In Gary Hamel's book, The Future of Management, he quotes a Gore associate, Rich Buckingham, who sums up the company's approach. "We vote with our feet. If you call a meeting, and people show up, you're a leader."

It is easier for a family controlled business like W.L. Gore to pursue its own idiosyncratic methods. But there are risks in this style of businesses and it may be difficult for newcomers who may find it too alien.

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## The leadership circle

Insead Insights, Dec 08

“Leaders get the best out of followers and followers get the best out of leaders,” says Manfred Kets De Vries, Clinical Professor of Leadership Development at INSEAD. The connection between leaders and their staff is only one of many circular connections he sees.

Organisations become more difficult to manage as they grow bigger and globalization makes their business more diverse and virtual. Another test of a good leader is how their successor does. Leaders need to help reorganize their organisations. Kets De Vries compares this to an ancient mythical snake that is reborn in a circular connection because it swallows its tail. Leaders have to leverage their vision and skills to create a result oriented organisation. Team coaching is the most effective way to achieve this goal.

Kets De Vries believes that leaders need more self awareness. Some leaders are aware of the issues but are not sure how to move direction. Most leaders do not know much about themselves. He says that it is difficult for leaders to set the right goals and to get people to believe in their goals and values.

Leaders have to help people think outside the box. Instead of moving in a direction that isn't leading anywhere it is better to change direction or stop rather than go along aimlessly. This requires a group of leaders not just one. The team of leaders needs to have a clear cut set of goals and values. Leadership teams that are most successful know how to make people follow these goals and values.

Today's workplace is complicated as technology is changing so quickly and

teams are working together from different geographical areas and individuals have to manage their careers. Kets De Vries believes that leaders need to make the workplace better. People want to work in a place where they look forward to their day at work. Leaders have to make a connection with their employees and lead in a way that is symbolic as well as literal. When people look forward to coming to work they make an effort to work better. When people enjoy their work they believe in the values and goals of the organisation and work towards fulfilling them.

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## Brand Lessons From FDR

AdWeek, Dec 29, 2008

By Roberto Ramos

President elect Obama is looking at Franklin D. Roosevelt's management of the Great Depression, for inspiration to deliver on his winning "change" proposition. The author feels that not only Obama but brands could also get tips from Franklin Roosevelt, during this recession. The Great Depression of the 30's is a natural reference point for guidance, every time there is a crisis in the financial markets and consumer sentiment. In that scenario, in 1932, FDR motivated the country around his winning 1932 campaign proposition of a "New Deal." The noteworthy and unique aspect of the New Deal was the acknowledgement that the tough circumstances facing the country required a drastic reassessment of how things were done, primarily through stronger government intervention. Its impact can be felt even today. The key lessons of FDR's New Deal along with applications for today's marketers are:

1. An urgent call to action: Roosevelt himself called his initiative to cure the ills of the economy "more than a political campaign. It is a call to arms." A similar sense of urgency should be raised in corporations, though without the 'bellicose' metaphors. Marketers should drive campaigns to understand the shift in consumer sentiment.
2. Structural reengineering: A key element of the New deal was the new programs that were created to address specific challenges and the population's concerns. Brand restructuring can be done on similar lines by gauging the brand's readiness and capacity to measure consumer feedback.

3. Inspired leadership and compassion: A principled focus on the well-being of individual and communities was responsible for the lasting legacy of the New Deal. Similarly brands should show caring during these difficult times, as well as a steadfast commitment to their values
4. Invest and stimulate your brand:

Although FDR knew that fiscal responsibility was required, the New Deal also demonstrated the benefits of stimulating the economy through public works. Brands can learn a lesson that is similar to the traditional business thinking of "you have to spend to make money." The Great Depression and other recessions allowed winning brands like Procter & Gamble to increase their market share due to continued marketing commitment while their competitors retreated. It must be done smartly, by focusing the additional spend on research, value-centric messaging and leadership programs.

Having served 4 terms in office, FDR "is the granddaddy of longevity, a core objective for most brands today."

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## To Lead, Create a Shared Vision

Harvard Business Review, Jan 09  
by James M. Kouzes and Barry Z. Posner

During an ongoing project surveying tens of thousands of working people around the world, conducted by the authors, they found that though honesty was the number one attribute for leaders, applied to colleagues as well, the second-highest requirement of a leader, that he or she be forward-looking, applied only to the leader role. Just 27% of respondents selected it as something they want in a colleague, whereas 72% wanted it in a leader.

This characteristic that separates leaders from followers is one that hasn't been demonstrated by the former in prior, non leadership roles. That could explain why few leaders are able to do forward thinking and it becomes their biggest challenge and it escalates with the managerial level. Front-line managers must anticipate merely what comes after current projects wrap up, while the next level of leadership should be looking several years into the future and those on the top must focus on a horizon some 10 years distant.

To develop this forward-looking capacity, leaders must resolve to take out time from urgent but endless operational matters.

However, in doing this they must not put too much stock in their own insight. They should not consider themselves as visionaries and must take into consideration the feelings, hopes and aspirations of their constituents, who want visions of the future that reflect their own aspirations. The authors have drawn this conclusion from their most recent analysis of nearly one million responses to their leadership assessment, "The Leadership Practices Inventory." According to the data, leaders struggle with most is communicating an image of the future that

draws others in that speaks to what others see and feel.

Though it may seem counterintuitive, the best way to lead people into the future is to connect with them deeply in the present. The only visions that take hold are shared vision and they can be created only by listening very, very closely to others, appreciating their hopes, and attending to their needs.

"The best leaders are able to bring their people into the future because they engage in the oldest form of research: They observe the human condition."

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## Hulu succeeds where YouTube failed: Revenue

The Economist, Feb 5th 2009

Jason Killar joined as chief of online – video company Hulu, a new joint venture by two “old media” giants, NBC Universal and News Corp, in 2007.

YouTube was launched in 2006 and rose to overnight success and was bought by Google within months.

YouTube’s success was because it became easy to watch and share videos in any web browser, and just as easy to upload home-made videos to its site. Such “user-generated content” seemed to be the future.

YouTube dominated the web and became socially and politically important.

However, the catch was that by and large, advertisers will not touch user-generated content with a barge pole. Its quality is variable, content sometimes off-putting and much of it is illegal and brands want to keep their distance from it. Though YouTube became phenomena it failed to become a business, with a threat of costs and no promise of revenues.

There were till recently many questions: Did a new service need user-generated content as well as professional videos? Was it better to aggregate the content of many media companies or to be an outlet for just one? Would people prefer to download films or television shows to their computers, and then transfer them to their iPods, as Apple was betting? Or would they prefer “streaming” a video just once? If yes then they could be persuaded to install personalized video application onto their computers, or would they insist on watching videos inside their web browsers? Would they pay to watch, or would advertising provide the revenues? Many permutations were tried and companies such as from Amazon to

Apple, from Netflix to Joost, from ABC to CBS’s TV.com, young and old started offering videos over the internet. Killar took over the reins of Hulu during this confusion.

Today Hulu is successful and though it is still far behind YouTube, users have been flocking to it, watching 216m videos in December. Its inventory for advertisers appears to be sold out.

It seems that Killar has provided an answer to most of the questions. Instead of copying YouTube,

Hulu has only professional content, and advertisers love it.

Mr. Kilar also bet on streaming via the web, rather than letting users download. He chose to stream videos through the browser, with a simple and sleek design. He made it easy enough for use by almost anyone. Users didn’t have to download special software for it.

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## How to Make Sense of Weak Signals

Sloan Management Review, April 1, 2009

By Paul J.H. Schoemaker and George S. Day

It's the question everyone wants answered: Why did so many smart people miss the signs of the collapse of the subprime market? As early as 2001, there were many danger signals about the impending housing bubble and the rampant use of derivatives. Yet these signals were largely ignored by top financial players like Lehmann Brothers. There's no sense in denying it: interpreting weak signals into useful decision making takes time and focus. How can managers develop their peripheral vision to see what's ahead more sharply?

These three stages can help you see the periphery—and act on it—much more clearly.

**Personal Biases: An Objective View**  
Although complete objectivity is elusive, managers need to be aware of well-established traps that underlie human inference and judgment

**Filtering.** What we actually pay attention to is very much determined by what we expect to see.

**Distorted Inference.** Whatever information passes through our cognitive and emotional filters may be subject to further distortion. One well-known bias is rationalization: interpreting evidence in a way that sustains a desired belief.

**Bolstering.** Not only do we heavily filter the limited information that we pay attention to, but also we may seek to bolster our case by searching for additional evidence that confirms our view. \

**Organizational Bias: Getting Along, Getting It Wrong**

In addition to our personal biases, we function in organizations as well and may end up suffering from what social psychologist Irving Janis termed groupthink.<sup>9</sup> In principle, groups should be better than individuals at detecting changes and responding to them. But often a group can fall victim to narrow-minded analysis, tunnel vision, a false sense of consensus and poor information gathering, resulting in groupthink. The true relevance of various snippets of information often can be fully appreciated only when they are debated with others and merged into a larger mosaic.

The organizational problems caused by dispersed memory and varying perceptions can only be overcome when information flows freely across departmental boundaries.

**Start Making Sense**

Sense making or interpretation is usually the weakest link in the process of capturing weak signals and eventually making a sound decision. How can management learn to overcome biases to improve their sense making? There are nine proven approaches that managers can use actively to reveal, amplify and clarify potentially important weak signals.

