

25 BRILLIANT YEARS

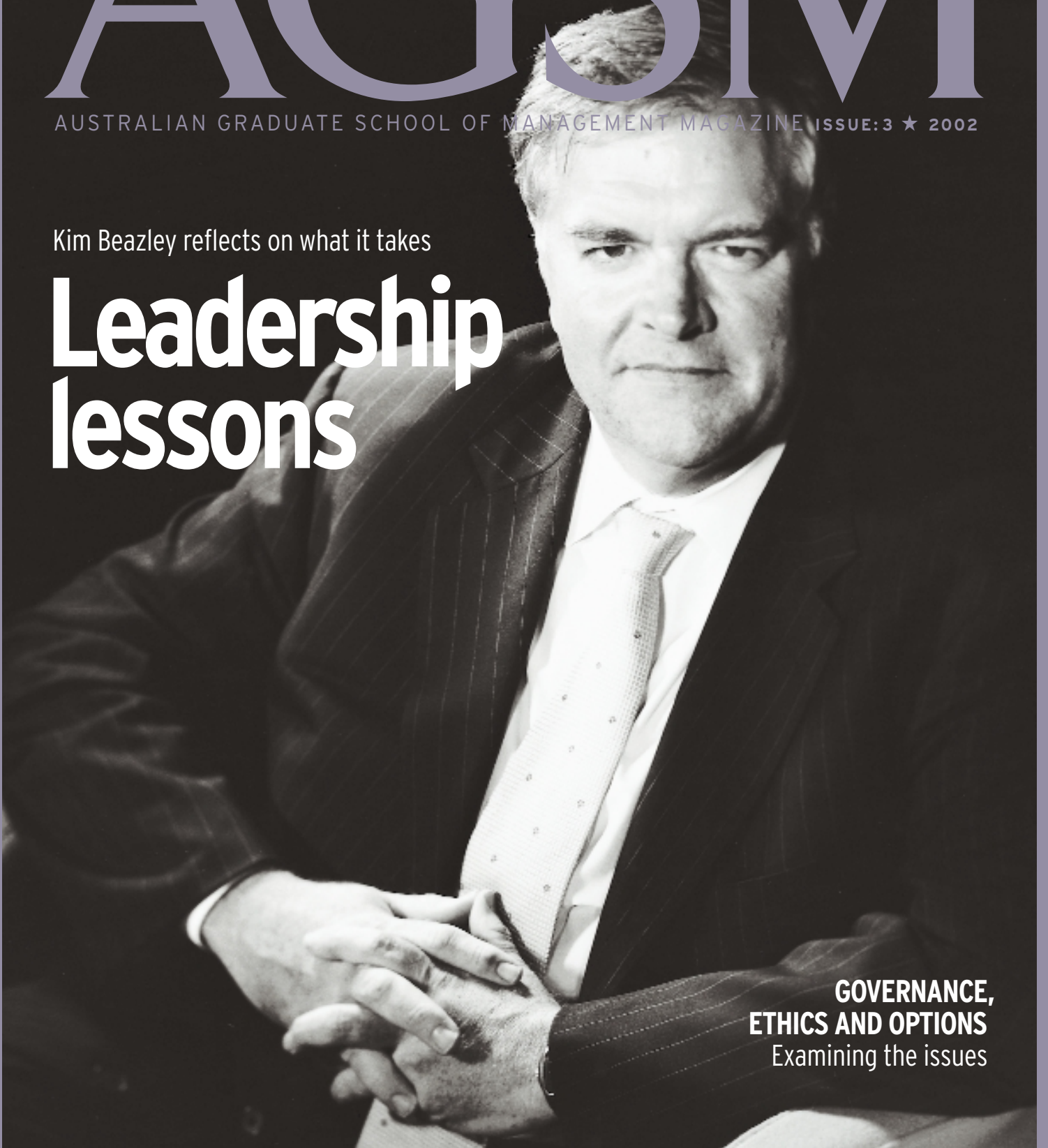
AGSM

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT MAGAZINE ISSUE: 3 ★ 2002

Kim Beazley reflects on what it takes

Leadership lessons

**GOVERNANCE,
ETHICS AND OPTIONS**
Examining the issues





DEAN'S MESSAGE

This issue of *AGSM Magazine* features some of the excellent work being done by the School's students and academic staff, as well as news about how positively this work is being recognised outside the School. Accreditation by the AACSB (see our story on page 2) is a great step forward for the AGSM and a clear acknowledgment of the quality of our faculty and MBA and MBA (Executive) programs. The School was ranked in the highest band of Australian business schools in the recent rankings done by *BOSS* magazine. And the *Financial Times* (UK) has just placed our MBA (Executive) program 14th in the world in its global ranking of executive MBAs.

