

25 BRILLIANT YEARS

# AGSM

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT MAGAZINE ISSUE: 2 ★ 2002

## New focus

Rob Ferguson  
joins the AGSM

**TECH STOCKS**  
Exposing the myths  
of valuation

**MARKET DEFENCE**  
A classic study  
by John Roberts



**DEAN'S MESSAGE** The opening of the AGSM's new premises in the Sydney CBD, described in words and pictures on page 13, was an extremely important event for the School. After years of consideration and planning, we have space in the business district to call our own. The tangible benefits include being more convenient for MBA (Executive) students and for participants in executive programs. It is also a clear signal that we are serious about continuing to build our connections with the business community.

At the opening ceremony, AGSM board chairman David Hoare pointed out that the premises have "symbolism as well as substance". The design features of the space, including the fittings, furniture and colours, were deliberately chosen to symbolise the AGSM's blend of academic learning and pragmatic delivery. The School's readiness to take measured risk in order to grow is also symbolic – it indicates our willingness to practise what we teach. Perhaps the strongest symbolism is the AGSM's acceptance of the new environment of Australian higher education.

Dr Brendan Nelson, federal minister for Education, Science and Training, also spoke at the opening ceremony. He emphasised Australia's need for a higher education system with institutions that are value adding, high quality, innovative, cost-effective and publicly accountable. As an organisation that each year earns more than 90 per cent of its revenue from fees, the AGSM has long understood the need to maintain these principles, and to manage the occasional tensions between them.

The School can be justifiably proud of its self-reliance and its leadership. At the same time, we must acknowledge that the environment is not going to get any easier. Continued success will require continued effort, continued focus and a willingness to continue to take measured risk. We will succeed, and our success will bring improved results for our clients, our community and ourselves.

If you have not yet visited our new premises, I encourage you to do so. Stop by any weekday between 9am and 9pm to see a substantial investment in services and facilities that is symbolic of the School's ability to move forward.



*Michael R Vitale*

Professor Michael Vitale  
Dean and director  
Australian Graduate School of Management

⚡ Our behaviour wears down path synapses in the brain, so change is stressful. ⚡

– Rob Ferguson. See full story page 10.

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PHOTOGRAPH: JOHN GOLLINGS

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## ON THE WEB

This month we launch *AGSM Magazine* online to further enhance communication. This first step creates a digital format of magazine stories and articles. Go to:

[www.agsm.edu.au](http://www.agsm.edu.au) and click on the *AGSM Magazine* link, or go directly to: [www.agsm.edu.au/magazine](http://www.agsm.edu.au/magazine). We'd like to extend the site with links to management information and other useful practitioner tools. Tell us what you think and what you want on the site by e-mailing: [magazine@agsm.edu.au](mailto:magazine@agsm.edu.au).

Also new this issue is our first Letters column. Thank you to alumni who took the time to write – it is great to have an opportunity to publish your views. Keep the letters coming by e-mailing: [magazine@agsm.edu.au](mailto:magazine@agsm.edu.au).

## COMPETITION WINNER

The winner of last issue's Snapshot Competition was Janis Lander (former admissions administrator in the MBA program office). Thank you to everyone who took part. The correct answer was: 1. Di Yerbury 2. Bob Vermeesch 3. Peter Wilenski 4. David Midgley 5. Bob Marks 6. Malcolm Fisher 7. Philip Yetton 8. Lex Donaldson 9. John Conybeare 10. Ray Ball 11. Howard Thomas 12. Chris Adam. For an update on these past and present faculty members, go to: [www.agsm.edu.au/snapshot](http://www.agsm.edu.au/snapshot).

## CORRECTION

The first issue of the *Australian Journal of Management* was published in 1976, not 1977 as written in Issue: 1, 2002.

## BRANCHING OUT

The AGSM has launched alumni association branches in five Australian cities and in Hong Kong, Singapore and London as part of a long-term strategy to broaden and invigorate the alumni association. In March, cocktail parties in Adelaide, Brisbane, Canberra, Melbourne and Perth launched each branch. Operating guidelines and steering committees are in place and each branch has been allocated seed capital. The steering committees are responsible for managing each branch and creating opportunities for networking and professional development.

Networking is already proving stronger as branch steering committees work with their alumni membership to organise high-profile speaker events.

The branch infrastructure will make it easier to introduce Life Long Learning programs such as the Australia-wide alumni team coaching initiative on the MBA (Executive) program (see story, pages 18–19).

Another important initiative is alumni network alliances with other business school communities in Australia and overseas. Alliance discussions have begun with Stanford Graduate School of Business, which has already agreed to welcome AGSM alumni at Stanford GSB alumni events around the world. Alliance discussions are also under way with Harvard Business School.

"It is important that we



**JOINING FORCES** (from right): Corene Strauss, AGSM associate director of alumni, met with Stanford GSB director of alumni Lynne Reynolds and associate director Laura Wilson in Stanford, California.

change the alumni association culture from being names and addresses on a database to a fully-fledged and active community. We want to encourage more interaction among alumni and between alumni and the School at local, national and global levels," says Corene Strauss, associate director of alumni.

The branches aim to increase the opportunities for alumni to meet up in their home locations to swap business, social and career development knowledge. "We are certainly off to a great start; we are already experiencing much greater success in contacting alumni, and it was great to see the branch launches so well supported," says Strauss.

One of the first new branches making a success of networking is Singapore. Thanks to the enthusiasm of **Samantha Mark (MBA Exec '00)**, it held its first event on 5 April 2002 – a joint dinner with Melbourne Business School's alumni to welcome Australia's new

deputy high commissioner in Singapore, Michael Wood.

"Having an alumni branch is especially important when people have moved to other countries and are faced with a different working culture and environment. It adds value being able to share experiences and approaches with others who have an AGSM education and similar cultural background," says Mark.

"The branch is a natural for networking; at our first function we had alumni who have just graduated, others who are in start-up businesses, and quite a few alumni who had left Australia more than 10 years ago who hadn't heard from the alumni community for some time and were quite excited about this renewed contact," says Mark.

One of the advantages of establishing branches around Australia is the ready-made network for people who relocate. **Neill Wiffin (GMQ '99)**, who recently moved from Sydney to Melbourne with Baycorp Advantage, says: "I'm really pleased to see this development; every opportunity to develop a new network is a good one."

Having an alumni branch is especially important when people have moved to other countries.

– Samantha Mark

## In world's top 35

The AGSM is the only business school in Australia and Asia-Pacific to be classed among the world's top 35 executive education providers in the latest ranking of global business schools by the *Financial Times* (UK).

The School's capability in designing customised programs for company executives – ranked 32nd in the world – raised its overall performance to 33 out of 35 business school providers of executive education. For non-degree open enrolment programs, the AGSM maintained its 40th place from 2001.

### New developments

■ The AGSM is rolling out several new initiatives in its open enrolment executive education program in the second half of this year to meet the ongoing needs of managers.

■ A new Time Saver Series of

executive education programs, conducted early mornings, evenings and weekends, starts in August. Programs confirmed include: The Performance Driven Company, Management of Technology, Finance for Executives, Building and Maintaining Corporate Reputation, and Achieving Client Loyalty in Service Firms.

■ A suite of 12 executive programs starts in Hong Kong from July to mid-December.

■ A total of 18 executive programs have been moved to the School's CBD campus, some of which have been modified from residential to evening study formats to suit the venue.

■ Eight new programs are on offer from September to November.

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

# Letters

## HEALTHY MARKETING

Last year I established a new foundation to raise awareness of, and funds for, research into pre-eclampsia (high blood pressure in pregnancy) as a result of a marketing principles assignment undertaken in my MBA (Executive).

Pre-eclampsia is a common killer of mothers and babies in Australia. Women with pre-eclampsia can suffer a stroke and liver and kidney damage if the delivery of the baby is not timely, and the disease very often leads to premature birth of the baby.

The marketing assignment allowed me to examine the possible funding streams, and to analyse and compare their strengths, weaknesses and opportunity costs. As a result, the foundation PEARLS (Pre-eclampsia Research Laboratories) is now up and running. It has the support of a major law firm, the Web site is working ([www.preeclampsia.org.au](http://www.preeclampsia.org.au)), and donations are gratefully received.

I would like to thank the AGSM's marketing instructor Lawrence Jackson for his guidance and support.

ANNEMARIE HENNESSY, PhD,  
Camperdown NSW

## PEOPLE SKILLS

It was gratifying to read your article, "Best employers 40% ahead" in Issue 1, 2002, which stated that: "The top 20 companies were found to excel in leadership, employment offer, employee recognition and accelerating employee development". These, I feel, are the very basics that you need to offer as an employer in order to attract, retain and motivate quality employees.

At Learned Friends, I have long advocated that if we treat our people well by providing recognition and the opportunity for them to develop their skills, we will be rewarded by our employees attaining higher levels of performance and this has definitely proved to be the case. By managing our people with passion and respect, allowing them to develop and grow within their roles and within the company as a whole, and by rewarding and recognising them when they succeed, we greatly benefit from their increased efforts.

I look forward to reading more about this vital topic in future issues of *AGSM Magazine*.

RHONDA LIVINGSTON, managing director,  
Learned Friends, Sydney NSW



**HISTORIC DINNER** (above): Telstra chief executive Dr Ziggy Zwitkowski, professor Michael Vitale, dean, and AGSM board chairman David Hoare at the AGSM's annual dinner in April. The dinner paid tribute to the AGSM's 25th anniversary with speeches from former deans – professor Philip Brown (via video), professor Jeremy Davis and John Fairfax Holdings chief executive Fred Hillmer.

**MILESTONE** (left): Dr Brendan Nelson, federal minister for Education, Science and Training, officially opened the AGSM's \$31 million Sydney CBD campus at No. 1 O'Connell Street on 1 May. "The new campus is a superb example of enhancing the relationship between higher education and business," he said. (See story page 13.)

Letters are welcome. Please keep them short and include your full address and phone number for verification.  
E-mail: [magazine@agsm.edu.au](mailto:magazine@agsm.edu.au). Mail: The Editor, *AGSM Magazine*, Australian Graduate School of Management, UNSW, SYDNEY NSW 2052. Fax: (02) 9931 9539.

## Getting connected

The richest student-run entrepreneurship competition in Australia, AGSM's Connector Business Planning Competition, is up and running for 2002. Once again, \$35,000 in prize money is up for grabs for the two best business plans.

The competition is open to anyone with a great idea or invention and/or excellent business planning skills. Teams are required to include one student from the AGSM, UNSW or University of Sydney.

The organisers especially want to attract entries this year from researchers and inventors in fields as diverse as bioscience, engineering, computer science, fine arts and media and communications.

Last year's winners successfully combined unique research and ideas in computer science and medical diagnostic technology with business management know-how to clinch the judges' winning votes.

The 2002 competition will be officially launched by major sponsor, Deutsche Bank, on 1 August at The Scientia, UNSW. Throughout the competition, teams will be supported by entrepreneurial skills workshops and mentors, and Connector will continue to run its monthly networking forums featuring external speakers.

Alumni are invited to become involved in the competition as team mentors or as participants in student teams. Team mentoring is an initiative which is proving to be an important aspect of a successful competition. The Business Planning Competition registration deadline is 5 August. For more information, go to:

[www.connector.agsm.edu.au](http://www.connector.agsm.edu.au).

## Sheather, Wood win first research award

Professors Simon Sheather and Robert Wood share the first annual AGSM research award. Their names appear on a perpetual plaque, and they share a \$3000 prize. The School's research committee gives the award on the basis of the quality and impact of a faculty member's research career.

Professor Robert Wood pioneered the study of motivational processes on complex tasks in the field of organisational behaviour. His experimental research has contributed to an understanding of how motivational and personality factors influence cognitive effort, information search and problem-solving strategies.

His work in social cognitive theory has contributed significantly to our understanding of the psychological process through which situational and personality factors influence managerial problem-solving. Other researchers have cited his work more than 1000 times.

Professor Simon Sheather has made fundamental contributions to statistical methodology in the fields of non-parametric and robust statistics. His work has been cited more than 1000

times, and his methods have been adopted by many researchers.

With M.C. Jones he developed the 'Sheather-Jones Bandwidth Selection Algorithm for Non-parametric Density Estimation'. It is included in many statistical software packages and, in particular, as the Sheather-Jones Plug-In, (SJPI) in the world's leading statistical software package, SAS/STAT.

This year also marks Sheather's appointment by the federal minister of Education, Science and Technology to the Australian Research Council's Expert Advisory Committee on Mathematics, Information and Communication Sciences.

"The AGSM places a high value on research excellence," says professor Eddie Anderson, research director. "It is fitting that we have a research award that acknowledges sustained excellence in research by our faculty."

Professor Michael Vitale, dean, notes that the prize is the same as the School's teaching award. He says this is "... symbolic of the equal importance that the AGSM attaches to its activities in teaching and in research."



### BRILLIANT CAREERS

Professors Robert Wood (left) and Simon Sheather receive the AGSM's first annual research award.



### In the news

Michael Chaney with daughter Kate, who is studying an MBA at the AGSM, and wife Rose.

Michael Chaney, managing director of Wesfarmers, delivered the first of the AGSM's 25th Anniversary Distinguished Speaker Series lectures in May. Using Wesfarmers as a case study,

and drawing on his 19 years with the company, he used the forum to "debunk a few management myths".

He said misconceptions about what it takes for a company to succeed included the views that: "companies need a grand vision; companies need to set growth targets; forecasting is a useful tool in decision-making; business management is a complex task; management allocates scarce capital to those projects ranking highest by rate of return; companies don't add value by making unrelated acquisitions; conglomerates are not a desirable form

of corporate entity; and managers always act rationally" – among others.

His views piqued the interest of the *Australian Financial Review*, which ran a half-page article on his lecture.

Of the AGSM and the MBA degree, Chaney said: "I feel honoured to be invited to address you in celebration of the 25th anniversary of this distinguished institution, which I have always considered Australia's pre-eminent graduate school of management."

Chaney's lecture will be available online from 30 July. To view, go to:

[www.agsm.edu.au/chaney](http://www.agsm.edu.au/chaney).



**CELEBRATING** At a special event on 7 March to mark the AGSM's 25th anniversary are foundation alumni: (back row, from left) Chris McCulloch, Edward Magen, Adrian Dignam, Murray Player, John McMahon, James Beecher and Peter Schweinsberg; (middle row, from left) Ross Hutcherson, Graham Higham, Ian Stanwell, George Ivanov and David Nathan; and (front row, from left) Janetta Matchett and Paul Greenwood.

## More scholarships

The AGSM is offering four Silver Anniversary Scholarships, worth \$25,000 each, to mark the School's 25th birthday. Open to local and international students, the scholarships aim to attract students from social groups that have been traditionally under-represented.

A scholarship marketing campaign is under way, specifically targeting prospective students from the not-for-profit sector, women, people from disadvantaged backgrounds and those seeking re-entry to the workforce. These new scholarships bring the total value of AGSM and corporate scholarships on offer this year to a record \$700,000.

Application criteria for all scholarships are available on completion of enrolment in the AGSM full-time MBA program. The closing date is 30 September 2002.

Tell a friend or colleague! Details are on the AGSM's Web site: [www.agsm.edu.au](http://www.agsm.edu.au).

## Working smarter

Faculty and staff have revamped the MBA (Executive) program to make it even more accessible and relevant to participants.