**Actively Reveal Weak Signals**

1. Tap local intelligence. Insects use a compound lens system, where most of what they see and notice occurs in the eye itself as opposed to in the brain. They rely on "localized intelligence" at the level of each eyelet and respond accordingly. Likewise, organizations may wish to drive more of their sense making to local levels.

This requires procedures for real-time cognition and constrained improvisation to bring about flexibility and promptness in highly complex, volatile environments. Accessing distributed intelligence takes a culture of alertness and information sharing across multiple social networks.

2. Leverage extended networks. A valuable but frequently overlooked way actively to reveal weak signals is for executives to query their extended networks to partners, suppliers, customers and others in the company's ecosystem. The common element of all these networks is that they extend the eyes and ears of the company. Different networks tap different zones of the periphery in diverse ways. One consequence of greater organizational participation in extended networks—where many nodes in the network are connected to other networks—is a rapid increase in the number of weak signals received. This problem is intensified within Internet-enabled networks, which virtually eliminate signal transmission time and cost. Thus, managers must be selective about which signals to pay attention to and stay within the boundaries of the company's absorption capacity.

3. Mobilize search parties. Senior leaders can identify weak signal areas that merit separate task forces to canvass further. For example, IBM Corp. has an ongoing capability called "Crow's Nest" to scan specific zones of the periphery and share insights with top management. The zones include time compression, customer diversity, globalization and networks.

4. Amplifying Interesting Signals. Test multiple hypotheses. Organizational sense making is usually driven toward a single

interpretation, so new data are force-fit into the existing mental model. However, organizations need competing hypotheses to escape the trap of getting stuck on a simple, single view that is wrong.

5. Canvass the wisdom of the crowd. To handle the dangers of groupthink or the problem of distributed intelligence (where key information is dispersed around the organization), managers may wish to pay more attention to the grapevine. Research shows that groups or markets often make far better judgments than individuals. This is particularly true if companies can create forecasting methods to pool the collective wisdom of an organization without fostering undue conformity.

6. Develop diverse scenarios. Unfortunately, no method is perfect, and uncertainty can never be fully tamed or conquered. The consensus can be badly mistaken. To challenge the dominant view in your organization, it may be wise to create multiple scenarios about the issues under debate.

By considering multiple scenarios at the same time, the organization can keep from being locked into one view of what future might emerge and yet share a common set of frameworks for discussing new signals.

7. Probing and Clarifying. Seek new information to "confront reality." As Larry Bossidy and Ram Charan emphasize in their book *Confronting Reality*, the greatest business failures are usually not due to poor management but rather reflect failure to "confront reality

#### WHAT IS A WEAK SIGNAL?

A seemingly random or disconnected piece of information that at first appears to be background noise but can be recognized as part of a significant pattern

by viewing it through a different frame or connecting it with other pieces of information.

8. Encourage constructive conflict.

Wisdom requires constructive conflict to ascertain and interpret the facts as they are. But the conflict must be among ideas, not people, and remain within reason.

When there was no dissent, peripheral observations by team members to enter the discussion.

9. Trust seasoned intuition. Experienced managers often possess far more knowledge than they realize, especially when operating within their domains of expertise. If so, they should learn when and how to trust their hunches. It takes many years of experience, with good feedback, to develop reliable intuition. But once it has been honed, intuitive hunches should be viewed as valuable inputs, along with more analytical ones, for the judgment process.

Just as having two eyes allows humans to use triangulation and parallax for depth perception, organizations should use multiple perspectives to provide greater peripheral vision. Unlike humans, organizations can draw upon more than two eyes to make sense of what they're seeing. Each single view may have its biases, but several views together allow organizations to see what's really going on and identify new opportunities.

No single technique will suffice in revealing the whole picture, since all methods are flawed or limited in some important respect. Managers seeking to understand an emerging technology might use analogies to markets for technologies with similar characteristics. But these analogies distort, because the situations may not be comparable in critical but

unknown respects. A combination of methods is ideal.

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## Sales people must get smart

By Stefan Stern

Financial Times, London: November 17 , 2008

Michael Moorman, managing principal of ZS Associates, a Chicago-based sales and marketing consultancy is dismissive of some of the old-fashioned, amateur selling techniques that persist in many businesses but are unsuited to today's commercial environment.

According to the author, it is important to know how much a particular service is worth to the customer; otherwise they will be hammered down on prices by the purchase dept of the company they are selling to.

The sales team should get better data on their customers, regarding their requirements and their status.

A new report from the UK's Cranfield School of Management, in association with the Silent Edge sales consultancy, exposes many weaknesses. It says that, "The average sales person is a pleasant individual who knows a lot about their products, but fails to position themselves in such a way as to distinguish either their company or product from the competition, or to solve the customer's problems."

Purchasers have become very sophisticated and they have worked hard to neutralize old-style selling. Companies use procurement officers and buying committees to get the best deal. The purchaser has become very powerful as products and services have become more commoditized and are able to beat sellers on price. They cease being an agent for their own company and instead act as an agent for the customer, giving up profit margin just to close a deal.

Therefore the seller has to use a different

approach and become more rigorous, disciplined and professional. 'Soft Benefits' that are given to the customer should also be quantified.

In *Competing on Analytics*, Tom Davenport and Jeanne Harris describe what serious companies do to improve their sales performance. "They use predictive modelling to identify the most profitable customers as well as those with the greatest profit potential and the ones most likely to cancel their accounts," Davenport and Harris write. "They analyse historical sales and pricing trends to establish prices in real time and get the highest yield possible from each transaction."

Today instead of the old concept of the hard-toiling, road-warrior salesman, it is more important to have complete information on potential customer demand in order to make a better-informed decision on what size your sales force should be and where you need to focus your efforts.

"Today sales people have to go in and negotiate with professional negotiators," Mr Moorman says. "You have to be able to speak the language of finance."

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## Viral marketing

The Economist, Dec 1st 2008

Viral marketing is a phrase that was supposedly coined by Jeffrey Rayport, a Harvard Business School academic, in an article for the magazine Fast Company. The term refers to spreading information about a product or company through a small group of people through the medium of the Internet or their mobile phones. This way of marketing has been established as a very powerful marketing tool. The idea behind this form of marketing is that approval of the selected group of people will spread quickly through their online network connections and create a buzz around the product being launched. People with high school networking potential are usually selected for viral marketing. These people usually have a large online community with the power to persuade the network.

People that are influenced to buy or use the product or service, in other words 'infected', will in turn infect other people and this will continue till the 'epidemic' spreads fast. Sales increase quickly if every infected person infects at least one other person. Few marketing viruses are known to have succeeded on anything like the scale of Hotmail, commonly considered to be the father of viral marketing.

Hotmail's success was based partly on the fact that it was free—viral marketing seems to work well when there is a free element to what is being marketed (as there often is with online services).

Whenever someone sent a Hotmail e-mail message, for example, there was a note at the bottom saying, "Get your private, free e-mail at [www.hotmail.com](http://www.hotmail.com)".

With the advent of social networking sites like YouTube and Facebook, viral

marketing went to a whole new level. Information can be taken by participants on networking sites instead of being sent out by emails. As the Internet becomes more commonplace, a person's networking potential decreases.

Viral marketing works well with a product or service that a peer group wants to be associated with. For example, the film 'The Blair Witch Project' became a huge success through viral marketing among university students. The Arctic Monkeys, a British pop group had their success because of their online fans.

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## The downturn's new rules for marketers

McKinney Q, December 2008

Companies are asking their sales people to do more with less. They are focusing on front level sales people and getting rid of back office sales overheads. Companies earlier relied on the 'feet on the street' model but are now going for a more customer centric model, to provide better service and target new revenue opportunities. Companies still reexamine the value propositions of their brands, fine-tune products and pricing, and manage the cost of media agencies and other vendors carefully. But to survive the downturn they also need to identify who and where the most profitable customers are and work on a more effective marketing and sales strategy to reach them.

The economic crisis is affecting economies around the world. Multinational companies have to reassess their growth forecast for the countries they compete in. The current economic trends have forced companies with offices in different countries around the world to reposition its strategies. The economic crisis could result in a longer term shift in the spending and profitability of previously profitable segments.

Executives have to put resources into the areas and customers that have the maximum profit potential. They must also emphasize the media and sales efforts that are going to deliver these results. Previously in the downturns, this meant investing in the advertising that had paid off and cutting back on the new type of advertising that was new, and focusing on sales reps and cutting down on central back-office functions. In the past few years, marketing has changed and cutting costs in this way might be the wrong

strategy. The Internet, social networking sites and mobile advertising is gaining popularity while television and print advertising is getting costlier. Executives now try and mix the traditional and new mediums of marketing which provides cost cutting opportunities.

Companies attempt to improve profits by decreasing sales overheads and focusing on the frontline sales workforce. Sales teams in today's economy cannot be decreased indiscriminately since they all have a defined role and if support functions are reduced the sales force is severely compromised.

Companies have to formulate a strategy based on today's marketing conditions and not follow the strategies used in the past recessions. They have to reassess the sales force, advertising, consumer and geographical priorities keeping the current downturn and economy in mind.

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## Measuring Your Way to Market Insights

Strategy+Business, May 09

To build closer connections to customers, start by developing analytical prowess.