Formal recognition from accrediting agencies and the media is backed up by the informal recognition that the AGSM gets in so many ways – seminars by prominent speakers such as Kim Beazley, support from corporate leaders such as Chum Darvall (see his column on page 32), and a steady stream of participants in our executive programs. The fundamental basis for all of this recognition is, of course, the leading-edge research that is carried out across the School and the ability of our academic staff to turn their research into actionable insights for managers. Their efforts make possible events like this month's Alumni Conference and Reunion, which has brought together an excellent group of academic and business leaders to debate business trends and challenges.

As we reflect on a year's great work I look forward to talking with alumni and students in person at Christmas drinks in all of the cities in which the AGSM teaches. Indeed, in order to continue having an impact, the AGSM must steadily become more global, more virtual, and – a seeming paradox – more personal. Increased interaction between the School and the community at large continues to be among my highest priorities.

Finally, I want to congratulate Debra Maynard and her colleagues for another year of excellent content and design in *AGSM Magazine*. The improved format of the magazine, now nearly two years old, has been a great success, and from 2003 the magazine will move to four issues per year. Please continue to submit your own news, as well as your ideas for future stories.

Best wishes for the holiday season.



Michael R Vitale

Professor Michael Vitale
Dean and director
Australian Graduate School of Management

Creating a highly adaptive culture results in one team going to the market.

— Deloitte Touche Tohmatsu's Peter May. See full story page 18.

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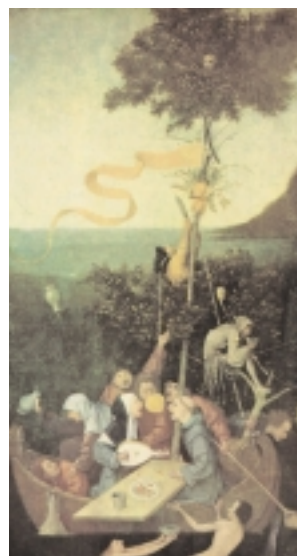
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COVER STORY

Kim Beazley delivered the year's final Leadership Speaker Series presentation to a packed house at the AGSM's Randwick campus in Sydney in late September, giving some personal and political insights into what characterises good leadership. He gave *AGSM Magazine* an exclusive interview, which is reported on pages 6 to 9.

GOOD BOOKS

This month we introduce a new Books section (see page 25) that features more AGSM faculty members' recommendations and reviews. We would like to include book reviews from alumni, advisory council and board members. So if there's a great book you want to read and review, simply contact the editor, Debra Maynard, and *AGSM Magazine* will send you a copy of the book in return for a review. Our aim is to tap into what's on the minds of our practitioners, professors and lecturers when it comes to good reading.

BRANCHING OUT

Don't miss the first Christmas drinks hosted by the AGSM's alumni branches across Australia. Alumni and MBA (Executive) students are invited to functions in Canberra, Melbourne, Adelaide, Perth, Brisbane and Sydney. See page 4 for dates and venues.



The AGSM's Dr Jane Craig (back left) and Paul Murnane, AGSM advisory council member (back right) worked with AACSB accreditors (from left) Howard Thomas (dean, Warwick Business School, UK), Bruce Willison (dean, The Anderson School at UCLA, US) and John Kraft (dean, Warrington College of Business at the University of Florida, US).

Landmark accreditation

The AGSM is the first business school in Australia to be awarded international accreditation by the Association to Advance Collegiate Schools of Business (AACSB).

The accreditation is a symbol of quality in world-class management education. It means the AGSM's MBA, MBA (Executive) and PhD degree programs have measured up to one of the world's most rigorous standards for business educators.

Only a handful of business schools outside North America have attained AACSB accreditation – 14 in Europe, four in Asia, three in South and Central America and two in the Middle East.

The AACSB is widely regarded as the world's premier independent agency for business administration

and accounting degree programs.

Based in St Louis, Missouri, it has devoted 86 years to the improvement and promotion of management and business education. It has more than 800 institutional members worldwide, of which 427 are accredited.

"This accreditation assures our students of our commitment to providing world-class quality standards in management education that are recognised and valued by the business community," says professor Mike Vitale, dean.

"It means we are officially ranked with schools like Wharton, Kellogg, London Business School and Stanford for the quality of our curriculum, faculty, teaching and research," Vitale says.