The new calendar will have three full sessions of 12 weeks, with no summer session. Participants starting in February 2003 can complete the first part of the program by May 2004 – just 16 months. Previously this required two years.

This change feeds into another improvement. Starting in 2003 the executive year (EY) will have two intakes instead of only one. In the past, many participants finished the first part of the program mid-year then had to wait six months before starting their EY. The new calendar eliminates this delay.

By taking two courses every session, a disciplined, organised and energetic participant can complete the entire program in two-and-a-half years. Under the current calendar, it would take a minimum of three years.

Greater flexibility in the program also comes from an expanded choice of subjects. Participants can select from a number of new half courses designed to give them the option to study more of their fields of interest.

The AGSM pioneered the part-time MBA (Executive) degree for Australians in 1989. Since then the program has grown to 2010 participants nationwide. In November 2001 the *Financial Times* (UK) ranked the AGSM program number one in Australia and Asia and 13th worldwide.

### Key changes to the program for 2003

- Three full sessions
- Two intakes for executive year (EY)
- No summer session
- No mid-session breaks
- New half-courses
- New analysis and statistics course

## In brief

### AGSM board appointments

Businesswomen Ann Sherry of Westpac Bank and consultant Patty Akopiantz have joined the AGSM board. Sherry is group executive responsible for people performance at Westpac Bank and chief executive of the Bank of Melbourne. At Westpac, Sherry has worked on change management practices and leading-edge management development, as well as policy issues including paid maternity leave and work/family initiatives.

Akopiantz runs her own consulting business and is a director on the board of Coles Myer. She was formerly a senior consultant with McKinsey & Co, and has more than 15 years' retail and marketing experience in both senior operational and strategic roles in Australia and the US. She holds an MBA from the Harvard Business School.

### Top banker

AGSM board and advisory council member, ANZ chief executive John McFarlane, was named the

best financial services executive in 2002 at the Australian Banking and Finance Awards in May.

### Hong Kong graduation

On 16 June, 65 AGSM students were conferred with MBA, Master of Management and MBA (Executive) degrees at a ceremony at the Grand Hyatt hotel. Guest speaker was Hong Kong business leader, Dr Victor Fung, group chairman of the Li and Fung group of companies. Attending the graduation were professor Michael Vitale, dean, and from the University of New South Wales – chancellor Dr John Yu, then vice-chancellor professor John Niland, and registrar and deputy principal Crystal Condous.

(Below, from left): graduates Ray Yip, Letty Wong, Christina Hong, Elaine Chan, Willie Ng, Johnny Yuen, Ophelia Wong and William Kwok.



## Alliance breeds leadership

Corporate education has a new alliance – a trans-Atlantic meeting of minds on the latest management ideas, theory and techniques for the benefit of senior Australian executives.

The AGSM's latest executive leadership forum, Driving Corporate Growth, which brought together cutting edge contemporary management thinking from the AGSM, Stanford Graduate School of Business and Melbourne Business School, reminded Tom Pearson, a director of Telstra, "that I am still capable of learning and, more importantly, that I need time to learn".

Another forum participant, Greg Adcock, a Telstra general manager, says the week-long residential program "added a new perspective to the way I view growth strategies and planning, and the 'time out' has reminded me how much I enjoy learning and how much I have neglected it".

It was the first time the AGSM has run a program for senior executives in an alliance with other business schools. According to professor Michael Vitale, dean, who gave an evening lecture on new economy business models, "participant feedback on the forum was some of the best I've seen".

One of the highlights of the week was a guest presentation by Harvard Business School professor Christopher Bartlett. His 1998 book, *Managing Across Borders: The Transnational Solution*, was named by the *Financial Times* (UK) as one of the 50 most influential business books of the 20th century.

Other presenters included Melbourne Business School dean Paul Rizzo, senior AGSM professors Jeremy Davis, Roger Collins, John Roberts and Thomas Powell, and Stanford professors George Foster and Bruce McKern.

It was also the first time the AGSM sponsored not-for-profit places on a senior executive corporate program – which gave executives from the Benevolent Society and AFS International an opportunity to workshop business strategy with senior executives from Fosters, Westpac and Telstra.



**GRADUATION** Sally Wood celebrated conferment of her PhD (in statistics) with husband, AGSM professor Robert Wood, and children Jack and Daisy. A total of 273 students attended the graduation ceremonies. It was the third graduation ceremony of the AGSM as a management school of both the University of New South Wales and University of Sydney.



**MEMORIAL PRIZE**  
(from left): Sarah Magarey is congratulated by Brenda Domberger.

## Academic excellence

The Simon Domberger Memorial Prize was presented to Sarah Magarey (MBA 2) by Brenda Domberger at a celebration of student achievement at the AGSM in May. The prize, for the best performance in the economics elective, Industrial Organisation, was among five prizes that paid tribute to high academic achievement.

Professor Simon Domberger was one of Australia's leading economists and a world-renowned scholar in the field of outsourcing. He was a founding faculty member of the University of Sydney's Graduate School of Business and a deputy

director before it merged with the AGSM. He taught at the AGSM while on a six-month sabbatical and is remembered as an inspiring teacher.

The other prize-winners were: Chong Poh (the Australian Institute of Company Directors Prize for the best performance by a student in Year 1 of the MBA); Joe Lai (the Australian Finance Conference Prize for the best performance in finance in the MBA program, and the Malcolm Fisher Memorial Prize for the best performance in the economics gateways); and Iole D'Angelo and Eric Germes (Farthing West Prize for best performance in the gateway course, Operations Management). ☼

## For your diary

**18 July** Singapore alumni might like to catch the MBA program information evening in Singapore at the Shangri-La Hotel, Gardenia Room, 7pm.

**29–30 July** Learn how to leverage knowledge, encourage innovation and facilitate change in Building Organisational Capability, a two-day non-residential executive program (Sydney).

**26–27 August** Performance Diagnostic for Biotechnology Organisations, a two-day program that will help you avoid pitfalls and capitalise on opportunities.

**August – December** New Time Saver Series (see page 3).

**4–6 September** Audit and workshop your leadership style in The Advanced Leader Program.

**19–20 September** Corporate Citizenship and the Triple Bottom Line, a new two-day

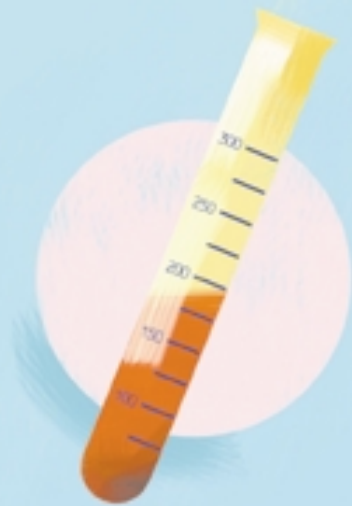
executive program (Sydney); also conducted in Melbourne 17–18 October.

**24 September** Kim Beazley, former leader of the Australian Labor Party, will give a lecture at the AGSM as part of the annual alumni Leadership Series.

**14–15 October** Managing People for Performance, taught by professor Dennis Turner, is offered in Melbourne for the first time.

**31 October – 1 November** New executive program, Corporate Entrepreneurship, is led by professor Julian Birkinshaw of London Business School.

For details on any of the above executive programs, call client services on (02) 9931 9333, or e-mail: [enquiries@agsm.edu.au](mailto:enquiries@agsm.edu.au). For information about the Kim Beazley lecture, contact: [alumni@agsm.edu.au](mailto:alumni@agsm.edu.au) (alumni will receive a formal invitation closer to the event).



## Back to basics for tech stocks

A new study commissioned by the Australian Stock Exchange reveals that company fundamentals have more influence than place of listing on tech stock valuations.

**Alan Valvasori\* reports.**

**A** concern frequently expressed by executives of Australian high-tech companies is that their home-based stock exchange systematically undervalues their stocks when compared with major capital markets like the NASDAQ in the US.

However, new research conducted by a joint AGSM and Stanford Graduate School of Business academic team strongly contests the belief that the US capital market values high-tech companies higher than does the local market does.

“Our research has challenged that popular view,” says Baljit Sidhu, associate professor at the AGSM.

Working with Stanford’s professors George Foster and Ron Kasznik, Sidhu gathered six years worth of data from more than 2000 high-tech companies in the US, the UK, Israel and Australia. The data revealed that the factors that most explained valuation differences across countries were profitability, leverage, company size and revenue growth rates.

The study was commissioned by the Australian Stock Exchange (ASX) because there was a lack of empirical evidence about relative valuations of listed companies across markets internationally, says Robert Bladier, national manager of strategic business development at the ASX.

“Many market participants, including listed companies seeking to raise capital

The data revealed that the factors that most explained valuation differences across countries were profitability, leverage, company size and revenue growth rates.

and some investors and intermediaries, often claimed that the relative valuation for an equivalent firm was much higher in foreign markets,” says Bladier.

In asking the decisive question of whether it was ‘country’ or ‘company’ variables that most affected the comparative value of tech stocks, the research team’s findings came down firmly on the side of company variables.

The report finds that a shifting of stock trading location from Australia to an overseas market such as the NASDAQ, in and of itself, is unlikely to be a major factor in providing a more favourable market multiple to an Australia-based stock.

**A DIFFICULT SECTOR TO VALUE**

Regionally or globally, tech stocks generally involve more uncertainty when compared with mature industries. High growth valuation calculations often involve highly subjective projections of the company’s future performance.

Three related factors make it difficult to value high-tech stocks. First, many are new and have losses or very small profits for the first few years. Second, these companies are growing rapidly. Third, by their very nature, high-tech stocks are highly volatile and their fate is uncertain.

**SIZE MATTERS**

Study team member professor Foster, an Australian expatriate who has consulted widely with firms in the Silicon Valley, says the Australian high-tech sector faces some sizeable challenges (see Key Capital Market Statistics table).

“Australian high-tech firms are generally disadvantaged because they are small players



AGSM associate professor Baljit Sidhu.

in a market that offers a premium for being a large-scale player,” says Foster.

“The absolute value of the Australian high-tech market is comparatively small, and its importance in its local capital market is relatively low versus the US market.

“The Australian market is highly concentrated and dominated by a few companies which account for most of the ASX’s high-tech market capitalisation, unlike the US market where the largest firm accounts for no more

than 8 per cent of the sector’s total value.

“The Australian high-tech sector has more loss-making companies than the other countries examined in the study, and their revenue growth is less consistent.

“Australian companies with strong revenue growth in one year have less steady growth in subsequent years, compared to their counterparts in the US and the UK.

“The smaller size of Australian companies can be a double-edged sword. It can be an

**PROFITABILITY PROBLEMS**

The front-end investment nature of key high-tech areas (such as software), coupled with the extreme pressure for rapid growth (in part from venture capitalists), creates sizeable profitability challenges for many early-stage high-tech companies. Selected companies in non-high-tech sectors are less likely to be loss-making enterprises.

Selected percentages of high-tech and non-high-tech companies with negative net income in the 1990–2000 period range as follows:

|                        | 1994  | 1997  | 2000  |
|------------------------|-------|-------|-------|
| ■ High-tech sector     |       |       |       |
| Australia              | 62.3% | 76.5% | 68.1% |
| US                     | 39.5% | 51.1% | 62.8% |
| ■ Non-high-tech sector |       |       |       |
| Australia              | 37.9% | 40.9% | 40.3% |
| US                     | 32.1% | 35.7% | 41.0% |

advantage in early years because small companies are more likely to produce high growth rates. But small companies based in a small economy face greater challenges in scaling up sufficiently to compete in global markets,” says Foster.

### GOING GLOBAL

So, what does a company need to do to achieve a critical mass to become a successful global player?

The research report includes case studies on five companies with successful growth strategies: eBay and Siebel from the US; Checkpoint from Israel; and Computershare and ResMed from Australia.

The market correction of March 2000 sparked a general decline in all markets studied. However, several key factors emerged from analysing these five companies, which the researchers suggest can offer guidance for a global expansion program (see Lessons Learnt table).

First, having a highly-focused product or service strategy was a common thread. The message here is for companies to stick to what they do best and not be distracted by too eagerly expanding into a broad range of products.

Second, successful companies engage third parties through meaningful alliances and joint ventures to gain distribution channels in multiple markets as well as much-needed credibility for their product.

Third, early revenue from serious customers is needed to validate the product. Profitable customers need to be won early on – not only for the health of the company’s balance sheet, but also for its position and profile in the marketplace.

Fourth, companies aspiring to global expansion need to be flexible. Different countries may require different strategies and modes of entry and transition, so it is important to be sensitive to idiosyncratic market conditions and adapt accordingly.

Finally, executives in the company need to be stubbornly focused on achieving a global footprint. They need the vision, drive, entrepreneurial skills and courage to confront the inevitable challenges of global technology competition.

The ASX’s Bladier believes the AGSM-Stanford research has wider application to any knowledge-based industry, such as biotechnology. He says the research findings were well received by the broad investment community.

### DON'T BLAME THE MARKET

“The general reaction [to the research] by the broad community of government, regulators, business, investors and brokers has been one of praise, both for the initiative in undertaking this research and also for the depth of analysis that many see as [being] directly beneficial to ... their businesses,” says Bladier.

“Specifically, the ‘company versus country’ factors alerted some, or at least reminded them, of the importance of the basics of business, and was seen, I think, as somewhat refreshing.

“The research provides valuable insights for companies seeking to compete globally. [Companies should] focus on the business and have a clear and viable strategy for expansion and growth.

“I think the research highlights that there is no easy fix to industry development. It is not as simple as changing tax or spending more government money, although the report does give guidance to government for policy direction.

“Companies need to want to be global, and need to have a good strategy to achieve this. But foremost they have to have a sound business and be good at what they do. Understanding this is critically important,” says Bladier. 🌟

*Baljit Sidhu is an associate professor at the AGSM specialising in corporate financial reporting and financial statement analysis. George Foster is the Wattis professor of management at Stanford Graduate School of Business, and Ron Kasznik is associate professor of accounting at Stanford GSB. For further information about the report contact Baljit Sidhu at: [baljits@agsm.edu.au](mailto:baljits@agsm.edu.au).*

*\* Alan Valvasori is the AGSM's manager, media and public relations.*

## KEY CAPITAL MARKET STATISTICS THAT RAISE CONCERNS ABOUT THE AUSTRALIAN IT SECTOR

■ Scale of total Australian capital market is less than 2%

■ Relative importance of IT sector

|           | 1998  | 1999  | 2000  |
|-----------|-------|-------|-------|
| Australia | 10.7% | 16.3% | 10.2% |
| US        | 34.8% | 47.8% | 40.9% |

■ Dominance of new players

Top 2 in Australia = 55–70% of high-tech sector capitalisation

Top 2 in US = approx. 12% of high-tech sector capitalisation

■ High proportion of firms with losses

|           | 1998  | 1999  | 2000  |
|-----------|-------|-------|-------|
| Australia | 73.6% | 62.2% | 68.1% |
| US        | 58.7% | 58.6% | 62.8% |

## LESSONS LEARNT

- Earn a premium with a focused product/service strategy
- Engage third parties to expand distribution
- Maintain flexibility/be opportunistic
- Seek revenue from customers to validate product
- Focus on achieving a global footprint
- Think global, act local
- Anticipate surprises

# Mind **over** machismo

Rob Ferguson, former CEO of Bankers Trust Australia, shifts focus with a new role as the AGSM's executive-in-residence. He talks to **Helene Zampetakis**.\*

**H**e wouldn't strike you as someone who has done battle for 15 years at the front lines of Australia's deregulated financial sector. Rob Ferguson has an unassuming style and a careful thoughtfulness that suggests a philosopher, someone who has weighed up the bigger questions of life and searched for meaning.