As marketers move to a more varied, shifting mix of advertising and promotion, they are coming face to face with the lack of insight they have historically had about which media choices work well, why customers buy, and what returns will be generated by their spending. This lack of insight did not matter very much when marketers had no choice but to depend on television, radio, and print — the traditional mass-market media. Television's gross ratings points (GRPs), which measure the percentage of a target audience reached by a particular advertisement, didn't explain why particular ads or placements led to increased sales and others didn't, but that combination of mass media and metrics was the only game in town. Now, however, there has been an explosion of media vehicles, and data is much more complete, granular, and evocative of consumer attitudes and willingness to purchase products. It is possible to accurately quantify the return on marketing spend (also known as marketing ROI). All that's lacking is the sophistication needed to gain insight from analytics, and the will to use that insight — not just in the marketing function, but in the company as a whole.

The need for marketers to develop analytical prowess — the ability to use data and analytical approaches to optimize the return on marketing spending — is already well established.

For all of their interest in analytics, however, relatively few marketers have mastered them. Our own conversations

with senior marketing executives suggest that perhaps one in 20 has fully developed analytical prowess. How can they build this capability? The starting point is data. Marketers must first learn how to identify and collect the data they need. There are two broad categories: financial data and customer response data. Marketers simply are often unaware of the data that is available to them.

### Demystifying Analytics

There is no "silver bullet" in marketing analytics — no single approach that is always the best choice to meet the various constraints that marketers face in the real and often chaotic world of business. Some types of analytics produce more accurate results; some are more mathematically sophisticated. But, when properly used, all of them can produce viable answers for marketers. Thus, if the first step for marketers developing analytical prowess is to learn how to identify and collect the data needed to establish ROI, the second step is to understand the analytical options and how to choose among them.

There are three broad categories of analytics. A good way to visualize them is to think of them as existing on a continuum.

### Business case analytics

### Attitudinal analytics

### Behavioral analytics

Today, several analytics companies are busy building and refining the holy grail of marketing analytics — the modeling of a company's entire marketing mix. These models can tell marketing executives how much of their budgets to invest in various

vehicles such as print, TV, radio, and Internet.

To develop the best portfolio of analytics for its specific situation, a company should consider three variables: data availability, internal capabilities, and brand objectives and vehicles.

When marketers fully develop their analytical prowess, they can use multiple analytical approaches to optimize their return on spending and stimulate accountability and creativity. In weak economic conditions, this capability is not only critical to maintaining a strong corporate commitment to marketing — it may well be essential to the future of the company as a whole.

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## What can finance chiefs learn from history to help navigate the current downturn?

CFO Europe ,2/2009

Corporate executives often criticise business-school academics for being remote, relying on outdated research and case studies that bear little relation to current conditions. But as the recession challenges what most managers thought they knew about business cycles few will have experienced a downturn as severe as this one during their working lives — many are scrambling for guidance. Now the professors' knowledge of history may provide the key to unlock some of the most vexing issues facing executives today. With this in mind, CFO Europe spoke with leading academics to find out more about past downturns so as to manage more effectively in the months ahead. - Jason Karaian and Janet Kersnar, CFO Europe Magazine.

Bolster the Balance Sheet - Manuel Ammann, University of St Gallen.

One of the "old topics" that Ammann reckons finance chiefs need to think hard about in the coming quarters is capital structure. Determining optimal leverage is a subject the professor never tires of discussing with CFOs. But it's not as straightforward as many would like. "There's no such thing as an optimal balance-sheet structure that cuts across entire business cycles," he says. The challenge is to remain vigilant and adjust balance sheets in concert with business cycles. "If there's an important lesson of past crises and the current one for CFOs, that's probably it," he adds.

Remember Japan - Jean-Pierre Lehmann, IMD

In the late 1980s, the country's financial

institutions convinced that the model developed by corporate Japan marked a paradigm shift forecast that the economy would soon grow to become the largest in the world. "They were the Muhammad Ali of the global economy, and were not about to accept being knocked out," as Lehmann describes it. As a result, the crash was met with a period of prolonged denial, delaying a recovery.

Companies such as Toyota "remained at the top, through good times and bad," Lehmann says. A key element of their success has had to do with incentives. "Whenever something goes wrong, the top takes a 30% or 40% reduction in salaries," the professor says. Given that these executives are generally paid far less than their western counterparts, the cuts are "more than symbolic," he adds, but help junior staff accept reductions, while also fostering a sense of loyalty during morale-sapping times. Grin and Bear It - Valter Lazzari, SDA Bocconi.

In terms of its worldwide scope, this downturn is similar to the global recession of 1974, but its severity makes it a problem for public policy rather than private actors. The "output gap" that is, the shortfall between current activity and potential production is so large that, practically speaking, the pressure on companies' top lines is overwhelming, the professor believes. Companies, of course, should try to cover the shortfall with restructuring and cost-cutting, "but this can only achieve so much," Lazzari says. "It cannot solve the entire problem." The gap will only be addressed, the professor reckons, by "a huge boost in public spending." In the meantime, the professor advises managers to muster their powers

of positive thinking. "The situation is so bad that we need a big government," he says. "Let's hope that a big government is also a good government. This is a big risk."

Judge Value - James Dow, London Business School

It's all about shareholder value. That's what students in James Dow's corporate finance course at the London Business School hear time and time again. "You won't find people who say they don't believe in it, but it's quite a radical idea," he says. "It means that you don't believe in anything else. It doesn't mean shareholder value mixed in with other things; it means shareholder value is your objective."

But as he tells his students, "people don't object to the concept, they object to applying it," even when times are good. For example, the reluctance of companies to conserve surplus cash flow is a "clear breach of the shareholder value maxim," he says. Companies that cave in to stakeholder pressure to invest their cash often skew capital allocation decisions.

Make Heads Count - Eric Weber, IESE  
Restoring confidence should be a priority, Weber teaches. "If there's one thing we can learn from past crises — even if they weren't as bad as this one — it's that talent is the key to survival," he claims. Though the professor acknowledges that cutting labour costs is sometimes unavoidable, he advises firms to "clean out the 'tail' of the organisation instead of just reducing everything by a certain percentage."

A hiring freeze shouldn't mean that companies also curtail training, succession planning or even recruiting activities.

Plan for Battle - Marc Buelens, Vlerick

Leuven Gent Management School  
In this regard, the current recession follows the "classic" model, Buelens notes. "It's much deeper than previous ones, but it's a classic downturn." In thinking about the past, the professor has developed a nine-point plan of practical advice for managing in a recession. See "Recession Survival Guide"

#### Recession Survival Guide

1. Keep it simple.
2. Focus on a few, simple guiding principles.
3. Speed it up.
4. Be more responsive to clients. This is why simplicity is important: complex business models are slow to adapt.
5. Stay loyal to fundamentals.
6. This is not the time to change your strategy.
7. There is no substitute for courage.
8. Intelligence, vision or mathematical models will take managers only so far.
9. Cut from high to low, when it comes to labour.
10. Keep communicating, both internally and externally. Address rumours immediately.
11. Make no idle or empty promises.
12. Split the company into small, self-contained units.
13. If one unit has to go, the system still survives. Economies of scale can come later.
14. Put the best people onto the biggest opportunities, not the worst problems.

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## What next? Ten questions for CFOs

McKinsey Q, May 09

As companies shift their attention from fighting the crisis to getting the most from the recovery, CFOs must keep them focused.

Now, as an eventual recovery begins to seem more likely, the CFO's task may become still more complex. Even for those whose companies avoided the most severe effects of the crisis, uncertainty about the future is abundant, and credit remains tight. Capital and management time are available for only a few relatively big moves, and a new appreciation of risk accompanies each opportunity.

So the CFO's judgment will be critical to push the management team's thinking on the opportunities and to cast a dispassionate eye over the costs, benefits, and risks of pursuing them. Here are ten questions we think all CFOs should be asking themselves and their executive colleagues as the recovery approaches. Read the questions and tell us what you think a CFO's priorities should be coming out of the crisis.

1. What shape will a recovery take? Even if the worst is over—though we make no assurances that it is—much uncertainty remains about the recovery's nature and pace.
2. Have you restructured enough? A weak economy makes it easier to implement unpopular operational changes and divestitures: companies have more leverage over suppliers, unions and regulators are more cooperative, and employees understand the need for change.
3. Is your supply chain sufficiently flexible?

In 2008, the key question was what would happen if the downturn was worse than expected. In 2009, it's worth considering what happens if the surprise comes on the upside.

4. Do you have a short list of acquisition targets ready? This crisis, so far, seems to echo the experience of previous ones: equity market valuations are recovering a lot faster than economic fundamentals.
5. Should you restart conversations with potential alliance partners? Last year, many companies put discussions about strategic alliances and joint ventures on hold. This year, if the underlying logic of those deals remains sound, many potential partners are finding themselves under greater pressure to close them.
6. Are you ready to divest newly underperforming businesses? There's no room for sentimentality in portfolio planning. The downturn changed many industries fundamentally, and once-strong businesses may emerge from the crisis in a weaker competitive position.
7. Do you have the financial resources needed for an upturn? Growth requires capital. Companies may require more working capital or have to finance the development of additional products, distribution channels, and marketing programs or the acquisition of new businesses.
8. Have you taken advantage of the buyers' market for talent and other resources? Research on previous downturns shows that the future winners made disproportionate investments in talent, marketing, R&D, and capital spending at exactly this point.
9. Do you know what risks a recovery

might bring? Do you know whether the health of channels, customers, or suppliers might create substantial structural change or whether your company is prepared to deal with high levels of volatility that may continue even as a recovery builds?