While Australia is yet to establish its own accreditation system, it is a move that was

recommended by the federal government's *Enterprising Nation* (Karpin) report in 1995.

Such a system would: "give Australian higher education management suppliers a quality assurance indicator, which will assist their efforts and be generally informative to the domestic and export markets," the report recommended.

"In today's competitive marketplace, there is no doubt that a degree from a quality-endorsed business school, like the AGSM, ultimately makes graduates more marketable," says Vitale.

"It is particularly pleasing for the AGSM to have achieved this mark of quality in our 25th anniversary year," he says.

The accreditation process took two years of preparation and work by the School and the AACSB.

AGSM ranks in top tier

Australian business school directors voted the AGSM's full-time MBA program the best in the country in *The Australian Financial Review* BOSS magazine's inaugural business school survey in September.

Overall, the School ranked in the survey's top band, along with Melbourne Business School and Macquarie Graduate School of Business. BOSS ranked a total of 24 Australian business schools and placed them in four descending bands.

The BOSS survey is the first business school ranking conducted by a mainstream Australian business publication since *The AFR* discontinued its annual business school rankings in 1998.

■ For the second year in succession, the *Financial Times*

(UK) has placed the AGSM's MBA (Executive) program in the top 15 in the world. The AGSM was ranked 14th in the paper's latest global ranking of executive MBAs, and it was the only Australian business school to make it into the top 50.

Letters

Teamwork advice finds its target

Thank you for your permission to reprint your thought-provoking and informative article regarding team effectiveness ('Team Works' by Debra Maynard, Issue 2, 2002) in our own electronic client newsletter, *Really Useful HR Stuff*. The article succinctly pulled together the need to balance consideration of a broad range of issues such as team cohesion, conflict resolution and goal alignment, and demonstrated their importance in achieving team effectiveness, rather than just task focus.

Very few tasks in the workplace are completed in isolation and therefore require interaction with other team members, whether it is a structured team or merely a grouping of co-workers. Thus, total organisation-wide productivity and effectiveness are, indeed, influenced by team effectiveness. Thanks once again for providing a simple yet effective article that we hope will help some of our clients improve the effectiveness of their businesses.

KIM CRUICKSHANK,
Employee Relations
Officer, Employee
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“This agreement is a positive step in the development of players’ future careers.”

Business theory to get workout

The term ‘personal development’ has taken on new meaning for more than 200 elite professional rugby union players who can access the AGSM’s suite of business education programs as part of their career training.

An agreement between the AGSM and the Rugby Union Players’ Association (RUPA) was signed last month, which means professional players can choose to augment their career and education by studying the AGSM’s MBA (Executive) program or choosing from a range of executive programs.

The agreement is available to players as part of the RUPA Career Training Scheme, which is underwritten by the Australian Rugby Union (ARU) at a cost of more than \$500,000 a year.

Up to 113 players from the three state- and territory-based professional teams – ACT Brumbies, NSW Waratahs and Queensland Reds – and approximately 90 up-and-coming academy players are eligible.

AGSM principal and deputy director Dr John Toohey says RUPA’s decision to make

AGSM its preferred education supplier was influenced by the School’s distinguished reputation and its national and flexible programs.

“Professional sportspeople today have been hampered in planning for their future careers by the intense demands of training, travel, performance and the ever-present prospect of physical injury,” says Toohey.

“This agreement is a positive step in the development of players’ future careers,” he says.

The agreement will see the AGSM and RUPA offering appropriate career development advice to suit individual players, who can access the scheme throughout their playing careers and up to three years after retirement from international or Super 12 competition.

Former Wallaby player Michael Brial completed his MBA (Executive) at the AGSM in 1998. Brial’s NSW Waratah teammate and current Wallaby player Brendan Cannon is also studying the same program.



LEADERSHIP SERIES Professor Mike Vitale, dean (right) and professor Robert Wood (left) met with Kim Beazley at the AGSM. See full story on **page 6**.

Achieve more with a learning coach

Getting the most out of executive education is as much about putting new knowledge and skills into practice as learning about them. That's why the AGSM's Executive Education group has launched a learning coaches program to help executive education participants achieve their goals.

It's a value-added service for which participants or their companies can sign up, "to ensure that the learning outcomes from a course are embedded back into changed behaviour or activities in the workplace," says Ann Whyte, director of executive programs.

The new service was rolled out this month with six experienced coaches appointed from the AGSM's alumni community. "I jumped at the opportunity to get involved,"

says consultant Helen Williams (DPM '99), "because it's an exciting project."