He talks about balance, self-knowledge and the folly of machismo. He smiles wryly when he describes how the business elite are kept ignorant by subordinates who tell their bosses only what they want the bosses to know.

Those meeting Ferguson for the first time may interpret this as new-found wisdom and humility gained since he quit as chief executive of Bankers Trust Australia in 1999.

But then, Ferguson himself is the first to say that he never did conform to the stereotype of business commander.

"For a long time as CEO I wasn't comfortable with it. I was shy, I wasn't a good communicator. I worked well as number two and when I was uncomfortable, I made mistakes, I did things for the wrong reasons."

Despite that, Ferguson became eminently successful as CEO of Bankers Trust. What he did to bridge the chasm between his temperament and his circumstances was to transform himself into a leader. He re-invented himself to meet the requirements of the new position.

Without losing his natural reserve, he developed a public persona. He learnt how to talk to the media and to trust his own instincts. At the same time, he learnt to accept his own limitations.

"I realised that I didn't have to be a genius – that, in fact, being a genius is sometimes a disadvantage.

"Being effective is about knowing what you have to offer and offsetting your weaknesses. If you can do that, you can manage change."

Clearly, this strategy worked. By 1990, Ferguson had transformed Bankers Trust from an unimpressive investment bank into Australia's top financial institution. Transformation at the top led to transformation along each layer of the organisation, with Ferguson running the shop lean and mean during the extravagant 1980s and shifting his strategy in the 1990s to reflect a need for more hierarchy and structure.

That was then. Now, Ferguson's involvement in business is somewhat more at arm's length. He is director of the new Bankers Trust entity, Principle Financial Group, non-executive chairman of Vodafone, on the board of Westfield and chairman of an unlisted optical fibre cabling company called Nextgen Networks. He is also investing in the fishing industry and has a stake in the Magic Millions bloodstock auction company.

These positions are all well and good but Ferguson enjoyed the thrill of rising

and falling on his own decisions and is not content with roles where his advice may be routinely turfed out.

He also misses the passion he felt in command of a leading company. For a long time Ferguson has been looking for something to arouse that passion again.

In March he accepted the role of executive-in-residence at the AGSM, becoming the third person to hold this position after former ANZ chief executive Don Mercer and former Fujitsu managing director, Neville Roach, who fulfilled the role for two years.


## THE ROLE

This year the AGSM has developed a position description for the role that outlines a number of goals with documented activities and timelines to ensure that expectations are clear.

Ferguson's physical presence will be more prominent than either Roach or Mercer. He will have an office at the AGSM where he'll spend two days a week. During the year he will deliver a series of lectures for students, alumni and the public as part of the 25th Anniversary Distinguished Speaker Series at the School.

A major aspect of the role is to expand the knowledge of the faculty and students of what is going on in business in the region. He'll participate in AGSM functions and put together a white paper on a management topic.

Professor Michael Vitale, dean, says

A man in a dark suit and light-colored shirt is sitting in a chair, reading a newspaper. He is looking down at the paper with a focused expression. The office environment includes a glass partition to his left, a red circular clock on the wall above him, and a large circular object, possibly a lamp or a mirror, to his right. The lighting is soft and even.

**ROB FERGUSON**  
is making another  
transition, this time  
from the cut and  
thrust of business  
to the world of ideas.

Ferguson was a perfect choice for the executive-in-residence position: "There was a terrific fit between what he wanted and what we wanted; Rob has got to the stage of his career where he is reflecting on his professional life and looking to give back to the community.

"When you have an opportunity to have an association with a person of Rob's calibre, you grab it," says Vitale.

Vitale notes that Ferguson has an excellent reputation and an extensive network, "and networks are always an advantage" for the AGSM.

But the relationship is reciprocal. Ferguson is making another transition, this time from the cut and thrust of business to the world of ideas.

"I have all this information in me but it needs to be teased out," says Ferguson. He sees the AGSM as a conceptual hothouse and hopes to bounce ideas off people to feed a book he has in mind.

Interestingly, the book itself will centre on issues of change. Ferguson is fascinated by the dramatic transition produced by the opening of the Australian economy to the world market, and he will consider the effect of deregulation on the "hollowing out of Australia" and the creation of the branch office economy.

Mainly, however, he'd like to rebut the theory that this development has made Australia the loser. In doing that, he hopes to fuel the fervour he felt as a CEO when he'd visit New York to investigate and report on industry and how competitors conducted business.

"I have a bit of the journalist in me and I have the capacity to get passionate about that – almost obsessive," he says.

## MANAGING CHANGE

After leaving Bankers Trust, Ferguson went through a second painful process of redefining himself. Earlier this year he talked openly about the panic attacks he suffered a year after resigning as CEO when years of delayed stress caught up with him and he was suddenly stripped of his purpose in life.

He acknowledges that transition is a challenge people have faced for decades and



**▶ If an industry is booming, it's usually the boom that's making you look good. ▶**

will continue to confront. "It's like the dot com thing but it's also something that has been going on since deregulation started in the 1970s," he says.

"With the dot com boom, people were catapulted from nothing to hero status overnight, then flung back to nothing, and that's traumatic. But it's probably more traumatic for people who have had those roles for a long period.

"When change happens there are winners and losers and the losers are those who are in industries or towns that become redundant.

"So the whole restructuring process that globalisation causes is

one of the reasons why there is such a backlash to globalisation, such as from S11 and even One Nation.

"People who find change happening in their field or see that an industry is going nowhere and are lucky enough to see that it's happening can prepare to jump ship, but for others that luxury doesn't exist.

"I think it's a matter of understanding whether your industry is globally competitive and where you're working is sustainable in the long term."

Ferguson says there are a lot of industries in Australia that are in great shape – he cites the wine and fishing industries – but he says a lot of the deeply entrenched uncompetitive industries that were kept alive by government grants or tariffs or regulation have died off.

Nevertheless, change will continue to affect most people's professional lives, he says. For many it will come as an urge to change course mid-career. For others it is because they've hit a brick wall as their industry contracts. For those who've invested years of their professional lives in a particular field, change that demands a complete redefinition of career is particularly difficult.

Yet, says Ferguson, fear of change can lead to failure. Ferguson says he has a gut feeling that many of his peers have been brought down by an inability to change.

"We work on the basis that we live in an orderly world. Our behaviour wears down path synapses in the brain like paths in the bush, so change is stressful.

"But at the same time, it's inevitable and it's good. It brings innovation and fresh energy."

He says dealing with change is a matter of time and adopting a positive attitude. He has learnt not to take things for granted and to be flexible.

"You have to learn that change is constant, but that doesn't mean tearing down existing institutions because many are there for good reasons."

He advises balancing an inner focus on the organisation with outward-looking attention to customers, the marketplace and competitors, much like a ship's captain keeping the binoculars trained on the horizon to see what's ahead.

"One of the downfalls of a lot of executives is to take their eye off the horizon and that can happen easily when there are internal business problems. Many get knocked off course."

Ferguson experienced this himself in the last three to four years at the top when Bankers Trust's parent company in New York went through a succession of changes in management, so hastening its demise.

"I could see it coming and became very internally focused and now I can see how our competitors caught up with us."

Cultivating balance in life and striving to see the bigger picture in business, he says, is essential to being a good businessperson.

So, too, is having a philosophy of humility, knowing your strengths and weaknesses and being comfortable with them. Ferguson says this is the greatest lesson he learnt in management, and it took him a long time to learn it.

He notes that contemporary industry is rife with corporate takeovers driven by testosterone-induced men, many of which go wrong because they're fuelled by aggression.

Ferguson says people need to recognise when their behaviour is being driven by testosterone.

"If an industry is booming, it's usually the boom that is making you look good. People need to be more cerebral and thoughtful and aware of where they fit in the world.

"What we need is more mind and less machismo." ★

*\* Helene Zampetakis is a freelance writer.*



# Looking good

The AGSM's new \$3.1 million Sydney CBD campus is the latest of the School's national teaching campuses and its fifth in Sydney.

**T**he two-level campus located at No. 1 O'Connell Street in the heart of Sydney's downtown business district was officially opened by Dr Brendan Nelson, federal minister for Education, Science and Training, on 1 May.

At the official opening, Nelson praised the new campus saying it was a superb example of enhancing the relationship between higher education and business: "It demonstrates the AGSM's commitment to engaging actively with the business community," he said.

In addition to tiered and flat-floor teaching rooms, the 1755 square metre campus features a business centre that is attracting conference, meeting and seminar activities. The campus also features nine syndicate rooms, 12 'touchdown'

computers, lounge and quiet study areas, a cafe and dining area.

With the effective use of space, layout, materials and colours, Bligh Voller Nield architects have broken away from the conventional to create a distinctly professional and corporate-looking environment.

Caroline Diesner, Bligh Voller Nield practice director, says the design team approached the AGSM project holistically – aiming to build a space that was an effective learning environment while creating a bold, contemporary design of appeal to both students and the business community.

Creating a "good space" for an educational setting recognises that teaching and learning occurs outside the designated areas like theatres and syndicate rooms.

"Part of the success we achieved with the CBD campus is due to acknowledging that teaching continues in informal situations such as casual discussions over coffee, in breakout spaces, and in impromptu encounters in corridors," Diesner says.

There were several challenges, according to Diesner, in designing and creating the campus, including building tiered theatres within a flat-floor structure that imposed ceiling heights, and making the design work for big increases in the numbers of people arriving without creating congestion.

"We believe our design also encourages student interaction through the open areas adjacent to the formal teaching spaces via a central 'street' that connects key spaces; this provides a public space that contributes to a sense of community for students and clients," says Diesner.

First-year MBA (Executive) student Tiffany Watson, a marketing executive at IBM, says the central location of the new CBD campus is easily accessible from her office in St Leonards.

"The campus is very professional. It's nice having an exclusive place that I can identify with, and the facilities are very good," says Watson. ★

by Alan Valvasori

## CBD feature

The campus occupies levels 6 and 7 of No. 1 O'Connell Street. It includes:


- Two tiered lecture theatres with a seating capacity of 42 and 44 people in each, plus extra capacity for banquette eating.
- Four flat-floor theatres with a seating capacity of 30 people in each. Modular movable tables and parti-

tioning promote flexible configuration.

- Nine syndicate rooms with up to eight-person capacity, each with data and computer outlets.
- Five single-occupancy visitor rooms.
- Access to 12 flat-screen computers in a seated 'touchdown' area, including

access to Internet and e-mail.

- Four lounge areas with seating for 42 people.
- Cafe with seating for 40 people.
- 24-seat landscaped outdoor terrace.
- Work area for nine staff, office for one, and six-person meeting room.



*'Without the deregulation of salaries,  
the AGSM would have withered in  
the face of US competition.'*

**AUSTRALIAN GRADUATE  
SCHOOL OF MANAGEMENT**

# The business of education

During the market deregulation of the 1980s the AGSM steered its own course of reform in the face of rising competition and growth constraints. **Guy Healy\*** takes a look at what it took to find a winning balance between scholarship and commerce.

**A**cademic leaders at the AGSM have been singing the virtues of deregulation – for universities as well as business – for almost 25 years. By serendipity or design, this philosophy has positioned the School for its pre-eminence today.

As recently as 40 years ago ‘commercial’ education was unknown. The MBA was pioneered in this country at the universities of New South Wales and Melbourne in 1963, the year that saw Adelaide introduce a masters of business administration. But the early MBA programs were part-time and mostly tacked onto the economics and commerce faculties of the larger universities.

By the early 1990s, 20 universities had MBA programs that enrolled about 5000 students. By 1996, numbers had more than doubled and 41 universities and private organisations operated MBA courses. At a cost per head of up to \$50,000, management education then added \$50 million a year to university revenues.

The AGSM was not always a \$49 million business. For the first five to seven years its parent, UNSW, had an annual federal block grant of \$2–\$3 million earmarked for the School. More importantly, it set the precedent and foundation for its later independence.

David Midgley, former foundation chair of marketing at the AGSM and now professor of marketing at the Paris-based INSEAD business school, recalls the AGSM was influenced by the major crosscurrents of the 1980s and yet was able to steer its own course through the Hawke Government reforms.

“The events that had real impact on the AGSM were the overall trend to reduce

government funding, the deregulation of faculty salaries and the creation of the Melbourne Business School,” Midgley tells *AGSM Magazine* from INSEAD.

“In the 1980s the AGSM had world-class faculty but was operating in the relatively undeveloped Australian market and was primarily oriented to the US as the major source of business ideas,” he says.

The first crop of 33 MBAs and two Masters of Public Administration – comprising 31 men and four women – had graduated in 1979, followed by the School’s first PhD two years later.

Midgley pays tribute to the School’s dean from 1979 to 1989, professor Jeremy Davis, for his seminal role in lobbying UNSW for the freedom to pay top faculty salaries comparable to those on offer in the best schools outside Australia.

“The deregulation of salaries was inevitable and necessary to allow the top schools to attract good faculty. The early deans: Philip Brown hired only world-class faculty and stamped quality on the School from year one; and Jeremy Davis fought and won many key battles in university committees and with ministers, especially over salary issues.

“Without the deregulation of salaries, the AGSM would have withered in the face of US competition. Later deans had an easier job because of the efforts of Brown and Davis,” he says.

But salary deregulation was only part of the story. In the wake of the 1982–83 recession, Commonwealth grants per higher education student declined by some 15 per cent in the decade after 1983, according to the Australian Vice-Chancellors’ Committee.<sup>1</sup>

Recalls Midgley: “The reduction in funding forced the School to expand its revenue-making programs and to become

much more like a business. This has had mixed consequences – on the one hand it made the AGSM more a master of its own destiny, on the other it made scholarship harder.

“Nevertheless, we had no problem with pitching academic standards. The original recommendations to establish the School, and the origins of most of the faculty, mandated world-class standards. Hence we were rigorous in student selection and made them work very hard.

“Having established a reputation for quality we then began to attract people who did not want to go to the US, but did not want to accept second-best at other Australian schools. Eventually this reputation spread to the region as well,” he says.

The strategy for academic prowess – for both faculty and students – paid off. Between 1984 and 1988, academics at the School won nine international awards in management education and secured some hefty corporate sponsorship of professorial chairs.

During the mid-1980s, universities only raised about 12 per cent of their annual budgets from industry and fees.<sup>2</sup> MBA places – and thus faculty numbers – were still allocated by the federal government. It was a constraint on growth that became increasingly obvious and against which the AGSM chafed.

Davis realised that central funding from Canberra meant an effective cap of just 100 students annually, which meant there could never be more than 25 faculty, and in turn meant there could never be more than three or four academics per discipline. So the idea for the EMBA was born.

All the core ideas had been experimented with in an Executive Development Year course and this became the foundation of the

(Left): Professor David Midgley in 1988.

modern MBA (Executive) program.

So when the then third-term Hawke Government – through the offices of the reformist education minister John Dawkins – scrapped regulations prohibiting institutions charging fees for certain postgraduate awards, the AGSM was able to ride the wave.