10. Can you sell your recovery plan to investors? Don't be caught without a response when someone asks you what you're doing to capitalize on the upturn .

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## Innovation lessons from the 1930s

McKinsey Q, Dec 2008 • Tom Nicholas

The Great Depression has once again become the focus of interest because of the recent crisis in global financial markets and its spillover into the real economy .there are may parallels in the banking failures, a large spike in real-estate foreclosures, and global uncertainty and points of contrast as the speed and coordination of the response of central banks and finance ministries in 2008.

Are there useful lessons in the business practices of the 1930s for executives setting priorities in today's uncertain and evolving environment? For investments to promote innovation, the answer may be yes. Executives are often told to maintain investment during downturns. It's easy to question this countercyclical advice, however, in times like the Depression or the present, when the volatility of financial markets reaches historic highs. Is the typical behavior of executives—act cautiously and delay investment projects until confidence returns—the wiser course?

During the 1930's many companies hesitated to innovate with most corporate executives considering plans for research investments preferring to wait and see. The growth rate of US patent applications by companies with R&D laboratories was considerably lower during the 1930s than in the preceding decade. However, successful companies like DuPont, Hewlett-Packard and Polaroid went ahead.

Radio Corporation of America, the high-tech company whose stock was bludgeoned during the Great Crash, returned to profitability in 1934 as it shifted its innovation efforts from radio to the

nascent television market.

This doesn't mean that aggressive investments for innovation were or is the wisest course of action. But as a whole, the patent research and the experience of successful innovators in those years suggest that although delay is the natural response to uncertainty, some companies should continue innovating even in an extraordinarily deep economic downturn — especially with technologies that take a long time to commercialize after discovery. Companies that delay these investments may forego significant growth opportunities when uncertainty subsides and the economy recovers.

One more lesson from the experience of the 1930's is that although deep downturns are destructive, they can also have an upside. The Depression-era economist Joseph Schumpeter emphasized the positive consequences of downturns: the destruction of underperforming companies, the release of capital from dying sectors to new industries, and the movement of high-quality, skilled workers toward stronger employers. For companies with cash and ideas, history shows that downturns can provide enormous strategic opportunities

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## Why Executives Shouldn't Put Positive Spin on Bad News

BNet, 25 Nov 08

The media attacked Starbucks' latest quarterly announcement:

"Starbucks Cools Way Off"

"Starbucks Losing Its Buzz"

"Starbucks' Bitter Results"

Yet, Starbucks' Howard Schultz put a positive spin on what was unmistakably a dreadful quarter.

He said, "With a re-architected cost structure at the close of fiscal 2008, we began the new fiscal year with a healthier store portfolio that will allow for operating margin expansion. Despite a global economic environment which shows no immediate signs of improvement, the steps we took in FY08 position us to deliver EPS growth in FY09."

Schultz continued, "We appear to be more resilient than many other premium brands. And while we cannot call isolated signs of improving sales a trend, we are encouraged by our ability to drive increased traffic at a relatively low cost, as we did on Election Day. As we head into the holiday season and Calendar '09, consumers are looking for value and we've been pleased with the steady progress of our Starbucks Rewards program and the enthusiastic reception to the Starbucks Gold Card. I am optimistic we are well positioned to weather this challenging economic environment."

The author feels the last lines of both paragraphs are over-the-top. He doesn't think that retail companies should be optimistic that they're well positioned to weather this economic environment, let alone one that's several quarters into an attempted turnaround.

In contrast, Fortune editor at large Patricia Sellers in her post "Starbucks' Schultz

needs to get real, says "Starbucks CEO Howard Schultz needs less optimism and a stronger dose of reality in his brew."

She feels that the entrepreneurial optimism and clever marketing that Schultz used to create one of the world's best brands now seems to be interfering with Starbucks' turnaround.

Investors also disagree with Schultz's optimism, driving down Starbucks' already depressed shares another ten percent. According to the author, company and product positioning should be positive, but only if it meets these five criteria  
It must be true, omissions notwithstanding  
It must be straightforward and crisp  
It must be ethically unchallengeable  
It must be credible, which means that big elephants in the room should be dealt with in a proactive manner or it won't pass the laugh test.

It can't come back to haunt you later  
He adds that he doesn't hold morals and ethics above business success but considers them necessary for business success. In his experience, if positioning doesn't meet these criteria, there is a high probability of it backfiring and actually harming the company's brand.

The last two can be stumbling blocks as in the case of Starbucks. Because Schultz didn't deal more effectively with the elephant in the room – namely a prolonged and challenging turnaround during a brutal market climate it might come back to haunt him later, depending on Starbucks' performance in subsequent quarters.

The author says he would have used a more neutral tone.

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## Thought Leadership Is a Company Attitude

Sales & Marketing Management,  
December 22, 2008  
By Ford Kanzler

Thought leadership has been embedded in classic public relations practice for nearly a century. For companies and organisations adopting thought leadership in their business communications, it is essential to have an attitude—and an agreement—that there's a lot more to discuss than just the product or service that's driving revenue.

Thought leadership should not be attributed to market share leaders, as this powerful public relations strategy is available to potentially any business where there is a thought leadership vacuum or where the opportunity is up for grabs to break out with fresh thinking about the business you're in. However, competent PR support and knowledgeable, authoritative people and often significant research to help support this distinctly different alternative to standard product publicity, is needed.

Many techniques can be used for applying a thought leadership strategy to communicating with your market. Though typically it is focused on change, it can also be used to reveal new ways of doing something that traditional means have been unable to accomplish.

A successful strategy entails that a thought leadership campaign should have well-based, clearly-stated ideas, not fuzzy logic. The speaker /writer should have some basis for their perspective—some level of credibility as a voice on the topic and company leaders, who may be management team members, or others with the necessary background and

passion for the topic, need to initiate thought leadership.

"Youthfully rebellious" might be a good attitude for people initiating thought leadership efforts.

Other key values of employing a thought leadership program, enumerated by the author are that it:

- Exposes your company's values to your prospects.
- Demonstrates expertise where expertise is valued.
- Attracts specific kinds of customers.
- Changes how people think.
- Preempts competitive marketing efforts.
- Attracts attention beyond simple product or company advertising claims.

The author also gives advice on executing the program, saying among other things that it is necessary to create a strategic communications objective and to keep communications focused on relevance to the market, not company or product promotion. It is also essential to gain trust and stand by your principles and to key on a single high-level topic, but one that leaves room to move.

He further writes that Tactical preparation includes:

- Sharing info about things other than just your company info.
- Creating relationships by reaching out to co-marketers, allies and perhaps even competitors.
- Knowing your customer base or the social network attitudes around your category.

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## Consumer-Centric Innovation

Deloitte, May 09

Tapping into consumer insights to drive growth

Innovation. It's a word that appears in just about every annual report of consumer products companies. Although everyone talks about it, very few companies think innovatively about the concept, especially when it comes to new product development. Instead, many consumer-facing organizations remain focused on risk-averse activities aimed at slow-but-steady growth.

To be successful, companies will need to engage consumers in dialogue and leverage their insights to create nationally recognized brands that are worthy of their price. Consumer-Centric Innovation (CCI) can often be the path to this outcome as it can help create products that capture the customer's imagination, provide entertaining brand experiences, or offer solutions to previously unmet needs.

In a new report, "Consumer-Centric Innovation: Tapping Into Consumer Insights to Drive Growth," Deloitte's Pat Conroy and Art Ash discuss six key action steps that companies should consider to help make their innovation efforts more consumer centric. These components provide companies with a new way of thinking about innovation that often can yield favorable long-term results. In a time when consumers are increasingly bypassing companies and creating their own products or solutions and sharing them with others, the power and potential of consumer-centric innovation is too important to ignore.

The following six components of CCI should be considered by companies in their efforts to become more externally

focused in their innovation processes, become more effective in their use of consumer insights to discover, design and deliver successful new products to the marketplace and improve their ability to create products that not only meet, but exceed, consumers' expectations..

Management commitment- companies that employ a holistic approach to CCI entrusting the company's entire workforce with creating new levels of consumer influence on the innovation process often benefit with improved financial performance. Commitment cannot be just at the highest levels; champions are often needed through the organization so that all departments, including marketing, sales, finance, IT, and R&D, are working toward the same goal.

Expand your innovation funnel - Companies are finding success by looking beyond their employees to find new sources of product innovation and to speed up R&D efforts. They are using a broader base of inputs now available to them. Many are employing open innovation processes that seek answers from a vast global talent pool eager to share knowledge. Various companies are co-creating with their own customers, thereby lowering associated risks while also building brand loyalty. These expanded pipelines often create win-win relationships for all involved.

Increase your Web 2.0 participation - CCI-oriented companies are realizing the benefits of better mining the Internet for information related to consumer preferences and product critiques. In particular user-generated content (UGC) has provided a

wealth of knowledge around consumers' interests. UGC includes videos, social networks, blogs, and wikis.

Create more opportunities for your consumers to interact with you - Companies are making it easier for consumers to interact with them via PCs or mobile devices. Most frequently, companies are opening up their Websites to enable more two-way interaction. By creating areas on their Websites where consumers can write online reviews, sign up for personalized emails, participate in contests, or read or contribute to blogs, companies are gaining vast amounts of knowledge.

Uncover consumer needs - Technology has greatly expanded the ability of companies to better understand consumer sentiments around brands and products. Some companies are using tools such as ethnography, consumer targeting, virtual prototyping, and in-market experimentation to better understand interest in new products. This kind of research often provides valuable feedback to companies and is integral to successful consumer centric innovation.

Employ new marketing tactics - Consumer-centric innovation is creating numerous opportunities in marketing, particularly in engaging consumers to express their opinions on a company's products. Web-enabled mobile phones/devices are one segment helping companies to interact more with consumers: they provide marketers with "anywhere" access to consumers. Further, many technology-driven marketing strategies allow consumers to act as fans or true product evangelists.

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## When Internal Collaboration is Bad for Your Company

HBR, Apr 09

Author: Morten T. Hansen

Internal collaboration is almost universally viewed as good for an organization. Leaders routinely challenge employees to tear down silos, transcend boundaries, and work together in cross-unit teams. And although such initiatives often meet with resistance because they place an extra burden on individuals, the potential benefits of collaboration are significant: innovative cross-unit product development, increased sales through cross-selling, the transfer of best practices that reduce costs.

But the conventional wisdom rests on the false assumption that the more employees collaborate, the better off the company will be. In fact, collaboration can just as easily undermine performance. I've seen it happen many times during my 15 years of research in this area. In one instance, Martine Haas, of Wharton, and I studied more than 100 experienced sales teams at a large information technology consulting firm. Facing fierce competition from such rivals as IBM and Accenture for contracts that might be worth \$50 million or more, teams putting together sales proposals would often seek advice from other teams with expertise in, say, a technology being implemented by the prospective client. Our research yielded a surprising conclusion about this seemingly sensible practice: The greater the collaboration (measured by hours of help a team received), the worse the result (measured by success in winning contracts). We ultimately determined that experienced teams typically didn't learn as much from their peers as they thought they did. And whatever marginal knowledge they did gain was often

outweighed by the time taken away from their work on the proposal.

The problem here wasn't collaboration per se; our statistical analysis found that novice teams at the firm actually benefited from exchanging ideas with their peers. Rather, the problem was determining when it makes sense and, crucially, when it doesn't. Too often a business leader asks, How can we get people to collaborate more? That's the wrong question. It should be, Will collaboration on this project create or destroy value? In fact, to collaborate well is to know when not to do it.

### Collaboration During a Recession

This article offers a simple calculus for differentiating between "good" and "bad" collaboration using the concept of a collaboration premium. My aim is to ensure that groups in your organization are encouraged to work together only when doing so will produce better results than if they worked independently.

### How Collaboration Can Go Wrong

In 1996 the British government warned that so-called mad cow disease could be transferred to humans through the consumption of beef. The ensuing panic and disastrous impact on the worldwide beef industry over the next few years drove food companies of all kinds to think about their own vulnerability to unforeseen risks.

The Norwegian risk-management services firm Det Norske Veritas, or DNV, seemed well positioned to take advantage of the business opportunity this represented by helping food companies improve food safety. Founded in 1864 to verify the safety of ships, DNV had expanded over

the years to provide an array of risk-management services through some 300 offices in 100 countries.

In the fall of 2002 DNV began to develop a service that would combine the expertise, resources, and customer bases of two of the firm's business units: standards certification and risk-management consulting. The certification business had recently created a practice that inspected large food company production chains. The consulting business had also targeted the food industry as a growth area, with the aim of helping companies reduce risks in their supply chains and production processes.

Initial projections for a joint effort were promising: If the two businesses collaborated, cross-marketing their services to customers, they could realize 200% growth from 2004 to 2008, as opposed to 50% if they operated separately. The net cash flow projected for 2004 through 2008 from the joint effort was \$40 million. (This and other DNV financial figures are altered here for reasons of confidentiality.)

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## The Employee Whisperer

Fast Company, Nov 08  
By Kate Rockwood

Kenexa is the leading human-resources-services company in America and its secret is a conviction that employees just want to have fun.

Bright posters of the company's guiding principles dot the walls: YOU'RE ALLOWED TO LAUGH YOUR WAY THROUGH A PROBLEM AND MAKING FRIENDS REPLACES OUR ORGANIZATIONAL HIERARCHY.

Sixty percent of the Fortune 100, including Caterpillar, General Motors, Time Warner's, and Wachovia, hire Kenexa to help get inside the minds of their employees and build worker loyalty. It has what analysts say is the sector's most sophisticated data-crunching software, as well as a squad of scientists, statisticians and industrial and organizational psychologists to help turn correlations into action plans as well as profit.

According to Kenexa, turnover among managers who feel pride in their company is 21% lower than among those who don't.

Kenexa's scientists do interviews and surveys to learn what inspires employees. Its industry-leading software runs the data through sophisticated algorithms, identifying correlations and possible causations. Then Kenexa devises strategies to improve work environments and recruit, evaluate, and keep talent.

Kenexa's software helps suggest action plans drawn partly from a 4,000-client database of what has worked in the past for its highest-scoring clients. Last year, the company took on a huge and complex case at Boeing, where it drilled down to

departmental groups as small as 30 people and delivered tailored plans directly to the company's 15,000 managers. "It used to be that we'd take the survey, we'd look at the results, everybody would say, 'Oh, that's nice,' and we'd put it on the shelf where it would gather dust until we did the next one," says John Messman, Boeing's employee-relations director. Today, he says, everyone from the CEO down to division managers discusses not just scores, but also strategies to goose engagement. Kenexa draws a line straight from its employees' behavior to its success. The company now has offices in 18 countries, including a newly opened 25-acre research campus in India.

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## Managing Millennials

BNET Briefs, Dec 08

The generation of workers born roughly between 1977 and 1995, known as millennials or Generation Y, will represent the biggest shift in the U.S. workforce since the baby boomers came of age. With strength of Eighty-million they will form the majority of American workers, especially as boomers start to retire.

But their importance lies not just in their numbers but because workplace experts say they're unlike previous generations, and that's forcing a cultural shift on companies and managers. According to Stan Smith, a national director for human resources at accounting giant Deloitte, millennials are team-oriented, eager to tackle huge challenges, and quite particular about their leaders.

As boomers start to retire, both the Gen Xers and millennials will be called upon to help fill the pronounced talent shortage. With the brain drain imminent, organisations are wooing the millennials. Despite the current recession, college recruiters and HR staffs talk about the "seller's market" that companies face. Until recently, many millennials collected multiple job offers before making decisions, and experts see the trend returning when the economy perks up. Their strengths lie not just in their ability to fill the seats but because they act as change agents who may force organisations to rethink and improve their methods of recruiting, training, and management the lifeblood elements of a company.

Having grown up with soccer moms, doting dads, and trophies for participation the millennials have confidence and a knack for following directions. With their

lives being heavily scheduled since childhood, they understand achievement and heavy workloads and comfortable with technology and social networking as they have grown up with computers. Since they are continually asking questions they give company mentors a huge opportunity to shape their workplace beliefs and attitudes. These days, mentoring programs can be found everywhere from Fortune 500 firms to the basic-training barracks of the U.S. Army. They are also highly motivated by meaningful work.

However, they have weak spots too. There are many tales of their unreasonable demands and there is some grain of truth in them. Millennials may also be quick to leave a company for what they think is a better opportunity. Finally the author cautions that despite the fact that they are talented text messagers, they're not all technology wizards. They may be good with their cell phones but not the computer.

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## Don't Punish Employees with Training

Quality Magazine, January 27, 2009

The unproductive cycle of mistake-blame-train-defend often is repeated in the quality industry, and manufacturing as a whole, as a reaction to problems. The best way to break the cycle and improve operator competency and morale is to take a proactive approach with training to prevent mistakes.

Quality managers that plan their training programs, schedule them at regular intervals and include all personnel are most effective. Planning ensures that the time spent training operators is used effectively. Including all personnel in a department or job classification tends to reduce emotion and defensiveness because individuals are not singled out and there is no longer a perception that training is a punishment.

It is essential that training programs are repeated at established intervals. Over time, operators may forget certain skills and deviate from procedures. Retraining, especially for critical procedures and skills, reinforces skills and consistent practices.

Scheduled training with advance notification of the training topic eliminates surprises and often allows operators to consider how they may contribute to improving a process or procedure. Training sessions can be valuable opportunities for manufacturing employees to provide feedback.

Establishing a training program to avoid the cycle of mistake-blame-train-defend includes seven steps.

1. Obtain management commitment. This first step is essential and management will

be looking for the potential benefits vs. costs. Management will weigh difficult-to-estimate training benefits such as reduced product returns, reduced scrap and increased productivity benefits against the costs of employee time, training materials and trainer fees.

2. Select a team. Teams provide a variety of input, and shared success promotes future successful endeavors.

3. Start out small. Begin the program with one type of training essential for most employees and this will likely result in the most measurable benefits. Use this program as a model for others to follow.

4. Define the training program. Identify the training scope, duration, learning objective, training delivery method and techniques for determining training effectiveness.