“The AGSM offered a two-year full-time degree, which most other schools did not, and we had extensive executive education programs, which many also did not,” says Midgley. “Hence, the explosion of MBA programs and the various attempts to later merge or consolidate these had remarkably little impact on us,” he says.

Midgley also traces the idea of merging with the University of Sydney’s GSB to the Dawkins era of the late 1980s, even though the merger did not come to pass until 1999.

That initial band of 35 AGSM graduates in the late 1970s has grown over the School’s 25-year history to almost 6000 graduates. An additional 1000 senior managers have participated in premium corporate and executive programs and thousands more have attended the many open enrolment executive programs. The total student body today comprises 2010 students in the MBA (Executive) program, and another 285 students studying full-time MBA program.

The School’s culture of fostering achievement among its students was already being laid down for future cohorts.

Among them was Peakhour International chief executive **David Harrington (MBA ’88)**, who says even by the late 1980s the School had already built a reputation as the country’s leading business school.

“It was known as a place you went to gear up for future management. It had outstanding spikes of capability in areas I was interested in, especially management consulting and general management,” he says.

Similarly, **Dr Ingrid van Beek (MBA ’87)**, director of the Kirketon Road Centre in Sydney’s Kings Cross, recalls the early AGSM “encouraged you to be a tall poppy; there was a really diverse and vital student community, and a robust exchange of ideas which

encouraged you to think outside the square”.

Midgley – who was also research director for the Industry Taskforce on Management and Leadership Skills (1992–1995), otherwise known as the Karpin report – would be glad to hear it.

He believes the AGSM can be justifiably proud of its achievements. In the early days there were few companies and managers that “saw the light”. While the sponsors of the first named chairs in the School – AMP, Freehill Hollingdale & Page and FAI Insurance – were obvious exceptions, most Australian businesses did not “get it”, he says.

“When the School was launched, Australian management and management education was rather primitive. There was little tolerance for theory or for the notion of management development. This has changed and indeed the School has played a very important role in exposing Australian managers and potential managers to best practice and theory from around the globe,” he says.

Today the local market is much more sophisticated, but also the AGSM has become more

regionally focused and more self-confident in its own intellectual property, he says.

“While the US is still very influential, there is an increasing recognition that US academics and schools have no monopoly on wisdom.”

Midgley believes the Karpin report itself has left a “curious” legacy: “A lot of what the Karpin report said was accurate, but was resisted by schools and universities – who are very good at resisting industry-driven change,” he says.

While largely ignored by academia, many major Australian businesses used the Karpin report to benchmark what they were doing in management development, he says.

“The tragedy of Karpin was that as the report was delivered, the Labor Government that commissioned it was in its death throes. Thus, little was picked up and implemented,” he says.

By the end of the 1980s, Fred Hilmer, now chief executive of John Fairfax Holdings, took over the reins of the School as dean (1989–98). He believed the School

needed to be better embedded in the business community.

In one of the many ebbs and flows of the ongoing “academic purity” versus “vigorous links with business” debate, Hilmer reinvigorated the School’s advisory council, raised money and increased executive education to make the School more relevant to business.

The business school industry is still undergoing profound change, especially from the local to global. Midgley argues that the creation of Melbourne Business School was a national mistake with severe consequences for Australia and for both Sydney and Melbourne.

“Australia’s two world-ranking schools have done outstandingly well with their limited resources and earned good reputations in Asia,” says Midgley.

However, the creation of a second national school effectively split the domestic market and resources (state and corporate) into two city-based schools – neither of which have subsequently reached the mass to compete globally.

“Today, the major multinationals are increasingly setting the agenda for business schools, given that most top schools derive significant revenues from executive education,” he says.

“In the ’70s and ’80s this was via public programs whose content the schools largely determined. More recently we have seen the rise of company-specific programs where the client firms themselves determine the content. Also, corporate donors have become much more demanding in setting goals and topics for large donations.”

Midgley cites the example of the alliance between INSEAD and Wharton, which came about because neither believed it had the faculty and resources to maintain leadership in a changing global marketplace.

“I think charting a course for the AGSM over the next 10 years will require great skill and some luck. It may also require the sort of faculty enthusiasm and commitment that I was fortunate to be part of in the early years,” says Midgley. ☆

\* Guy Healy is a freelance education and environment writer.

#### FOOTNOTES

1 Geoffrey Maslen and Luke Slattery, *Why Our Universities are Failing: Crisis in the Clever Country*, Wilkinson, Melbourne, 1994.

2 *ibid.*

‘Many businesses used the Karpin report to benchmark what they were doing in management development.’

# Not-for-profit strategies

What does it take to achieve sustainable competitive advantage in the disability services sector? Five MBA (Executive) students sought answers and action plans in a recent management project.

“**W**e were interested in doing something of value and Disability Services Australia [DSA] was ideal because it couldn't afford to pay market rates for consultants and we could see it would benefit from help with its strategic plan,” says AGSM management project team member, Keith Kibble. “It was also big enough – it's a \$12 million a year business – to have issues for us to solve.”

Sydney-based DSA provides employment for about 1000 people with disabilities in its own factories and through placements in clients' workplaces. It also provides a range of vocational training and life skills support to adults with disabilities.

Competitive advantage for DSA's business services means being able to continue to operate and maintain commercially viable businesses in order to provide supported employment for people with a disability. DSA's business services include five packaging factories, contract packaging and assembly work with host employers like Qantas Flight Catering and Pierlite, and cleaning services.

Although DSA had already received a high rating for its business services from KPMG in a report to the National Industry Association for Disability Services, it recognised it needed an alternative view of its commercial viability because it competes for business in an open market against able-bodied workers.

The original focus of the AGSM management project was to look at how DSA could position itself as a business in a changing business environment. “However, we found we needed to drill the focus down to more pressing short-term issues such as client retention, how to expand the client and revenue base and how DSA could better identify and market its commercial capabilities,” says Kibble.

The project analysis and action plan aims to give DSA the information and tools with which to find sustainable competitive advantage – which the team says will require



further improvements in finance, customer relations, business process, organisational learning and staff performance.

“The project was fantastic,” says DSA chief executive Tony Lund. “The team's analysis of the business was particularly good – they gave us an outsider's view of the commercial viability of our business services operations and highlighted our vulnerability – that we only had four or five customers that made up the bulk of our business services revenue,” he says.

“We were right in the middle of our strategic planning during the [AGSM management] project, and it confirmed some of our own findings but also encouraged us to make other changes,” says Lund.

“We have already made some changes to our management structure, specifically putting the right people in the right positions and turning generalist roles into specialist ones” says Lund.

The AGSM team examined the critical facets of the DSA business and based its analysis and recommendations around four strategic ‘pillars’: finance, customers, people and processes. It built action plans and took DSA's dual commercial/support services charter into account in providing a variant of the ‘balanced scorecard’ to measure action plan implementation.

Half of DSA's revenue comes from government funding and the other half is earned by its business services operations –

its factories and contract work.

“This year DSA and other community services organisations face reforms that will move funding from block grants to a case-based system; that means they will have to look much more closely at what they are spending and why, and accurately cost and track service provision to ensure equitable funding,” says AGSM academic supervisor on the project, Dr Robin Stonecash.

“It has been a good opportunity for our students to apply concepts in an organisation which has objectives other than profit maximisation and shareholder value,” she says.

“The great value of the management project to DSA has been its access to a group of people who understand all the business processes and can help it to improve its business capability,” says Stonecash.

DSA's short-term action plans include: looking at implementing an inventory tracking system in its factories to better satisfy clients; improving financial systems for analysing business performance; enhancing client relationship building; selling the added value of community service; and improving general housekeeping systems such as inventory management and reporting.

With strategic plan in hand, DSA is now budgeting for an increase in business services sales of 15 per cent for the 2001–2002 financial year. ★

*The MBA (Executive) management project team members contributed broad management experience. They were Pramil Agrawal (food service engineering), John Butler (finance and banking) Guy Gavagna (medical practitioner), Leanne Russell (banking) and Keith Kibble (sales and marketing).*

*Dr Robin Stonecash is a senior lecturer in economics at the AGSM. She has produced work on the impact of competition policy on ageing and disability care; she also wrote a business case for restructuring foster care payments, which has been implemented, and is completing a survey on the impact of the GST on community services in New South Wales.*

by Debra Maynard

# Team works

A new research-based team coaching initiative is bringing students and alumni together to discover what really drives team effectiveness.

**Debra Maynard reports.**

**M**ention coaching and most managers think of either poor performers receiving special help or one-to-one executive coaching for high performers.

In the burgeoning field of executive coaching, the focus is usually on improving individual capabilities in areas such as leadership. But at the AGSM there's another kind of coaching getting a workout – focusing on teams – thanks to leading-edge research on what drives team effectiveness.

The research – by PhD candidate Catherine Collins and supported by associate professor Sharon Parker – is generating findings on teamwork design that is giving study teams and their coaches advanced resources for raising their effectiveness.

The first team coaching program, rolled out at the beginning of the year, signed up 24 volunteer alumni in six cities around the country to use the research and its evaluation tools to coach MBA (Executive) study teams throughout their final executive year (EY). The program has since been expanded to the full-time MBA program, involving an additional 21 alumni coaches.

Coaches and students use a team effectiveness survey to record team members' perspectives of their team's behaviour. Information from the survey is then aggregated into a team feedback report by Collins.

"Coaching traditionally falls down in the evaluation and diagnostic phase of the process – teams don't often get to see and evaluate their strengths and weaknesses in an objective way," says Collins.

"The point is to take team evaluation to an advanced level: the feedback report allows team members to reflect on team design, roles, processes and outcomes – something we call 'reflexivity'; they are also better equipped to question the assumptions of team discussion and how the team is functioning by having data at their fingertips," she says.

The advantage of providing regular feedback and coaching to teams is that it helps bring issues out into the open where they can be dealt with constructively, says associate professor Parker.

Coach **Peter Hickey (MBA Exec '01)** highlighted this issue at a recent progress meeting for coaches: "The feedback report brought underlying problematic issues to the surface in an objective manner, so that the team and I were able to pinpoint and explore the issues more fully.

"We were able to do this anonymously, which reduces any finger pointing that can be so destructive in teamwork," he says.

In the past, study teams have received feedback on their course work but not on how well they function. AGSM study teams now have quantitative feedback and benchmarks with which to assess how well they are working, to set and evaluate teamwork goals, and to improve team effectiveness over time.

Another volunteer coach, **Chris Foote (MBA Exec '01)**, says: "I wish I had this program available in my EY".

"The team feedback tool initially provides the coach and team with a forum to discuss and align team expectations; subsequent surveys help teams check alignment and attitudinal changes, and to identify activities to increase team performance in the latter

Team leadership, membership and coaching are crucial skills.



part of the EY," Foote says.

Teams often get caught up in the tasks they are doing and neglect to consider how they are performing those tasks. This is especially true of study teams when the assignments are piling up and the pressure is on.

This vulnerability highlights the importance of setting goals at the outset, says **Chris Digby (MBA Exec '01)**, who volunteered as an EY team coach: "to increase my experience in dealing with and running teams, but also to give something back and keep in contact with the AGSM".

"In one of the teams I was assigned, the team split in two because the team members found they had misaligned goals and objectives, mainly in relation to work attitudes and work-life commitments," he says.

"As a team coach, the learning experience for me is trying to identify those things early on. More generally, you need to recognise that some issues require a directive approach, others need a facilitative style and some require a bit of both," says Digby.

Team learning is a strong feature of the AGSM's MBA programs. Professor Roger Collins, who leads the EY team formation process, says: "Organisations are increasingly using teams to solve complex problems, and to collaborate and integrate across departmental 'silos', businesses and countries".



“Team involvement can also result in higher commitment to critical decisions from members,” he says.

“Team leadership, membership and coaching are crucial skills that all managers need. For these reasons, and because learning can often be richer if undertaken in teams, the AGSM is focusing on the application and development of teams as an integral part of its program design and delivery.

“What we are doing with the coaching program ensures that we walk the talk about teamwork in our MBA programs,” professor Collins says.

The team coaching initiative is part of the AGSM’s Life Long Learning program, which seeks and supports opportunities for alumni to share and update their management knowledge and to become more active in the AGSM community.

“I think one of the great things about this initiative with the full-time MBA program is that it gives students an opportunity to network with alumni and to learn about how teams operate in real business environments,” says Dr Anne Lytle, AGSM senior lecturer in organisational behaviour and director of Life Long Learning

For alumni, the program provides training in how to coach teams based on the latest materials from experienced faculty, which can also be used in coaches’ own

organisations. It is also an opportunity for alumni to try out their skills and network with past and new colleagues.

#### WANT TO KNOW MORE ABOUT THE RESEARCH?

Further data analyses on the AGSM study team results will provide an in-depth picture about study teams and, more generally, workplace teams. Preliminary findings will be presented by Catherine Collins and associate professor Sharon Parker at the 2002 Academy of Management Conference in Denver, Colorado, 9–14 August, in a paper called, ‘Predicting team effectiveness: importance of collective outcome efficacy and collective process efficacy.’ ★

*Any companies interested in participating in the AGSM’s ongoing team effectiveness research can contact: associate professor Sharon Parker at [sharonp@agsm.edu.au](mailto:sharonp@agsm.edu.au). Alumni interested in participating in the AGSM’s coaching program can contact alumni services, Tel: (02) 9931 9499/9284.*

#### FOOTNOTE

1 M.A. Campion, G.J. Medsker, et al. ‘Relations between work group characteristics and effectiveness: implications for designing effective work groups’ in *Personnel Psychology*, 46 (4), pp. 823–850, 1993; and M.A. Campion, E.M. Papper, et al. ‘Relations between work team characteristics and effectiveness: a replication and extension’ in *Personnel Psychology*, 49 (2), pp. 429–452, 1996.

#### What drives team effectiveness?

The AGSM study team research highlights two key areas that are crucial to team effectiveness:

■ **Goal alignment** is critical. Goals are aligned when team members are aiming for, and committed to, obtaining similar assessment marks. Goal alignment includes reaching agreement on how work is scheduled. Team members need to be upfront and honest about what they can contribute and be at least a little flexible on team contribution.

■ **Balance between task orientation and creating a supportive environment.**

If a team wants to be effective it needs to do more than focus single-mindedly on the task; it needs to attend to the way team members work together. The research suggests that getting this balance right affects not only team member satisfaction, but also team performance.

Issues such as workload sharing and a clear definition of roles need to be decided in a participative manner so that team members have buy-in on team outcomes. However, being focused on the team’s tasks can create a competitive environment, which can lead to adverse interactions between team members. Thus, it is important provide an environment of mutual respect, which includes: keeping interactions positive by not criticising individual differences or the experience of team members (low affective conflict); and providing support (citizenship behaviours), such as helping other team members when they run into problems and resolving conflict that may emerge (conflict management).

This finding replicates studies conducted in organisational contexts such as the recent work by Campion and colleagues,<sup>1</sup> where there is evidence that team design and processes affect bottom line performance indicators such as productivity in a broad range of jobs.

# Defending the beachhead

**John Roberts\*** won the Best Paper Award at the American Marketing Association's Advanced Research Techniques Forum in the US last month for what has become a classic case study in market defence strategy. This edited excerpt outlines his model for defensive strategy against a new market entrant.

**M**uch less has been written about market defence strategy than about market attack. This is a serious weakness in strategy and marketing. In this article, we focus on one aspect of defensive strategy: defending against a new market entrant.

We specifically focus on, in marketing warfare terms, "defending the beachhead": short-term strategy to (a) minimise the new competitor's market share gain during the first few months after launch; while (b) enabling the incumbent to avoid expending more resources or sacrificing more profit (for example, through price-cutting) than necessary.

A successful defence of the beachhead will provide the platform for a longer-term strategy to keep the new entrant contained, regain lost market share, or even force the new entrant to withdraw from the market.

The defender has four generic strategic options (see Figure 1). First, it must decide whether to emphasise its own strong points or to counterattack at the entrant's weak spots. Then it must determine whether to try to reduce the final amount of territory (market share) that the new entrant gains or to focus on slowing the rate at which that territory is won.

How should it decide which combination of these strategies to adopt? The answer is to understand where the leverage points (areas of greatest effectiveness) lie, based on customer research and analysis of the incumbent's and new entrant's relative strengths and weaknesses.

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We argue that a formal approach – which explicitly models the key issue, customer behaviour, will generally outperform raw management judgment. If the new entrant can be regarded as the enemy, then the consumer's mind is the battleground. We illustrate our approach with a particular case, Telstra's reaction to the entry of Optus, into the Australian telecommunications residential long-distance market.

Optus was launching into the Australian market in 1995. The incumbent (our client) was Telstra, the state-owned telecommunications monopoly. The particular battle-

ground was the valuable heavy calling segment of the residential long-distance market. The aim was to give Telstra two things: a forecast of Optus's market share gains over the first six months, and diagnostic information about the likely impact of alternative defensive strategies by Telstra in limiting that share.

## MODEL OF CONSUMER ADOPTION

In strategy modelling, an important issue is how much to simplify. We recommend a middle-range model that includes the main possible stages and routes of consumer adoption, but in simplified form. In marketing this is called a 'macro flow' model.<sup>1</sup>

Based on focus groups, we developed the macro flow model in Figure 2. The model aims to estimate how many people will flow along each path and the rate at which they will do so.

## APPLYING THE MODEL

Using market research, respondents were taken through a learning process where they were first told about the new entrant and then gradually given more information about it, using simulated advertisements and other material. This enabled us to estimate consumer beliefs about Optus at the different stages of knowledge that would occur as the market evolved.

The model calibrated on this information gave forecasts of the rate at which Optus

would gain market share. These proved remarkably accurate: the model forecast Optus market share at 4.8 per cent three months after launch (actual was 4.0 per cent); and after six months, forecast and actual market share were both 8.8 per cent.

We estimated that Optus would eventually gain a 20 per cent market share given Optus's predicted market entry strategy and the best defence that the model was able to suggest to Telstra to overcome it. By June 2000, further government deregulation had encouraged additional entry, taking share from both Telstra and Optus. The relative split between Telstra's share and that of Optus was 82.1:17.9, reasonably close to the 80:20 forecast.

### MARKETING DIAGNOSIS

At least as important as these forecasts was the diagnostic information provided by the model to help Telstra plan its defensive strategy.

Focus groups indicated 14 attributes that were important in judging Telstra. These were reduced to three underlying dimensions using principal components factor analysis: "How strong is my relationship with Telstra?", "What do I believe of its service delivery?" and "Do I see it as big and impersonal?". In contrast, attitudes to Optus and the idea of competition were measured on nine separate attributes. These were distilled down to: "Is there a downside?", "Am I restless with my existing supplier?", "Do I have a high level of inertia to change?" and "Do I care about competition?".

The first three factors provide the means by which the incumbent can adopt positive actions in the strategy matrix in Figure 1 to improve its long-term equilibrium appeal. The second four factors enable it to understand how it can use negative strategies to exploit and expose the entrant's weaknesses. These negative strategies are not without some risk, however. With the advent of MCI and Sprint into the US telecommunications market, AT&T tried negative advertising suggesting that new entrants would not be able to match its technological sophistication. These campaigns backfired badly.

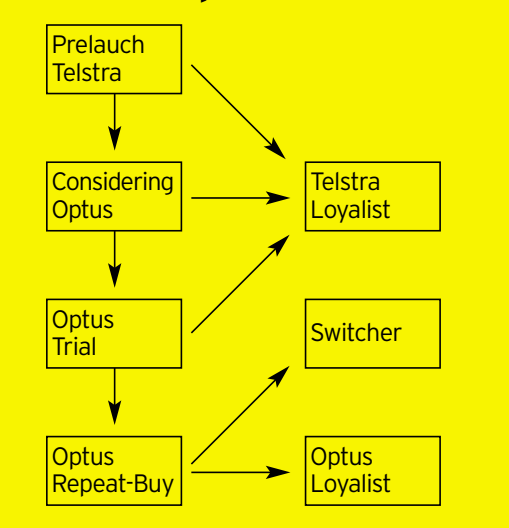
Having analysed the structure of consumer beliefs about Telstra and competition, we then looked at how these would affect consumer flow through the decision process in Figure 2, based on the two adversaries' positions on these criteria.

Consideration of the new entrant could

**FIGURE 1**  
**The defender's strategic options**

|                                       | Harness Own Strengths | Expose Entrant's Weaknesses |
|---------------------------------------|-----------------------|-----------------------------|
| Ultimate New Product Appeal           | Positive Strategies   | Negative Strategies         |
| Rate at which New Product gains Share | Inertial Strategies   | Retarding Strategies        |

**FIGURE 2**  
**Consumer adoption model**



be reduced if Telstra improved service delivery and developed a closer relationship with its customers. Consideration could also be contained if it was able to communicate that there was indeed a downside to switching carriers (particularly since Optus was not going to provide a full service offering), or if it could reduce the level of restlessness of consumers.

Pricing was critical in both trial and repeat. The most interesting point about pricing was that the price sensitivity for the incumbent was lower than the price sensitivity for the new entrant. Given that competition was likely to lead to lower prices, this was bad news for Telstra. A price decrease by Optus would be more valued than a price decrease by Telstra. If Telstra got into a price war it would be hit by a double whammy: first, its margins would be eroded and, second, even if it was able to maintain price parity or a similar price differential relative to the new entrant, it would gain a lower share as price decreased. (Of course, it does not follow that it is in the interests of the new entrant to start a price

war since its margins would also be eroded.)

### CONCLUSION

The forecasts, which came out of this prelaunch model, came to within 1 per cent of the actual market share for the first six months of the new entrant's operation. By tackling the problem of dynamic defence against a new entrant, we were able to pick up the different criteria that consumers use to evaluate both the incumbent and the new entrant. That way Telstra could compete on grounds that favoured it.

We were able to identify the real danger of a price war because of the extra margin loss, larger base to which that loss would be applied, and bigger response effect. We found out the sustainability of a defence strategy post-trial, based on the very high expectations of a new entrant.

Finally, we discovered that Telstra's service level had a dual role. First, we found that perceived service levels affected how Telstra was perceived as a company. Second, and less obviously, we found that perceptions of Optus could be

changed dramatically by changing perceptions of Telstra. Any improvements in service perceptions carried with them this double bonus.

By understanding the battleground – that is, the consumer – the incumbent can embark upon successful marketing warfare against any attacking force. Without such an understanding it is impossible for the incumbent to focus its defensive forces to areas where they will be most effective. As the Telstra versus Optus case illustrates, formally modelling the consumer adoption process can yield unexpected insights and enable management to develop a more measured and precise defensive strategy. 🔄

\* John Roberts is professor of marketing at the AGSM. To read the complete article as published in Business Strategy Review, click on to the AGSM's Web site at: [www.agsm.edu.au/marketdefence](http://www.agsm.edu.au/marketdefence).

### FOOTNOTE

1 G.L. Urban and J.R. Hauser, *Design and Marketing of New Products* (2nd edition), Prentice, Englewood Cliffs, NJ, 2003 (see chapter 17).

# Competition: the Franklins case

**Dr Shayne Gary and Jill Connell\*** discuss what drove Franklins and its owner, Dairy Farm International of Hong Kong, to exit the market in a \$US300 million managed sale.

**Shayne Gary:** What led to Franklins' shift in market position, from being the leading discount grocery retailer in the mid-1980s to its recent managed sell down?

**Jill Connell:** In the early to mid-1980s Franklins had a distinctive position in the market as the discount supermarket. The expansion in store numbers also contributed to strong sales growth. The positioning was effective because price was paramount in many people's purchasing decisions. Back then, Franklins' competitors weren't really offering fresh food to the standard most people wanted, so shoppers were used to going to the supermarket for their dry groceries and going to the greengrocer, butcher and baker for fresh foods.

The Franklins model relied on butchers, bakers, greengrocers nearby, so that it wasn't a disadvantage for Franklins to focus on dry groceries. That changed when Woolworths upgraded its stores and fresh food offer in the late 1980s. Coles also upgraded its offer.

**SG:** It seems, in retrospect, that Woolworths, and to some extent Coles by following Woolworths' lead, drove that change within the industry, so they shaped their environment with their repositioning.

**JC:** Yes, their changes tapped into the desire of many shoppers for convenience – particularly given the changing demographics over the years, with more women working, and time becoming a much more important factor in decisions for many households. The changes in supermarket offers also influenced future shoppers' expectations. At the same time, Woolworths and Coles



focused on their processes and restructured their businesses to be more cost-effective. Rather than just cost cutting, they gained real efficiencies in terms of supply chain and other business processes.

They started shaping a financial model to narrow the price gap on the items relative to Franklins whilst remaining profitable. They were also improving their shopper offers. Whilst there was still a substantial proportion of people who continued to want the Franklins offer, there was also an increasing number of shoppers who wanted to try something different.

**SG:** Now, this dynamic was happening, so Woolworths and Coles were squeezing Franklins both by expanding the product offering and also by improving their own cost structures. Somewhere along the way Franklins lost its cost advantage – its positioning was fine as long as there was a cost advantage. How did the company lose that?

**JC:** There is a legitimate position if you really have a cost advantage and Franklins did in the 1970s and 1980s. For example, shoppers would pack things in boxes themselves, there were no night fillers, and

the overheads within the central operation were minimal. What ended up happening was that doing things the way they had been done in the past, whilst many thought was the 'cheapest' way, was, in fact, no longer the most cost-effective way.

This is one of the key learnings that comes out of the Franklins experience: businesses need to keep on seeking more cost-effective ways to deliver a competitive cost advantage, and this is fundamental to survival if the business appeal to customers is based on lower prices. If businesses don't, their competitors will find an edge, and just cutting a few cents out of shoppers packing their own boxes, for example, is not going to result in a more efficient supply chain.

**SG:** So, in some ways, Franklins stood still while its rivals were making aggressive moves to bring their cost structures under control.

**JC:** Franklins did recognise the need to change, and in fact undertook a variety of significant initiatives which attempted to improve the offer to shoppers and reduce cost. Achieving change was particularly tough given that many of Franklins'

**COMPETITION STRATEGY**

Former Franklins planning director Jill Connell and the AGSM's Dr Shayne Gary.

**Sell-down at a glance**

Franklins' \$US300 million sell-down was one of the largest and most complex undertaken in Australia.

The ACCC required more than 50 per cent of Franklins' 288 stores to be sold to independents or non-major operators, and Franklins and Metcash formed the Joint Independent Divestment Alliance to facilitate the sale to independents (there were 1163 expressions of interest and 508 bids from 115 parties for 153 of the stores).

There are now two new large supermarket retailers operating on the eastern seaboard: Foodland and Pick'n Pay.

The sell-down achieved employment continuity for more than 90 per cent of Franklins' 25,000 employees.

Independents purchased 146 stores, Woolworths took 72, Coles Myer bought 35, and a small number of stores were closed.

The South African based Pick'n Pay group bought the Franklins and No Frills brands, so the Franklins name continues to be a retail icon.

employees took a lot of pride in its success as a discount grocery retailer and were reluctant to let go of what had worked in the past. There were many debates on how Franklins should move forward and retain/regain the cost advantage while meeting shoppers' changing expectations.

Many still argue that to have done things the old way was the right way to go. But it really wouldn't have stood up because Aldi is using modern approaches and processes and seems destined to usurp Franklins' low-cost position. I think this would have happened even if Franklins had stuck to the old ways.

**SG:** My impression when I read reports from industry journals about Franklins losing its cost advantage was that there was just a lack of investment in systems, in processes, in technology that would have brought down the cost structure through the value chain. Now, is that a fair statement?

**JC:** It is a statement widely voiced but, no, the reality is that after Dairy Farm bought Franklins there was a substantial amount spent on IT and various process improvements and store refurbishment; the issue was that the spend didn't necessarily deliver

the results that were needed.

**SG:** So there were implementation issues.

**JC:** Yes, and some design issues as well. However, there was certainly a recognition that the business did need to improve its systems and a lot of effort was invested to achieve improvement.

**SG:** So, Woolworths and Coles were expanding the size of their stores, going into higher margin fresh food and ready-made meals. And the decision that Franklins took at that point was to expand the size of its stores and to start carrying some of the fresh foods. What drove that decision?

**JC:** There was recognition that the consumer was changing and that to be one of the mainstream players in the market Franklins needed to cater for the needs and the desires of the shoppers.

**SG:** Was it clear at this time what level of investment would be necessary to implement this repositioning?

**JC:** Yes, it was reasonably clear what would be required, and certainly there was substantial investment in the business. The question from that is: 'Why didn't it work?' There were a number of factors in terms of ongoing competitive issues as well as a

portfolio issue for Dairy Farm, which has some enormous strengths and fantastic growth opportunities in Asia. The opportunities in Asia's growing markets are particularly attractive when compared to the mature Australian supermarket industry, where usage is close to saturation in core categories; in world terms it is relatively low growth, and is highly competitive.

**SG:** After expanding into the larger stores and stocking fresh foods, there were effectively three chains within Franklins – the No Frills, Franklins Fresh and Franklins Big Fresh. In retrospect, do you think the decision to open Franklins Fresh and Big Fresh was a management mistake, or do you think there was a long-term strategy there that could have been successful?

**JC:** I'm an optimist and would like to say that inevitably there was a way of making it work. I think the Franklins Fresh model was a good one. It did recognise what shoppers wanted. The stores were pleasant to shop in and it should have been a viable strategy, provided a supermarket can improve cost efficiencies so that price discounts can be offered profitably.

**SG:** Was it a matter of timing? If Franklins had moved three or four years earlier to expand and cover the fresh food products, could it have been more successful than it was?

**JC:** Everyone has opinions on this, and I don't think one opinion is necessarily right and another wrong. Franklins did recognise it needed to change and endeavoured to do so. I think it's easy to say it should have started changing earlier; whether that would have ended up being successful or not all depends on whether the positioning is distinctive, and is popular enough with shoppers and financially viable. I think there was a very good chance of that happening.

**SG:** How did Franklins and Dairy Farm come to the conclusion to exit?

**JC:** The competition was increasingly aggressive, the financial performance had deteriorated and there were better opportunities for Dairy Farm in Asia. So, Dairy Farm considered several exit options.

**SELL-DOWN STRATEGY**

**JC:** The options included: selling the business in its entirety; selling part of it; scaling it back and just continuing to run a small part of the business; or closing. But from a Dairy Farm shareholder point of view it was decided that the best decision in shareholders' interests was to divest Franklins.