Training sessions should last no longer than one hour. If the training program content cannot be reduced to one hour then the course should be split up. Training effectiveness is usually checked with a short test but feedback by the trainer and supervisor observations can be used as well.

5. Obtain feedback. At the end of every training program, obtain employee feedback and suggestions about the training program so that the training team can improve the programs.

6. Duplicate successful training models. Once the organization has found successful methods of training manufacturing employees, select other training topics and develop similar training programs.

7. Develop a training schedule. Initial and refresher training should be conducted according to a published schedule. Some training topics concerning critical processes or skills should be repeated frequently in order to affirm consistent practices.

The effectiveness of implementing a training program as a preventive action can be measured both indirectly and directly in order to demonstrate continual improvement. If operators are performing their jobs correctly, the overall performance metrics should show improvement. And, with a planned training program underway, quality managers should be able to provide evidence of continual improvement, as well as help them retain ISO 9001 certification.

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## What Talent Wants

Chief Executive Officer, May 09

The vast majority of senior staff do not just want to work, they also want to enjoy their lives to the full, both within and outside their work environment.

Time, therefore, has equivalent value to money, and there are other factors which are also important. All of us want to balance our professional and personal lives. We also want the freedom to exercise our judgement over when our professional responsibilities need to take precedence over our personal interests and vice-versa. People tend to be more productive when these aspects of their lives are balanced. Yet the higher a professional rises within an organisation, the more difficult he or she will find it to develop and maintain such harmony. Executive coaching is a critical tool with which to even our weight and position on the seesaw, thereby attracting and retaining the best talent.

What is happiness?

In reality, happiness is subjective. It is primarily guided by circumstance, expectation and the comparison of our emotional situation to that of others. We reach a level of comfortable – even blissful – contentment when we are acknowledged by our peers to be successful in our personal and professional lives.

We are supremely happy when we feel loved, and when we give love in return. Reaching a financial objective can bring happiness, especially if it sets us apart from our peer group. For most of us, ultimate happiness and contentment is when we are surrounded by the people we truly care about.

But real life is not like that for all of us, all

of the time. Organisations play an increasingly familial role, providing a greater number of the components of happiness that in the past would have come from extended family, close-knit communities, or even religion. It is not money as such, but financial security that for most of us plays a crucial role in contentment.

Money forms a comparatively small component of our perception of happiness, yet this creates an opportunity and a challenge for employers. They need to reconcile the conflict between greater performance, higher job satisfaction and a better work/life balance – but without extra cost. There is an investment to be made here in executive coaching that can and will bring considerable returns.

Gruesome work environment  
Investment banks, for example, offer notoriously gruesome work environments. They tend to be pressurised, competitive, political, money machines. When the money stops flowing, the axe starts falling. The hours and travel schedules are known to be some of the worst any professional can expect to endure.

Entrants to investment banks throw themselves into their work and dream of the day when they will have earned enough to throw off the corporate yoke and embark on a more civilised life. But more often than not they burn out in the process. Talent frequently leaves at the first opportunity, and shareholders suffer as pay packages bulge in order to attract and retain talent. The irony is that this is not what that same talent wants.

"The ultimate management tool is self-discipline born of a sense of group responsibility." The fact is that if they enjoy their work environment, talented people

will be more productive and will work for less money. If they have a sense of belonging, they will feel respected and believe that their efforts are appreciated from on high. Money becomes a less motivating factor if they work in teams that accept mutual responsibility and interdependence, and that also permit an acceptable balance between their private lives and the demands of their careers. When talented people work better and for less money, the returns to stakeholders are dramatically improved. Shareholder value is increased, clients get better results, and these employees have a much more harmonious work environment.

It is a truism that being around happy people makes you happy. The ultimate management tool is self-discipline born of a sense of group responsibility. This is backed up by examples provided by visionary leadership.

What we need to investigate is what makes people so discontented with their jobs and therefore harder to manage.

Lack of communication

Many companies think they are doing all that is necessary when they set targets, hold off-site meetings and training sessions and send employees to conferences. But they spend remarkably little time communicating with the people within their organisation, helping them to manage colleagues and clients – or making sure that their senior staff know how to communicate effectively.

One overriding factor that makes people unhappy at work is if they cannot see the 'big picture'. They do not know how each of them fits into it and where their individual responsibility lies.

They resent not being consulted. When they receive regular personal feedback about what they do and how well they are

performing, they feel so much more valued, as against an annual review, which is carried out much more for the company's benefit than their own.

Employees dislike feeling powerless and lacking control over their professional destiny.

Invest in people

Companies spend immense sums of money communicating with their shareholders about their products and service – and even more communicating with their clients. Sadly, remarkably few do the same with their key assets – the people who work for them.

"In a complex economic climate and amid vastly increased competition, it is essential for businesses to invest in their employees. When the brief is made clear, executive coaching of individuals or teams can help corporations set clear expectations, communicate messages across the organisation and provide a valued work environment.

Rule of fear

Can the chairman of a global investment bank really believe that the people working below him are more productive, better at handling clients, and therefore more likely to produce profits, when they work 16 hours a day and have virtually no personal life? They are so tied to their desks that they take little or no exercise, and viciously compete with their colleagues for fear that the axe will fall on them. In such an atmosphere, the truly talented move on as soon as a better offer comes along.

In a complex economic climate and amid vastly increased competition, it is essential for businesses to invest in their employees. This investment needs to be in both technical training and soft-skill development. Better leadership and the

ability to motivate others result in higher productivity, an enhanced atmosphere in the workplace, a raised sense of collective responsibility, and a corporate culture that nurtures and retains talent at reasonable cost.

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## The Adobe Leadership Experience

Training & Development, May 09

An innovative program builds exceptional leaders at the highest levels of the company.

By Donna Morris, Senior Vice President of Human Resources, Adobe

Our goal has been to develop exceptional senior leaders who think and act like general managers of their respective businesses. In addition, we have aimed to develop leaders who know how to engage global, cross-business teams in a manner consistent with our values, and who build a collaborative network with other Adobe leaders.

As we designed this new development program, we anticipated a number of challenges. First, we wanted to include an off-site classroom component that, based on our learning objectives, would require five full days of participation. As we are a fast-paced global company, we were concerned that pulling senior leaders from their other responsibilities might be met with resistance.

Next, the program content needed to appeal to a diverse group. Some of our leaders have run their own companies or divisions within multi-billion dollar enterprises. Others have MBAs or have been through development programs at Fortune 1000 companies.

Creating the Adobe leadership experience  
As we began to design ALE, we conducted focus groups and interviews with dozens of leaders across the company. We asked them to identify the most essential behaviors of effective leaders, with an emphasis on what it takes to be successful in our company. This

resulted in the "Adobe Leadership and Management Criteria." (See sidebar.)

With our leadership criteria in place, we designed ALE to have three integrated phases:

Phase One | individual development.

During this phase, leaders receive a 360-degree evaluation based on the Adobe leadership criteria, and each participant is assigned a coach who helps identify existing strengths to build on as well as opportunities for development.

Participants also complete an e-learning module to more fully understand Adobe's best practices related to finance, and read a variety of other foundational materials.

Phase Two | classroom experience. The second phase is the intense, off-site classroom experience. For five full days,

professors from UC Berkeley's Haas School of Business teach sections on strategy, finance, marketing, innovation, leading global teams, and more. Then, Adobe executives, including our CEO, lead discussions on how to apply what they have learned to their work at Adobe.

In this phase, Adobe leaders break into six teams and compete with each other in a business simulation. In effect, the teams run a company and need to overcome immediate challenges, react to unpredictable events, and position the business for future growth. The simulations can be intense and produce unexpected results.

At the end of the five days, teams present their results to the executive team and vice presidents who have already gone through ALE, and they determine which teams have been most successful based on defined metrics related to growth and sustainability. Our senior leaders are a very competitive bunch, making this a lively part of ALE.

Throughout ALE, participants provide

each other with feedback related to the Adobe leadership criteria. Phase Three | action learning component. After the off site, ALE participants begin work on an individual business challenge and have an opportunity to take part in a team business challenge with some of their ALE peers.

The individual business challenge lasts three months and can relate to a new business opportunity, process improvement, change management initiative, or something specific that will help the leader stretch his or her abilities and contribute more to Adobe. Each leader meets with an executive sponsor to track progress.

#### Measuring success

We're measuring success by tracking the retention, performance, and upward mobility of those who participate. We look at lateral mobility, too, knowing that broader experience can enable our leaders to further develop as general managers. Last year, 86 percent of our vice president and general manager positions were filled by internal candidates—up from 56 percent in 2007—and 92 percent of internal candidates taking the vice president and general manager positions were ALE alumni.

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## The Next Generation of Venture Capital: Hot Ideas from Sand Hill Road

Milken Institute Global Conference, 28 Apr 09

Electricity storage, alternative energy sources and efficient adaptations to existing processes are all areas attracting notice from this panel of venture capitalists. With bond financing still sluggish and the IPO market currently producing few deals, the best source of financing for new enterprises is the Department of Energy and other government sources — but that doesn't mean VCs have stopped looking for opportunities.

The trouble in the capital markets has not deterred Eric McAfee of McAfee Capital. He highlighted a \$4.5 billion solar energy project that includes bond financing and funding from McAfee Capital of just under \$50 million.