Dairy Farm first looked at selling Franklins to an offshore party but was not able to finalise such a sale. It's now on the public record that Woolworths was interested in buying the whole business, and there is no doubt that that would have been the best outcome for everyone in the business. Everyone would have retained jobs, at least at that point in time, and it would have been the most painless way to manage it – it would have been quicker for the shareholders and things would have happened more smoothly. However, for understandable reasons, that was not going to be approved by the Australian Competition and Consumer Commission and, therefore, there were a number of negotiations that resulted in 67 stores being approved for sale to Woolworths. That was absolutely critical for the total deal to move ahead and to fund the rest of the sale.

Some stores were sold to the Coles Myer group, and a large number of stores were sold to independent retailers. Importantly, two large parcels of stores were sold to Foodland and the South African Pick'n Pay group, which enabled two new experienced, large operators to enter the eastern seaboard market. Pick'n Pay also bought the Franklins trading name.

**SG:** Now, in thinking back, what were the key differences between Woolworths' successful turnaround in the mid-1980s and early 1990s and Franklins' opportunities for a successful turnaround before the sell-down?

**JC:** I can only speculate, but I think the competitive environment now is

Importantly, two large parcels of stores were sold to Foodland and the South African Pick'n Pay group.

enormously tougher than it was in the 1980s. By the mid-1990s, Coles and Woolworths already had efficiencies of scale within dry grocery and fresh produce; they had already attracted shoppers. It would have taken time for Franklins to gain similar improvements, and although Franklins' turnover was approximately \$4 billion, it was a much smaller business than either Coles

or Woolworths – so there were inevitably some scale disadvantages. In addition, Coles' and Woolworths' businesses were continuing to improve, and Franklins needed to be more competitive on price at a time when Aldi was looking to enter the market. Clearly, the competitive environment has changed enough to make it substantially more difficult now.

**SG:** To come back to Aldi entering the market, you mentioned earlier that one of the factors that impressed upon Dairy Farm and Franklins in the market becoming more competitive was that Aldi was entering the market. In your opinion, do you think Aldi can succeed in discount dry goods and why couldn't Franklins take that position?

**JC:** I think Franklins did have a similar position many years ago, and could have introduced fresh produce in a similar way to Aldi, therefore catering for changing shopper needs whilst retaining the discount price positioning. To be profitable doing this requires a highly competitive cost structure. Franklins needed to modernise various processes and systems to improve cost-effectiveness. Interestingly, whilst being a new entrant has its own challenges, it also brings some advantages in that the infrastructure can be shaped to suit the current and future needs, whilst Franklins faced a challenging task in reshaping a large, complex infrastructure and asset base to cater for the changed marketplace.

The financial structure you set depends on your return on assets, and Franklins had already built up considerable assets, so there was a process of looking for a smarter way of managing those. And that's a dilemma that any ongoing business has – that sometimes it can be, from this perspective, easier to start up, which goes against most of the management theory that we hear. But if you're heavily asset and/or infrastructure-based it can restrain some of the options that you have or the speed at which you can move.

**SG:** So, by coming in without these existing

assets you think Aldi could put together a better business model.

**JC:** One that is different, although there's a double-edged sword to not having an established infrastructure because I suspect that Aldi has been finding it difficult to find sites, but my assumption from what I've seen is that its model is reasonably effective. I also think Aldi has recognised that in order to be competitive at the hard-discount end of the grocery market, where there is a significant price differential offered to the shopper, it really needs to ensure it has the cost efficiencies. Aldi has also found a way of delivering a very tight fresh food offer.

**SG:** Now, in thinking retrospectively, what are the lessons to be learnt?

**JC:** First, really understanding the shoppers and anticipating how they are going to think in the future. It sounds so basic, but is a reminder to focus on the changing expectations of our customers. Second, being very clear on the positioning of the business and carrying that right through every activity. If you are trying to achieve competitive advantage through a price position supported by cost-efficiency then you have to be relentless in achieving cost-effectiveness. This doesn't mean not buying an extra pencil, for example; it means doing things smarter so that through the end-to-value chain you're delivering the product to your customer at a lower overall cost than your competitors.

Sometimes using relatively sophisticated technology can help to achieve substantial cost improvements in the end-to-end process. In retail, given the cost of inventory, speeding up the flow of product through the supply chain can help drive down overall cost. Getting the advantage through cost-effectiveness supports a marketing positioning of lower price. ★

*\* Dr Shayne Gary is a senior lecturer in general management at the AGSM. He previously taught at London Business School, where he was a research fellow in decision sciences. Jill Connell (MBA Exec '00) was strategic planning director at Franklins during the managed sell-down. She joined Franklins in December 1998 to lead the non-food business unit. At press time, she had just been appointed managing director of the Jenny Craig group.*

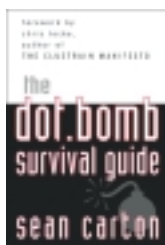
#### FOOTNOTE

<sup>1</sup> The name Franklins in this article refers to Franklins Limited, which has now exited the Australian market. None of this article relates to the currently-operating Franklins.

# books

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### THE DOT.BOMB SURVIVAL GUIDE

Sean Carton, Hardback, \$58.95 (McGraw Hill, 2002)

### SURVIVING AND THRIVING IN THE DOT COM IMPLOSION

Reviewed by professor Michael Vitale, dean

Half of the Internet companies that had initial offerings in America in 1999 and 2000 have been delisted or trade at under US\$1 per share, according to *The Economist*. This new book attempts to explain why so many dot coms performed so badly. Importantly, the book points out that the dot com boom was only the first wave of a profound change that will continue to impact all businesses for years to come. The New Economy is by no means over – it's just, as the author says, "out of beta".

One of the more surprising lessons of *The dot.bomb survival guide* is how many different ways the new companies found to fail. Some, like Pets.com, lacked a viable revenue model – it was never going to come close to generating enough income to survive. Others, like boo.com, never got its technology to work. Still others, like Webvan, burned through its resources before enough customers signed on, so neither the model nor the technology was ever truly tested. And so on – the dot bombs seem not only to have made every mistake in the book, but to have written some entirely new chapters as well. Fortunately for fans of morbid case histories,

some of those chapters ended up in this book.

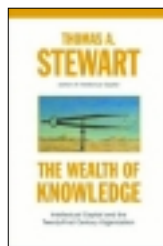
Carton aims to illustrate good practice as well as bad, and his book does include a few examples of success among the many examples of failure. The author also draws some overall conclusions, such as: "If [your] product's benefits don't outweigh the cost of the commitment necessary for your customers to use that product, it won't take off". The startling simplicity and obviousness of the lessons raises an important question – how could so many people ignore common sense and lose so much money so quickly? Carton lays much of the blame on the financial community.

Between 1990 and 1999 the amount of venture capital invested annually in the US rose almost 20-fold. Venture capitalists, terrified of missing out on the next Netscape or Yahoo!, raced to fund companies before someone else did. Given the eagerness of the stock market for IPOs, VCs hoped to earn big returns in a short time. The entire merry-go-round was built on the greater fool theory – the idea that there would always be someone willing to buy your stock. The ride couldn't last forever.

The recent \$US100 million settlement by Credit Suisse First Boston with the US Securities and Exchange Commission revealed how wildly profitable the dot.com IPOs were for CSFB (and, presumably, for other investment banks as well). CSFB's commission on shares in a hot IPO was as much as 50 times higher than its commission on ordinary shares. Through higher commissions and other schemes, CSFB kept as much as two-thirds of the stag profits earned from opening-day rises in the prices of Internet shares. From this perspective, the dot com boom looks something like the

perfect storm – a rare, self-reinforcing combination of new technology, naive entrepreneurs, cashed-up venture capitalists, aggressive investment banks and, of course, an eager group of individual investors.

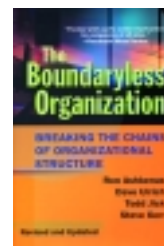
The first wave of electronic commerce prepared the way for a second wave that will consist of all the things that can be done by businesses that are now operating with a new paradigm. In the first wave, unsophisticated investors assumed that every new business would operate in the new way immediately. They failed in their investments, and businesses dependent on a steady flow of new capital failed as well. The second wave will be very different indeed, driven by solid business models, functional technology, and customer focus. The New Economy beyond its beta test will be a less exciting, but more beneficial, experience for all.



### THE WEALTH OF KNOWLEDGE

Thomas A. Stewart, Hardback, \$53.96 (Nicholas Brealey, 2002)

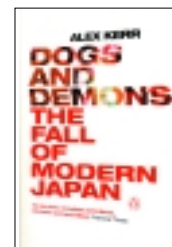
The author of *Intellectual Capital* looks at how the correct management of knowledge is the key to innovation, growth and wealth. With intellectual asset management on the corporate agenda more than ever before, this could be one of the most useful management books this year. The author has been named as one of the world's 50 most influential management thinkers by the *Financial Times* (UK).



### THE BOUNDARYLESS ORGANIZATION: BREAKING THE CHAINS OF ORGANIZATIONAL STRUCTURE

Ron Ashkenas, Dave Ulrich, Todd Jick and Steve Kerr, Hardback, \$53.06 (Jossey-Bass, 2002)

In 1995, *The Boundaryless Organization* showed companies how to sweep away the artificial obstacles – such as hierarchy, turf and geography – that get in the way of outstanding business performance. Now, in this completely revised edition, the management experts who helped General Electric create a "boundaryless" culture explain what it takes to do so in the economy of the 21st century.



### DOGS AND DEMONS: THE FALL OF MODERN JAPAN

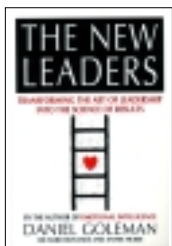
Alex Kerr, Softback, \$22.46 (Penguin Books, 2001)

A tough observation and analysis by a long-time Japan watcher, this book asks: "How did one of the world's greatest and most ancient civilisations reach the state of economic, cultural and environmental decline that defines it today?" Kerr grew up in Japan and now lives in Kyoto and Bangkok. He was educated at Yale, Oxford and Keio universities. His last book, *Lost Japan*, which was originally written in Japanese, was

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the first by a foreigner to win the Shincho Gakugei Literary Prize for non-fiction.

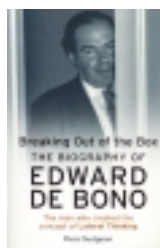


**THE NEW LEADERS:  
TRANSFORMING THE ART  
OF LEADERSHIP INTO THE  
SCIENCE OF RESULTS**

Daniel Goleman, Richard Boyatzis  
and Annie McKee, *Softback*,  
\$26.96 (Little, Brown, 2002)

This book explores the consequences of emotional intelligence for leaders and organisations.

Drawing from decades of analysis within world-class organisations, Daniel Goleman (author of the international bestseller *Emotional Intelligence*), Boyatzis and McKee argue that a leader's emotions must resonate energy and enthusiasm if an organisation is to thrive. Goleman is a psychologist who has been a visiting faculty member at Harvard University and whose writing has received two Pulitzer Prize nominations. Richard Boyatzis is professor of organisational behaviour at the Weatherhead School of Management at Case Western Reserve University. Anne McKee serves on the faculty of the University of Pennsylvania Graduate School of Education and has taught on the Wharton School's MBA program.



**BREAKING OUT OF THE  
BOX: THE BIOGRAPHY OF  
EDWARD DE BONO**

Piers Dudgeon,  
*Softback*, \$20.66  
(Headline Book  
Publishing, 2001)

This biography of the man who created the concept of lateral thinking underlines the continuing critical importance of de Bono's thinking, and is packed with descriptions of his ideas. ★

**HOW TO ORDER:**

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Delivery in Australia is \$8.80 for the first book, \$3 for each additional book. Overseas delivery is \$20 for the first book, \$5 for every additional book. All orders are despatched within 48 hours.

# publications & papers

PUBLISHED WORK AND RESEARCH PRESENTATIONS

**BOOK CHAPTERS**

**Julie Cogin** (adjunct faculty), 'Understanding human behaviour and group dynamics', in *Leading through Practice: Challenges, Strategies and Progress*, MacLennan and Petty, Sydney, May 2002.  
Joseph W. McKean and professor **Simon Sheather**, 'Statistics, nonparametric', in *Encyclopedia of Physical Sciences and Technology* (3rd ed.), vol. 15, pp. 891-914, 2002.  
Associate professor **Sharon Parker**, 'Designing jobs that enhance employee well-being and effectiveness', in P.B. Warr (ed.), *Psychology at Work* (5th edition), Penguin, 2002; and with N. Turner, 'Work design and individual job performance: research findings and an agenda for future inquiry', in S. Sonnentag (ed.), *Psychological Management of Individual Performance: A Handbook in the Psychology of Management in Organizations*, pp. 69-94, John Wiley & Sons, Chichester, UK, 2002.

**JOURNAL PUBLICATIONS**

Professor **Eddie Anderson** and A. B. Philpott, 'Optimal offer construction in electricity markets', *Mathematics of Operations Research*, vol.

27, pp. 82-100, 2002.  
Michael J. Houston and Dr **Giana Eckhardt**, 'Culture's consequences on consumer behaviour toward food in Asia', *Asian Journal of Marketing*, special millennium issue, 8 (2), pp. 33-54, 2001; and (with Michael J. Houston), 'Cultural paradoxes reflected in brands: McDonald's in Shanghai, China', *Journal of International Marketing*, special issue on global branding, 10 (2), pp. 68-82, 2002.

Professor **Robert Marks**, 'Direct and derived policies: illicit drug use and greenhouse gas emissions in Australia', *Journal of Comparative Policy Analysis: Research and Practice*, 4 (1), pp. 51-74, March 2002.

PhD candidate **Doan Hoang Cau Thai** and R.J. Kaye (UNSW), 'Evolutionary optimisation method for multistorage hydrothermal scheduling' in *IEE Proceedings - Generation, Transmission and Distribution*, vol. 149, issue 2, pp. 152-156, March 2002.

**MONOGRAPHS**

PhD candidate **Kathleen Walsh**, co-authored with David Allen (Edith Cowan University), Gary

MacDonald (Curtin University) and David Walsh (Barclays Global Investors), 'Using regression techniques to estimate futures hedge ratios, some results from alternative approaches applied to Australian 10-year treasury bond futures', in J.A. Batten and T.A. Fetherson (eds), *Financial Risk and Financial Risk Management*, RIBF series, Elsevier Science, vol. 16, pp. 189-214, April 2002.

**CONFERENCE PRESENTATIONS**

Dr **Markus Groth**, 'Customer citizenship behaviour on the Internet: scale development and validation' and (with J.B. Fallon, S.W. Gilliland and J. Ferreter), 'The development of the Applicant Reactions Scales (ARS)', presented at the 17th annual meeting of the Society for Industrial and Organizational Psychology, Toronto, Canada, April 2002.

Dr **Giana Eckhardt** and Michael J. Houston, 'Cultural psychology and its significance to consumer research', Association for Consumer Research Asia-Pacific Conference, Beijing, China, May 2002.

Professor **Robert Marks**, David Midgley and Lee Cooper, 'Endogenizing the actions of artificial brand managers', presented at the first Lake Arrowhead Conference on Computational Social Science and Social Complexity: Agent-Based Modeling in the Social Sciences, (invited), UCLA, 9-12 May 2000.

PhD candidate **Anthony Vlastic** and professor **Philip Yetton**, 'Delivering successful projects: the evolution of practice at Lend Lease (Australia)', presented at the 16th International Project Management Association World Congress, Berlin, 4-6 June 2002.

**CONFERENCE PROCEEDINGS**

PhD candidate **Catriona Wallace**, 'Computer technology providing leadership and its effects on teams and subordinates in call centers', in conference proceedings for 'Call Centres And Beyond', Kings College, London, 6 November 2001. ★

# faculty news

## Outstanding research

Professor **Robert Kohn** has been elected a fellow of the US-based Institute of Mathematical Statistics in recognition of his outstanding research in statistical methodology. Kohn has made fundamental contributions in the fields of time series analysis, non-parametric regression and Bayesian computation. His work has important applications in the fields of marketing and finance.

## Going global

Professor **John Roberts** has been appointed an academic trustee of the US-based Marketing Science Institute (MSI) and a member of the board of academic advisers of the US-based online Marketing Research Network (MKTG).

At the MSI, his appointment as academic trustee recognises his international stature in the field of marketing. MSI has about 70 business sponsors, many of which are global household names. More than 100 marketing academics worldwide are engaged in research projects for MSI's sponsor organisations and its working paper series includes more than 500 titles.

His appointment with MKTG is an advisory role for an organisation that provides Internet access to the latest working papers, journal articles and announcements to professionals in the marketing community.

## Ranked in top five

A study of the finance research productivity of 97 universities in Asia-Pacific has ranked **Tom Smith**, AGSM professor of finance and accounting, in the top five of university finance authors. The study, published in the *Pacific-Basin Finance Journal*, examined 17 leading finance journals in the decade of the 1990s to rank research productivity.

"The AGSM has an outstanding faculty in the accounting and finance disciplines and any of us would have made the top rankings if the data hadn't been limited to the 1990s," Smith says.

In addition, if the study's data had concentrated on the elite finance journals, Smith may have been ranked the top author in Asia-Pacific.

The study, *Research productivity of the finance profession in the Asia-Pacific region*, proposed that "research productivity ranking provides information on the research quality of a finance program", and that "the top Asia-Pacific finance programs are comparable with major state and private universities in the US".

## Economics leadership

Professor **Robert Marks** was invited to attend the first Lake Arrowhead Conference on Agent-Based Modeling in the Social Sciences, held at the UCLA conference centre in the San Gabriel Mountains east of Los Angeles in early May, where participants paid tribute to him as one of two pioneers in the use of agent-based simulation modelling in economics (the other was John Miller from Carnegie Mellon University).

## Competition policy and legal practice

Together with **Paul Martin** (lecturer in law and innovation at the AGSM) and Dr **Miriam Verbeck**, an AGSM MBA and PhD graduate, professor **Robert Marks** was commissioned by the Law Council of New South Wales to undertake work seeking evidence of the impact on New South Wales and Victorian solicitors' practices of changes in the regulation of the profession, partly as a consequence of national competition policy. Using data from ABS surveys over the past 15 years and from the Law

**BEST IN CLASS** John Lyon, professor of finance and accounting, has won the Alumni Teaching Award for 2002. This alumni initiative was established to encourage and reward an outstanding level of teaching. Each year one faculty member receives the \$3000 award, resulting from a vote by students in the full-time and part-time programs. Eligible faculty must teach both MBA and MBA (Executive) courses.



Professor John Lyon accepts the 2002 teaching award.

Society itself, they found clear evidence of the reduction in importance of conveyancing, as well as evidence of the tendency of small practices, especially in metropolitan suburbs and in country towns, to disappear through retirement or amalgamation.

The study included surveys to forecast directions in legal service demand and supply in Australia in the next few years. The study has been published by the Law Society under the title, 'National Competition Policy: A discussion paper', March 2002.

## New marketing faculty

**Julien Cayla** joins the AGSM in July as a lecturer in marketing. Julien earned an MBA at the Indiana University of Pennsylvania and a Bachelor of Arts (Marketing) at the Institut Commercial de Nancy in France, and he is currently completing his PhD at the University of Colorado in the US. He has won numerous scholarships for his studies in the US and has presented his research work at several conferences in the US and Europe. Cayla's thesis is an ethnographic study of the advertising agency's role in mediating the cultural learning and adaptation of multinational corporations, with an emphasis on multinational corporations in India.

In September, the AGSM will welcome distinguished professor **Murali Chandrashekar** to its faculty as a professor of marketing. Chandrashekar is a highly accomplished scholar from the University of Cincinnati where he has been, among other roles, the Ronald J. Dornoff Fellow of Teaching Excellence and Research Fellow of the College of Business Administration. Chandrashekar holds a PhD in marketing from Arizona State University and a BTech in electrical engineering from the Indian Institute of Technology (Madras). His recent research work has brought together advanced statistical techniques and marketing data on consumer behaviour. His work has provided improved efficiency in sampling methods for market research.

**Kristin Rotte** will also join the AGSM's marketing faculty in September, as a lecturer. She has a BSBA in marketing from Xavier University in the US, and is completing her PhD at the University of Cincinnati. Before undertaking doctoral studies she worked as a marketing manager in the US for Fidelity Investments. Kristin's research has focused on the migration of customers across service platforms or channels. ✪

## NEW FORMAT

We have simplified the *Bush Telegraph* format, listing your news under program and year, starting with the degree programs, MBA and MBA (Executive), followed by the graduate diplomas, management certificates, PhD program and shorter premium certificates. *Bush Telegraph* is no longer split into AGSM, UNSW and USyd groups because students and graduates, past and present, are all part of the amalgamated, enriched AGSM community (it is now more than three years since the AGSM merged with the University of Sydney's Graduate School of Business).

### MBA

## 2001

Recent graduate **Praveen Goyal** was snatched up by Australian Campus Network, where he has taken on the challenge of launching the La Trobe University business degrees and diplomas in Sydney and Brisbane. Contact: [pg@auscampus.net](mailto:pg@auscampus.net). The La Trobe programs are licensed to Australian Campus Network, which was founded by **Alyson Moore (MBA '89)** following the growth of the Australian College of English which she has managed for 10 years. Alyson now lives in the Hunter Valley with her husband and three daughters; she commutes weekly to Sydney to operate the two businesses. Contact: [agtm@ace.edu.au](mailto:agtm@ace.edu.au).

**Greg Harradine** has joined Noel Arnold and Associates as state manager. Contact: [greg.harradine@noel-arnold.com.au](mailto:greg.harradine@noel-arnold.com.au), Tel: (02) 9889 1800.

**Christa Thoma** reports she is working as a consultant at HPO Management Consultants in Zurich, Switzerland. Contact: [ct@hpo.ch](mailto:ct@hpo.ch), Tel: (+41 1) 787 6000.

## 2000

**Markus Alleman** reports: "We are still residing in Chicago and I got married to my long-term love Maria Rodriguez in June 2001. Last September we became proud parents of twins, Nico Yanni and Selena Ines, who are well and growing quickly. Visit our family Web site: [www.theallemanns.com](http://www.theallemanns.com). I have been promoted to director of product engineering for Dremel

Rotary Tools (subsidiary of Bosch Power Tools)." Contact: [markus\\_alleman@sbpt.com](mailto:markus_alleman@sbpt.com).

**Deba Das** is now happily married to Heena; the ceremony took place at Bhubaneswar in India last December. Contact: [debasish.das@cummins.com](mailto:debasish.das@cummins.com).

**Jong-Duk Choi** has been appointed president of Sims Valley Co and is now living in Kangnamku in Seoul, South Korea. Contact: [jdchoi@simsvalley.com](mailto:jdchoi@simsvalley.com), Tel: (+82 2) 3413 5934.

**David Gati** has moved to Brisbane, where he has been appointed managing director of System77 Qld. Contact: [david@qld.77systems.com.au](mailto:david@qld.77systems.com.au), Tel: (07) 3367 3773.

**Dave Mackinnon** has joined Alcon Laboratories Australia as technical services manager. Contact: [dave.mackinnon@alconlabs.com](mailto:dave.mackinnon@alconlabs.com).

**William Wang** reports from Shanghai, China that he has been appointed managing director of e-Tao Systems. Tel: (+86 21) 5481 0339.

## 1999

**James Albis** formed New York-based management consulting firm Everest Worldwide Inc. in April 2000. Everest Worldwide provides analysis, advice and "momentum" for companies. Everest targets mid-cap clients, which are often too small for major consulting firms. It provides Australian companies strategic advice for US market entry and also advises US companies seeking expansion into Australia. The company hopes to create greater synergies between the US and Australia. Contact: [jpalbis@hotmail.com](mailto:jpalbis@hotmail.com).

After graduating in 1999, **Michael Jacobsen** worked in direct marketing for two years before moving back to Adelaide in February last year, where he started work for All Exclusive Homes in residential sales. In February this year, Michael moved to Longridge Sarah Housing Group in the residential division as a sales consultant. Michael and his wife Jennifer were married in Sydney in August 1999. "We now live in the beachside suburb of Grange in Adelaide and would love to get in contact with any alumni in Adelaide and any of my class, wherever they are!"

## 1998

**Hans Norved** says he has always had a passion for small business and has now started his own – providing business coaching services. "Owning a business is supposed to give you a better lifestyle, but far too many people go into business and instead of them running the business, the business ends up running their lives," says Hans. "Add to that the fact that the failure rate of businesses is 80 per cent in the first few years of operation and owning a business does not sound like too much fun." Hans wants to change that for his clients: "I will not only be sharing my business knowledge but the proven system of Action International – an Australian originated and now worldwide business coaching network. There is a high demand for business coaching and I aim to have a team of five coaches by mid 2003.

**Jens Uhlig** has been promoted to principal consultant at

PricewaterhouseCoopers in Frankfurt, Germany. Contact: [jens.uhlig@de.pwcglobal.com](mailto:jens.uhlig@de.pwcglobal.com), Tel: (+49 69) 5976 8200.

## 1997

**Derek Woodhouse** is now working as director, Wireless Business Solutions International. Contact: [derek.woodhouse@wbsintl.com](mailto:derek.woodhouse@wbsintl.com), Tel: (08) 9315 2266.

**Mark Dodson** has moved to Westpac Banking Corporation as a consultant. Contact: [markdodson@westpac.com.au](mailto:markdodson@westpac.com.au), Tel: (02) 9216 0315.

## 1996

**Ian Mead** has taken up a new position as manager, financial strategy with Sydney Airports Corporation. Ian's wife Colette is managing the Medically Supervised Injecting Centre at Kings Cross under the directorship of another AGSM alumni, **Ingrid van Beek (MBA '87)**.

**Raquelle Zuzarte** has moved from the role of senior product manager to a new sales management position at Janssen-Cilag, the pharmaceutical arm of Johnson & Johnson. Raquelle is engaged to Suso Balanza and the pair will wed in Valencia, Spain, in November. Inspired by Spain, Raquelle recently completed a short-film project with **Ian Littler (MBA '97)** about the running of the bulls in Pamplona and bringing this tradition to Sydney – the title of this film is simply "Pure Bull".

**Simon Allen** reports from San Francisco that he is now vice-president at SkyePharma. Tel: (+1 212) 753 5780.

**Pramod Vijayasankar** has been promoted to assistant director at

ANZ Investment Bank in Singapore. Contact: [pvijaya@anz.com](mailto:pvijaya@anz.com). Tel: (+65) 6539 6113.

## 1995

**John Rotenstein** and his wife Jackie “had a bouncing (and dribbling!) baby boy, Elliot, on 27 November 2001”. Photos typical of John’s humour can be found at [www.balgara.com/ej](http://www.balgara.com/ej). John is now working at NRMA Insurance, where he occasionally sees **Russell Hoore (MBA ’95)** “realigning the NRMA’s strategic directions”.

**Soon Teik Oon** has taken a six-month break to travel in China. At press time he was in Changzhou, Jiangsu province. If you’d like some survival tips on travelling in China, contact Soon Teik at: [jost@relay2.jaring.my](mailto:jost@relay2.jaring.my).

## 1994

**Winston Chen** has left Logica Consulting (which he joined after Accenture), and is in the process of starting his own company. In the meantime Winston is doing contract work on strategy-type assignments; one of his current clients is IMA, the personal insurance arm of NRMA. Winston is married to Wai Yee Chen, an investment adviser with Challenger First-Pacific (previously CS First Boston), and they have had a baby girl, Olivia.

**Peter Hugh** is pleased to announce the arrival of his first child, Gerry Andrew Hugh, born on 14 March 2002. Mother and baby (and father) are doing well!

## 1993

**Katharine Seymour** is delighted to announce the arrival of daughter, Claudia Jane Leonard, on 15 February 2002. She took a very short maternity leave, returning to Schroders in mid-April.

**Jarrod Smith** has left Westpac and is now with Homeloans as

finance director. Contact: [jarrod.smith@homeloans.com.au](mailto:jarrod.smith@homeloans.com.au). Tel: (02) 9223 2122.

## 1992

**Kieran Duck** has left the Boston Consulting Group to start his own consulting practice. Springboard management group “focuses on breaking down organisational molasses to deliver leaps in performance”. Kieran has also sold up in Balmain and moved out to Cabarita to give the twins a bit more space to run around.

## 1991

**Paul Couvret** reports he has moved to Raytheon Australia as segment activation manager. Contact: [pcouvret@raytheon.com.au](mailto:pcouvret@raytheon.com.au). Tel: 0409 771 115.

In Singapore, **Singat Lim** is working for JM Sassoon & Co as a senior manager. Contact: (+65) 6538 0290.

**Lee De Vryer** married Melissa Smith on 13 April in Melbourne. Lee is vice-president, strategy and business development for BHP Steel and Melissa runs her family’s golf business. They met six years ago when they both worked at Boston Consulting Group. **Craig Mahony (MBA ’91)** was best man.

## 1990

**Peter Wallace** and his wife Kathie are pleased to announce the birth of Joseph Charles. Joseph is their third child, joining Hugh (three) and Lewis (two). Peter is an executive director of the Australasian Media and Communications Fund.

**Michael Lindsay** has joined RFC Corporate Finance in Sydney, working with alumni **Rob Adamson (MBA ’89)** and **Geoff Hiller (MBA ’94)**. He was recently awarded the New South Wales Dux Prize of the Corporate Governance Course by the Chartered Secretaries of Australia.

**Nalin Wickramasinghe** has joined Integral Energy as sales manager, energy consulting services. Contact: [wickran@integral.com.au](mailto:wickran@integral.com.au). Tel: (02) 9853 6944.

## 1989

**Charles Ulm** has been promoted to director of marketing at Aircservices Australia. Contact: [charles.ulm@airservices.gov.au](mailto:charles.ulm@airservices.gov.au).

## 1988

**Mark Lockie** has been appointed director of sport and physical recreation at the University of Melbourne. In his previous position as manager, sport services with the Australian Olympic Committee, Mark was responsible for the AOC’s funding programs to the Olympic sports, and assisted with its preparation programs. He was appointed assistant director of administration of the 2000 Australian Olympic Team, and his career highlight was the opportunity to march with the Australian team in the Sydney Olympics’ opening ceremony. At the University of Melbourne he is responsible for the management of sport and recreation facilities and programs, and assists in the development of the university’s 50 affiliated sports clubs.

**Steve Talbot** is metro Sydney’s first Community Bank boss at Galston (see story, page 31). Contact: [steve.talbot@bendigobank.com.au](mailto:steve.talbot@bendigobank.com.au).