Solar, Eric McAfee of McAfee Capital says is where the majority of VC money is going. This is reflected elsewhere in the world — especially in the Middle East, where according to McAfee, sovereign wealth funds are investing in the infrastructure because of limited remaining oil resources.

As other forms of generation advance, electricity has the potential to be the new basis of the world's transportation network. McAfee stressed, however, that investors need to be wary of what part of the value chain they choose to invest in. Specifically, there are many manufacturers of solar cells, and McAfee predicts that there will be a "bloodbath" as competition forces most of the 80 or so participants out of the market. The power in the value chain has moved to the utility customers. Ford Tamer of Khosla

Ventures cautions that the "Google of solar" has not yet been invented and that there is not enough efficiency in the overall cost structure.

Tamer stated that while some venture participants are looking to batteries as improvements that can meet electrical infrastructure needs, his firm is looking at other forms of electricity storage that can meet demand for 100 MW of storage. Compatibility with a "smart grid" is also on Tamer's mind; he pointed out that Khosla is still looking at consumer-based devices like advanced adaptations of cell phones that include projector functions as well as uses that will replace traditional credit cards.

The panel also agreed that other forms of alternative energy such as CNG are providing opportunities right now. Alec Ellison of Jefferies & Company cautioned that the costs of producing biofuels may be too high at the moment due to the costs of food for algae and other microbes. Tamer suggested that the technology exists for zero net emissions through the use of advanced geo-thermal techniques and bio crude oil production. McAfee supported that effort, adding that McAfee Capital was looking at a biotech approach to creating fuels using only the cheap inputs of sunlight, carbon dioxide and seawater. Steve Jurvetson, of Draper Fisher Jurvetson, also echoed the drive toward biofuels through the use of advanced genomics in algae capable of constantly excreting oils.

The overall industry tone was reflected by Ellison, who said that although it is experiencing difficulty, the IPO market will return later this year, but not with very

high volumes.

Jurvetson added that difficulties in the capital markets have dried up financing for ventures at a time when good ideas need funding. The result, he says, is that 2009 and 2010 will be fantastic vintage years, meaning that in a few years' time investors will look back and wish they had taken part.

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## Reading the World: Acquiring Cultural Synergetic Intelligence in Today's Global Economy

Training & Development, Feb 09

By Maureen Rabotin

The flattened world has given us opportunities that require a new way of thinking. It now takes broader perspective to deal with virtual teams and leading multicultural team projects across geographies and time zones and negotiating alliances and partnerships across the globe.

Cross cultural training and global business briefings have become more important to successful alliances across countries. These presentations focus on the differences between cultures instead of focusing on the added value offered by these differences. It is necessary to redirect the understanding these trainings.

There is plenty of information available on how to acquire emotional and social intelligence. Managing emotions is tricky since every person is different. The abstract skill is necessary to benefit the teams and achieve cultural synergy. The distance comes from the language barrier as well. Integrating cultural values and emotional intelligence is an ongoing process and are based on trusting relationships.

Cultural synergetic intelligence (CSI) is the ability to work, across cultural and language barriers. It combines emotional, social, and cultural intelligence by putting the focus on synergy. Our cultural values determine our attitudes and behaviors. Cultural intelligence makes us to refrain from moral judgment.

An intercultural training should focus on the development of our first-level

awareness. These behaviors and influences have helped to establish the meaning of what motivates each of us, what is important to us, how we perceive and receive both verbal and nonverbal feedback, and how we may be perceived by others.

A follow-up should be with someone professionally trained to be an active listener, inquisitive bystander, and occasionally, a cross-cultural guide, can assist you as you travel across those linguistic and cultural borders.

We understand the values and behaviors that drive others and motivate our individual selves with this understanding. It also helps us to increase our CSI and enable us to culturally calibrate our responses to react in a culturally adaptive way better.

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## Knowledge Delivered in Any Other Form Is... Perhaps Sweeter

Training & Development, May 09  
By Aparna Nancherla

Informal learning is becoming a standardized part of a complete, balanced workplace regimen.

Informal learning, or social learning, has been around for eons, and was the first method of sharing information within and between groups of people. Suffice it to say it's not going anywhere anytime soon. Formal training and workshops account for only 10 percent to 20 percent of what people learn at work. Formal learning can be seen as passively taking a bus whereas informal learning is like riding a bike, in that "the rider chooses the destination and the route.

Pervading many a workplace in various guises and fast becoming a staple of today's employee diet, the tools of informal learning are being harnessed both inside and outside the training function, infiltrating all parts of the organization.

There was an especially large gap between the degree to which employees share knowledge and the degree to which they think they should. In other words, seasoned employees share their insights at a lesser rate than that which was expected by respondents.

Bridging this gap would come through building an environment of open communication whereby after employers provide the tools, workers are encouraged to use them. Employees will often go around companies if senior leaders do not step up and embrace change. It's about finding the people who are knowledge

centers within the organization, and then building a database around them to capture this knowledge.

The most cost-effective methods of informal learning include wikis, blogs, and other easily accessible, open source methods in which people are finding out what they need, when they need it. Three trends necessitate adopting new informal learning practices at corporations: information overload in the workplace; the immediacy with which information is desired; and the workstyle of the Millennial generation (for example, the desire to drive one's learning, rather than being a passive recipient of knowledge).

The idea behind all of these informal methods is user-initiated learning, whether it be through harnessing social networks, blended learning solutions, or creating employee knowledge centers for just-in-time learning. Another reason for embracing informal learning is the current financial climate in which budget pressures sway company decisions toward solutions that are low in cost and high in cost-effectiveness.

Informal learning fits the context of today's knowledge-on-the-go world, where information is best processed in small information bites. Formalizing informal learning is coming up with a learning architecture and a plan on how people can communicate with each other and share information in a structured firm.

In some companies, employees who are not sharing information and mentoring will not get promoted. There are already many examples of companies that are utilizing informal learning successfully.

One such example is Sun Microsystems' open learning exchange called Sun Learning eXchange (SLX).

SLX is now a platform containing more than 5,000 pieces of informal learning, the majority of which are objects aimed at increasing productivity, aiding sales and technical support, and providing internal marketing. Any employee can contribute to the site, and the formats of learning bites include PDFs, podcasts, and video. The media is also downloadable via iTunes, thereby creating a mobile platform. One interesting result that came out of the site launch was the creation of "five-minute fridays," which was a video method in which senior executives could communicate directions and strategy to the rest of the employees. SLX has been easily embraced by Sun's employee learning audience, more than half of which works from home.

Companies are still lagging behind in embracing informal learning. The main hold-ups are—a lack of skills in the training department, a lack of technologies within the company, or an underdeveloped organizational learning culture. The idea is to move toward a culture that celebrates sharing information. The employees should spend 20 percent of time in creating informal knowledge and documenting it. Companies to start adapting to the current trend in informal learning because otherwise, they will find themselves marginalized in the business.

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## Hulu succeeds where YouTube failed: Revenue

The Economist, Feb 5th 2009

After much confusion, it is becoming clear what works in online video

The excitement as well as the confusion had started in 2006, when a young website, YouTube, shot out of nowhere to become that year's "next big thing". Within months, YouTube sold itself to Google, the world's largest internet firm. YouTube had risen so fast by making it easy to watch and share videos in any web browser, and by making it almost as easy to upload home-made videos to its site. Such "user-generated content" seemed to be the future.

In one sense this turned out to be correct. YouTube went on to dominate web video as measured by the number of videos that users watch. But there was a catch. Advertisers, by and large, will not touch user-generated content with a barge pole. Its quality is variable, to say the least; its content occasionally off-putting. No brand wants to be near it. And much of it is illegal—pirated from large media companies and uploaded by fans. Media giants, led by Viacom, were suing. So there was a threat of costs and no promise of revenues. YouTube is undoubtedly a phenomenon, but it is not a business.

So others showed up hoping to fill that gap. Into this mess Mr Kilar tried to enter with the service that was to be Hulu. The bloggers at first scoffed: it turns out that Hulu can mean "cease and desist" in Swahili. But then they started paying attention.

Today, even though advertising is destined for a depression, Hulu appears to have clarified much of the confusion. Although Hulu is still far behind YouTube,

users have been flocking to it, watching 216m videos in December. Just as importantly, Hulu's inventory for advertisers appears to be sold out. So Hulu is in the rare position of being able to increase inventory (through new content and more views) and make money from it. Hulu now has more than 100 advertisers, including big brands such as McDonald's, Bank of America and Best Buy.

Hulu has only professional content, and advertisers love it. He also talked with his bosses at NBC Universal and Fox and agreed that aggregating the content of many was "something potentially much larger" than piping out the videos of just two. Hulu now offers content from more than 110 partners.

Mr Kilar also bet on streaming via the web, rather than letting users download. People watching tend to sit still, whereas people listening tend to move; and people usually watch a show only once but listen to a song again and again.

Mr Kilar was also early to choose the right way of streaming video: through the browser, with a simple and sleek design. He began, he says, with the idea that the site should "not look like Tokyo at night"—in other words, it should be as simple as YouTube is cluttered.

Accordingly, he decided against making users download a special piece of software.

The browser-based approach favours streaming rather than downloads, but that does not mean that the paid-for download model is dead. Mr Khan thinks that some viewers will want to own content, and that may become a premium option on free services such as Hulu.