## 1987

**Noel Corkery** has been elected national president of the Australian Institute of Landscape Architects (AILA) for a two-year term. AILA is the professional organisation of landscape architects throughout Australia with more than 1000 members. It is committed to maintaining the professional standard of landscape architects through initiatives such as a registration

program, accreditation of university landscape architecture programs, continuing professional development, publications, national design awards and conferences.

Noel represents AILA on the board of the Australian Council of Building Design Professionals, which includes the professional organisations of architects, engineers, planners and quantity surveyors, as well as AILA. He is a principal and registered landscape architect in the North Sydney office of URS, which is an international environmental planning and engineering consultancy.

**Morrison Carter** was recently promoted to president and CEO of Beckett Gas, Inc. The company is a combustion engineering and manufacturing business that serves manufacturers of residential and commercial gas combustion and heating systems across the US, Canada, Australia and New Zealand. Beckett Gas has plans to double its size over the next five years and is always open to new opportunities in its target markets. The company is privately held with 230 employees and is located 25 minutes from Cleveland, Ohio. Morrison’s wife Kirsten runs her own interior design business. They live with their five children in semi-rural Avon, Ohio. Morrison is always glad to offer classmates passing through with accommodation and a night on the town. Contact: [mcarter@beckettcorp.com](mailto:mcarter@beckettcorp.com).

## 1986

In Jakarta, Indonesia, **Frans Wiantono** is now a director of PricewaterhouseCoopers FAS. Contact: [frans.wiantono@id.pwcglobal.com](mailto:frans.wiantono@id.pwcglobal.com). Tel: (+62 21) 521 2901.

## 1984

**Scott Lee** took to the Indian Ocean and Timor Sea in the 2002

Bankwest Freo to Darwin Splash series of races in June. The Splash raises money for charities in Perth and Darwin through United Way. Watch this space for an update on the event results.

## 1981

**Frances Cowell** has recently had a book published: *Practical Quantitative Investment Management with Derivatives* (Palgrave: London). Frances lives in Paris and since 1998 has worked for Vestek-Quantec, a subsidiary of Thomson Financial. Frances previously worked with the quantitative investments team at Natwest Investment Management in Sydney. Her book will be released in the US later in the year.

## 1979

**Ingrid Jackson** is now consulting with the Commonwealth Bank in the corporate reputation area and is also involved in reviewing the bank structure in line with Elliot Jacques' Stratified Systems Theory.

### MBA (EXECUTIVE)

## 2000

**Craig Boyle** has been accepted as a legatee to Sydney Legacy. Craig says: "Legacy provides care for dependants of deceased Australian War Veterans and service personnel killed on hazardous service or in training accidents; in my youth I was a recipient of assistance from Legacy and see this as an opportunity to give something back to the organisation." Legatees are volunteers and provide assistance to dependants of war veterans and are instrumental in fundraising efforts for the annual Legacy badge day in September.

**Geoff Willett** has moved to ComOps as general manager, professional services. Contact: [gwillett@comops.com.au](mailto:gwillett@comops.com.au), Tel: (02) 9923 8000.

**Peter Hildebrandt** has been promoted from senior accounts manager at Robert Bosch (Australia) to director, Robert Bosch Corporation. Contact: [peter.hildebrandt@us.bosch.com](mailto:peter.hildebrandt@us.bosch.com), Tel: (+1 248) 848 6885.

## 1999

**Jennilyn Noack** has taken up the position of general manager, human resources at the Zoological Parks Board of New South Wales.

**Trevor Cook** is Telstra Corporation's general manager, finance. Contact: [trevor.cook@team.telstra.com](mailto:trevor.cook@team.telstra.com), Tel: (03) 9634 6199.

**Mark Dowd** has left Rockmans Stores to work for Forestknoll Technologies as director of business development. Contact: [markdowd@forestknoll.com](mailto:markdowd@forestknoll.com).

## 1998

**Frank Choy** and wife Janelle are proud and happy parents of baby daughter Elysse who arrived on 9 February 2002. Life after baby makes academic study seem almost a breeze considering one doesn't normally get out of bed in the middle of the night to do MBA assignments.

**Anna Borzi** is the new regional head, financial services, for HSBC Securities (Asia) in Hong Kong. Anna was a prominent banker in Australia for many years, serving as a CEO, senior executive and non-executive director in some of the country's largest financial institutions. She founded the Australian Securitisation Forum in 1989.

**Steven Di Pietro** is working in Scottsdale in the US with Macquarie Bank, where he is the US business development manager. Contact: [steven.di.pietro@macquarie.com.au](mailto:steven.di.pietro@macquarie.com.au), Tel: (+1 480) 650 7128.

**Simon Green** is now CRM strategist with DDB Rapp Collins Australia. Tel: (02) 9923 0226.

**Jon Short** has moved from finance manager at Minter Ellison Lawyers to executive manager at Moray & Agnew Lawyers. Contact: [jshort@moray.com.au](mailto:jshort@moray.com.au), Tel: (02) 9234 4636.

**Lex Trotman** is now business development manager for Thales Training & Simulation. Contact: [lex@thales-tts.com.au](mailto:lex@thales-tts.com.au), Tel: (02) 9562 2718.

## 1997

**David Chen** has a new baby girl, Rachel, born on 18 February 2002.

In Hong Kong, **Tung Tsang** has moved to Hong Kong and Shanghai Banking Corp as an assistant project manager. Contact: [lautungtsang@hsbc.com.hk](mailto:lautungtsang@hsbc.com.hk), Tel: (+852) 2822 1643.

## 1996

**Golda Munro** has finally moved back to South Australia, which she has been threatening to do since finishing her MBA (Executive) in 1996. She is currently employed as the IT project manager for the Office of Director of Public Prosecutions in South Australia, where the team is developing an Integrated Justice System. Golda says she is enjoying the change in lifestyle and the fun of learning about criminal justice. "It's a change from the hustle of Sydney and the perils of workers compensation," says Golda.

## 1994

**Geoff Walker** reports he has been working in London for three years and is now with GlaxoSmithKline at its corporate headquarters in Brentford (near Chiswick). He is responsible for global logistics in the consumer healthcare division. Contact: [geoff.b.walker@gsk.com](mailto:geoff.b.walker@gsk.com).

### GDM

## 1999

**James Ilett** and **Eliza Budniak** (MBA Exec '99) are pleased to announce the arrival of their first child, Sebastian, born January 2002. "When he is ready to pursue postgraduate business studies in about 2032, mum and dad will hold the AGSM to their promise of a family discount!"

## 1997

**Gary Keen** has left Smorgon ARC and is now chief financial officer at Bounty Limited. Contact: [garyk@bountylimited.com](mailto:garyk@bountylimited.com).

### GCM/GMQ

## 1999

**James Liang** is working as area manager at Philips' central China regional office, having been granted a working visa from the local government. James says he

is willing to make every effort to support AGSM alumni who are planning to work, visit or invest in China. Contact:

**James I. Liang** at [philips.com](mailto:james.i.liang@philips.com), Tel: (+86 27) 8571 2420.

**Paul Thomson** has moved to Western Australia as a management consultant for Netpaver. Tel: (08) 9342 1291.

## 1994

**Simon Andrews** reports that he is now deputy director of patrol boat and hydrographic capability, Defence Personnel Executives, Royal Australian Navy.

## 1993

**Bruce Bailey** now works for Clinical Waste Australia as general manager. Contact: [bbailey@clinicalwasteaustralia.com.au](mailto:bbailey@clinicalwasteaustralia.com.au), Tel: (02) 9748 4552.

### GDBA

## 1997

**Ike Yun** reports from Seoul, South Korea that he is now working as a manager for Tiger Pools Internet Inc. Tel: (+82 2) 3469 0858.

### SMDP/DPM

## 2000

**Brent Williams** is now working as executive officer for the Bushfires Council of the Northern Territory. Contact: [brent.williams@nt.gov.au](mailto:brent.williams@nt.gov.au), Tel: (08) 8922 0832.

## 1996

**Neil Butler** is no longer chief executive of Meat and Livestock Australia, having left to work for Consolidated Meat Group as general manager, sales and marketing. Contact: [neil.butler@cmgbeef.com](mailto:neil.butler@cmgbeef.com). ★

Sincere apologies to **Praveen Goyal** and **Richard Jackson** (MBA '00), whose news we mixed up in Issue 1, 2002. It is Richard who married Wendy on 6 December last year at Yallingup.

# alumni at large

THE AGSM ALUMNI BULLETIN BOARD



## SINGAPORE STYLE

**Samantha Mark (MBA Exec '00)** and **Manikavadivale Kumaran (MBA Exec '01)** celebrate the establishment of the Singapore alumni branch at a joint dinner with Melbourne Business School alumni in the Lion City.



## MBA CLASS OF 1994 REUNION

Christmas cheer brought colleagues together from around Australia. Front row (from left) are: Tim Peppard, Phil Stockwell, Con Prassopoulos, John Begin, Paul San Miguel, Steve Stuart, Frank Cassells, Sue Strudwick, Norm Chapman, Direk Utharntharm and David Marquard. Back row (from left) are: Sven Banton, Cris Besser, Naveen Aurora, Victoria Geddes, Teri Mrena and John Barrington.

## Embracing education

**Brian Salter (MBA Exec '98)** takes the reins as CEO of the Securities Institute of Australia. Brian says his new post is the achievement of an ambition that took hold while he was a student: "When I did my degree I developed a hankering for some sort of continued involvement in business education," he says.

The SIA provides education, fosters ethical and effective markets and advocates high levels of professional conduct in the securities and financial services industry.

After a successful career in banking and financial services, Brian believes the MBA (Exec) perfectly suits his new job. "It's great to bring a background of practical experience to an education role," he says.

## Tribute to 25 years

Foundation class member **Richard Fethers (MBA '78)** couldn't make the AGSM's 25th anniversary dinner because he was busy restructuring AOL Time Warner's supply chain. He says it can feel strange to read about his work in the business press: "... several of the projects I've worked on hit the *Wall Street Journal* the next day". He is now awaiting his next assignment as an external consultant with AOL.

"My warmest regards to those of Year 1 of the AGSM. It was a great honour to have gone through those first two years," he says. "I would love to catch up with all of my class."

Richard and his wife and daughter live in Lake Oswego, a suburb of Portland, Oregon. They are currently contemplating a return to Australia.

## Community banking

**When Steve Talbot (MBA '88)** became metro Sydney's first Community Bank manager, he put his money where his job is. Steve joined local residents and businesses who invested more than \$800,000 in Galston Financial Services, which owns and operates the franchise.

Bendigo Bank is the franchisor and pioneer of Community Bank. Others have tried franchising to individuals, but the Bendigo model is based on community ownership.

"The idea was initially aimed at country towns that had lost all their banking services," says Community

Bank head Russell Jenkins. "Amazingly, the second community to approach us was a suburban Melbourne site, not unlike Galston."

Having spent 22 years with Westpac, Steve says the big banks' increasing focus on sharemarket valuation has created a niche for community banks. "The biggies encourage people not to come in and do business," he says. "They want you to bank on the Net, use teller machines or bank over the phones."

The Galston branch opened on 24 March and at the end of May had \$12 million in loans and deposits. Steve plans for the branch to ultimately attract \$90 million in loans and deposits. ★

**BUILDING A NICHE:** Steve Talbot



PHOTOGRAPH: FIONA MORRIS, HILLS NEWS

# TECHNOLOGY UNDER SCRUTINY

Patrick Crooks\* takes a look at the question mark being placed over the value of technology.

A recent accusation that technology has single-handedly ruined the world economy has sparked a lot of discussion over the true value that technology delivers. This debate is certainly not new. Sometimes referred to as the “productivity paradox”, it questions the relationship between national productivity and investment in technology. We can either get bogged down in the difficult measurement issues within this relationship, or focus our attentions on that which we can influence – management of technology and expectations.

The end-point, in my belief, is that generalisations about technology are largely to blame for a perception that technology is not delivering on its promise. There are some basic and specific principles that are being ignored in the executive management of technology-enabled businesses. Technology has been made the prime suspect when, at most, it should stand accused of aiding and abetting project and corporate failure.

## VISION WITHOUT ACTION IS A PIPEDREAM

A good technology implementation will not, necessarily, make your business plan work. It is interesting to note that mergers and acquisitions have about as poor a track record as the successful implementation of new technology, with more than 70 per cent failing to achieve desired results. A lack of focus on how to implement a vision, insufficient post-vision sponsorship and poor execution of change processes are not just evident in technology-related projects.

It is difficult to communicate desired outcomes in a simple way without setting expectations that are underpinned by complex assumptions. Managers should not shy away from the realities of implementation (human, strategic and technological), particularly when these realities don't serve their cause. We need to understand them, communicate them properly and manage them pragmatically.



PATRICK CROOKS

Turning vision into a reality requires a strong execution focus. It is too easy to get lulled into a sense of achievement by simply initiating a project to implement a desired result. This is the equivalent of taking a drug in the hope that it will cure heart disease which, of course, it will not. It needs a lifestyle change that requires a change in diet, lots of exercise and probably a change in work patterns. Too often we sit back, take the miracle drug of technology, and consequently don't do our part in helping it succeed.

## ACTION WITHOUT VISION IS A NIGHTMARE

A recent survey<sup>1</sup> showed that 76 per cent of technology-related projects are initiated because of competitive pressure. Not all actions taken by our competitors are necessarily right for us. If technology is implemented for technology's sake, two things happen. First, the desired outcomes are narrowly and inappropriately defined in terms of technology rather than the business strategy – because the focus is on the tool rather than the required solution. Second, there may have been a better way of getting to the outcome, which we may have missed because we broke a fundamental rule – “diagnose and then prescribe”. Put in the context of ROI, this means that we are probably over-investing in something that will not maximise returns.

Where businesses have a high dependence on technology, this could

prove fatal. In how many of the so-called ‘dot bombs’ was technology delivery to blame as opposed to the underlying business strategy? Very few, I would think.

## SUCCESS REQUIRES PARTNERSHIP

A new delivery model is required between technology and business. Old models either focus on consulting to business to give a theoretical solution that can never be practically implemented, or the suppliers themselves focus too heavily on product or technology delivery and miss the main objective for the implementation.

Business and suppliers need to work as a team with a relentless focus on achieving the business strategy. Suppliers must act as partners. New supplier models will require the sharing of material financial risk and accountability on outcome delivery. Suppliers need to move away from being rewarded for selling technology, and work more closely with businesses to enable their strategy, using technology as one of the components. Of course, delivery rigour is a prerequisite.

Businesses need to select providers that understand their business from top to bottom, and allow them the opportunity to develop pragmatic solutions that are tailor-made for the business constraints in which they operate. Managers need to understand the risks associated with any solution, and work diligently and actively to mitigate these at every step of the way.

If suppliers and executives take accountability for delivering an holistic and pragmatic solution to a well-thought-out business plan, there will hopefully be no blame to apportion. ☺

*\* Patrick Crooks is one of the founding members of IT and business process specialist, the IQ Business Group, and was previously responsible for IQ Australia. Patrick consults and lectures on the topic of IT-enabled business strategy.*

## FOOTNOTE

<sup>1</sup> Charles Holms, ‘Identifying Productivity-Driven IT Projects’, a Forrester Techstrategy™ report, March 2002.