But the bigger lesson from Hulu's success is that supporting streamed video with

advertising, rather than charging for downloads, turns out to work very well. Hulu's ads are few and short, with a subtle countdown timer that makes them even more bearable. In some cases viewers can even choose which ad to watch, so it is more likely to be relevant to their interests.

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## Five Trends That Will Shape Business Technology In 2009

McKinsey Q, Feb 09

Stefan Spang, the head of McKinsey's global business technology practice, describes five likely trends and suggests ways that CIOs should react because greater interest from the CFO, more oversight from regulators, and a reshuffling of the outsourcing landscape may be among the shifts that result from the current economic downturn.

Though most downturns inevitably hit the IT budget, since the last downturn in 2001, there have been many changes, now there are larger technology budgets more automated processes, employees making greater use of tech-based productivity tools, and e-commerce having moved to the core of day-to-day operations.

Simultaneously, IT organizations have established better mechanisms to govern IT decision making and have consolidated local IT operations to cut costs.

Taken together, this combination of cost pressures and IT organizations that are leaner, larger, and more vital to company goals will have new implications for business technology in 2009. Things that may be in store are:

- IT and corporate finance converge
- Tension around IT budgets increases
- Since the variation in returns on IT investments is daunting senior executives at some organizations that have used IT less successfully in the past will probably throw up their hands and shut off all discretionary IT projects for the duration of the downturn.
- Regulators demand more from IT

- The off shoring and outsourcing landscape shifts

A decade ago not many CIOs at Fortune 100 corporations would have guessed that Indian companies might now be among their largest and most strategic technology vendors. Just as the 2001 downturn led to a surge in offshoring, the 2008 downturn will also has far-reaching effects. The huge capacity increases of recent years, the current downward pressure on aggregate demand, and massive uncertainty in currency markets could lead to a shake-up in the vendor landscape. Strategic, government-sponsored initiatives launched by China and other nations to grab market share could add to the pressure. Major mergers seem likely and new entrants will grow rapidly and some players could experience significant reverses. Successful CIOs will manage their vendor relationships as a portfolio so they will be well positioned as new winners evolve. CIOs will also need to be vigilant about how to manage transitions created by the consolidation or weakness of some service providers.

The IT organizations in 2009 will be directly affected by major, often unexpected, changes. Those CIO's who execute well, expand their influence within the enterprise, and, perhaps, are a little bit lucky, will be the successful ones.

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## A bold primer for tackling crises

By Stefan Stern

FT London: February 4 2009

Leadership in the Era of Economic  
Uncertainty

The New Rules for Getting the Right  
Things Done in Difficult Times

By Ram Charan

McGraw-Hill, \$22.95, £16.99

What does a management guru have to tell us in the good times? Maybe not all that much. Keep doing what you are doing, they could say. Enjoy the proceeds of growth.

But today, in the depths of a crisis, how much more exciting the guru's task has become. And you can sense the glee of Ram Charan, the noted management writer, as he sets about his task in this new, slim book.

"This is more like it," he seems to be saying. "Now I have something to contribute." And what he contributes is some stark, pithy advice on what business leaders need to do now to avoid disaster and prepare for a better future.

"Management challenges don't come any bigger than this," Charan declares at the start. "The economic peace of the past generation is over. We're in a war for survival, beset by fear, uncertainty and doubt."

Yesterday has gone, and executives need to change their approach. "Leaders must be prepared to make strategic, structural, financial and operational changes – many of them drastic – in a hurry, and with information that is at best incomplete," he writes.

This is all classic guru writing, stressing

the extremity of the situation. But from Charan – who has already brought us bestsellers such as Execution and What the CEO Wants You to Know – it seems plausible. His forte is bold advice, delivered with convincing rhetoric. And he has completed his new text just at the right time.

It is fuel-injected, back-to-basics stuff.

"You absolutely must have sufficient cash or credible access to it to weather the storm," he writes. "You can and should know your company's cash position every day...Projects that once were evaluated on the basis of their return on investment now must be judged in terms of how much cash they consume and can generate, and how soon they can bring in cash."

This obsession with cash leads Charan to make a bold, counterintuitive suggestion: give up increases in revenue and in market share. He refers to one unnamed chief executive who lost 8 per cent of his volume of sales after putting prices up. "But the new prices stuck and the result was the security of improved cash flow."

If readers are still reeling from that, they will have to prepare themselves for further startling advice. "The new reality is that, barring acquisitions, your company will be smaller two years from now than it is today," Charan writes. "You have to reduce your workforce and capacity...survival depends on cutting costs and raising cash...narrow your focus and concentrate on the core of your business...In the end you will have fewer customers, fewer products, fewer facilities, fewer people, fewer suppliers – and a stronger company," he says.

'An obsession with cash leads Charan to make a bold, counterintuitive suggestion:

give up increases in revenue and in market share'

The pace of business has to be stepped up, he argues. What use is an annual budget at a time like this? We need intensive, "hands-on, head-in" management. And realism tempered with optimism.

He divides his advice into a series of short chapters that look at separate business disciplines – finance, operations, human resources, the supply chain, sales and marketing, and research and development.

Some of the best tips have to do with people: stay on the lookout for talented potential recruits who are worried about their future with their current employer; make sure you are providing employees with lots of accurate and up-to-date information on the state of the business to combat "a constant drumbeat of depressing coverage by newspapers, television and blogs".

This is a slightly breathless primer, unsurprisingly so given the speed with which Charan has responded to the crisis.

But it will provide encouragement and sharp ideas to any business leader who is feeling overwhelmed by the sea of troubles that confronts them.

And don't look now, but after this crisis is over, the next one may be on its way soon. "Actions generate reactions," Charan says, "and many business leaders and analysts expect the next phase to be inflationary since so much money has been pumped into the world financial system."

You have been warned.

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## The POWER of the Pyramid - ASTD unveils World-Class Sales Competency Model

Training & Development, May 09

By Jennifer J. Salopek

In this tumultuous global economy, organizations are examining how to accelerate sales team performance to increase revenue. To give business leaders a new approach to sales training and development, ASTD created a World-Class Sales Competency Model, and the need for such an approach was clear.

Most efforts to improve sales training have been focused on a reactive approach to competitive markets. A better approach is to consider the entire business system required for sustained sales excellence. The learning function belongs right at the center of helping sales team members develop the skills they need for sales success and helping their organizations grow and succeed.

In a significant departure from previous technique- and program-based approaches, the ASTD World-Class Sales Competency Model is inclusive and broad-based. It presumes that the sales profession includes all of the people in an organization who are directly responsible for revenue generation, whether they sell directly or support those who do.

Sales team members who are directly responsible for revenue generation those working in such areas as operations, tactics, leadership, and management require a high degree of individual competence. By understanding what it takes to achieve sales competence, sales professionals can effectively address the challenge of executing higher-level strategies with finesse and success. Sales capacity and sales competence must be balanced and aligned for an

organization to be truly world-class. But achieving total alignment is a gradual process. Most organizations progress through five levels of increased alignment. Understanding where your organization sits within those five levels is critical to assessing readiness for implementation of the ASTD World-Class Sales Competency Model and setting up the sales team for success.

World-Class Selling: New Sales Competencies, a new ASTD book that unveils the sales competency model, includes a useful tool for assessing your organization's capacity and competence. What readers will find, is a blueprint for successfully engineering the performance of sales professionals, showing them how to adapt and change in response to the challenges of global business without losing their customer's focus. The sales competency model defines the knowledge, skills, and abilities required for sales competence. Most people will relate to the model based on the role(s) that they play.

Roles are not the same as job titles; they are much more fluid, depending on the application or activity. Once the role entry point is identified, the model reveals the areas of expertise (AOEs) that must be developed to perform the role successfully. Areas of expertise contain the specific technical and professional skills and knowledge required. They include sample job responsibilities, key skills and knowledge, key actions, and sample outputs.

The model also reveals the foundational competencies that must be mastered to develop an AOE. The competencies are

the basic building blocks of the model and form the foundation of the pyramid that graphically represents the model. Each competency is a cluster of skills, abilities, and behaviors; they are clustered into four logical groupings that facilitate definition and assessment.

The model outlines the typical responsibilities of this AOE, including

- sets and aligns performance and financial expectations with sales management as well as potential candidates to establish clear recruitment parameters
  - maintains sensitivity to individual personalities, negotiation styles, and worldviews unique to the sales or sales-support environment
  - negotiates effectively to bring key stakeholders together and achieve a win/win deal for both the sales organization and the candidate.
- The key skills and knowledge for the “recruiting sales talent” AOE are industry recruitment practices; job or position analysis methods; sales interviewing methods; and local, regional, and national labor laws. According to the model, key actions for the recruiting sales talent AOE include sourcing sales candidates, facilitating sales team peer interviews and candidate testing, and supporting onboarding.

By carefully investigating the ASTD World-Class Sales Competency Model and using it to identify a potential skills gap and area for personal development, the sales manager now has a clear, concise list of the knowledge, skills, and expertise she must develop to perform and possibly expand her role.

More importantly, the sales manager, working together with her learning and development team, can begin to customize the model for use within the sales organization by first assessing the needs of sales professionals from across the organization. Then, specific training and development solutions can be tailored to address specific learning outcomes that fill critical skill gaps.

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