The amount of time learning coaches spend with participants will vary according to customers' individual needs, and the service is negotiated prior to executive program participation.

"It's all about helping people to problem-solve and to make sure what they set out to achieve can be witnessed in the organisation and recorded in management performance processes," says Whyte.

The first learning coach placement was with Tomago Aluminium, which this month bought the service for two of its executives as part of their participation in the executive program, Managing People for Performance.

PERSUASIVE

(From left): MBA students Ronan Gilhawley, Rebecca Lindsey, Matthew Bruce and Samantha Roberts brought the Deloitte Consulting Cup back to the AGSM after beating Melbourne Business School in this annual debating competition. The AGSM team won a prize of \$2000.



In brief

In 2003 the AGSM's Centre for Corporate Change will bring several high-profile corporate leaders to Australia to participate in its new Leadership in Business corporate speakers program. The objective of the series is to create a vibrant and interactive forum where Australian business executives can discuss and debate the business challenges they face with corporate leaders.



New board member

Full-time MBA student James Robertson (left) was elected to the AGSM board of directors by the AGSM student body in July. James has a BEng from the University of New South Wales and worked as a consultant for Hagen & Co before coming to the AGSM.

Campus upgrade

To enhance the student study environment at the Randwick campus in Sydney, the AGSM is renovating. The work, to be completed in time for class commencement in January, will upgrade four theatres, create new study spaces in the library and add 10 new syndicate rooms.

Tune in to Web video

The AGSM alumni association is trialling the use of the World Wide Web to make video footage of speaker events available to alumni no matter where they are located.

The first presentation to be video streamed is Fujitsu CEO Phil Kerrigan speaking on 'Post Nasdaq and dot com collapse – what happens to careers in technology?', which was hosted by the Melbourne alumni branch in September.

To view the presentation, go to: www.mytvworld.com.au/customertrial/fujitsu4.htm. You need Windows Media 7.0 (or higher) and the video views best at a transmission range of 28 to 120Kbps. For best picture quality, the recommended Windows media player screen size is no bigger than 320 x 240 pixels. Please also check that your firewalls accept streaming. If you wish to offer feedback on the trial, e-mail: alumni@agsm.edu.au.

Last chance to network

The alumni branches around Australia are hosting Christmas functions for alumni and MBA (Executive) students from late November to early December. Don't miss out on these end-of-year festivities.

Dates and locations are as follows:

- 25 November, Adelaide (Stamford Plaza)
- 26 November, Brisbane (Summit Restaurant)
- 28 November, Sydney (No. 1 O'Connell Street)
- 2 December, Canberra (The Boathouse by the Lake)
- 3 December, Melbourne (Clifton and Associates)
- 9 December, Perth (AGSM)

Supporting entrepreneurship

The Women Chiefs of Enterprises International (WCEI) has created a new scholarship for women to encourage entrepreneurship. Worth \$6500, the scholarship comprises \$5400 cash, \$500 worth of accounting software and a \$600 one-day Brainpower seminar.

The scholarship will be awarded to a student in her final year of the MBA (Executive), who will also be encouraged to network with the WCEI's invitation-only membership.

"We want to encourage the development of entrepreneurial women and we chose the AGSM through which to do that because it is one of the best MBAs in the world and enrolls a comparatively high percentage of women," says Lynn Wood, an AGSM alumnus and president-elect of WCEI's New South Wales division.

The WCEI is the first organisation (outside the AGSM) to offer a scholarship exclusively to the MBA (Executive) program. Scholarship candidates need to demonstrate engagement or interest in entrepreneurial activities, academic merit and leadership in enhancing the role of women in business. Applications close on 29 November.

Other new scholarships

■ Also new this year is the Andrew Thyne Reid Scholarship created for an executive from the not-for-profit sector who is studying the full-time MBA. Worth up to \$25,000, the scholarship will support a highly talented person who has demonstrated leadership in social and community work.

The Thyne Reid Charitable Trusts were created by the late Andrew Thyne Reid in 1944 and 1955. The Trusts encourage and support projects in the fields of education, social and community needs, medicine, science, creative arts and the environment.

■ The Adelaide alumni branch also decided to establish a new scholarship this year – for an outstanding South Australia-based entrant in the Graduate Certificate of Management. The scholarship is worth \$5200 and the winner will be named the South Australian Alumni Scholar for 2003.

■ The Sir Walter Scott Fund through the James N. Kirby Foundation has offered a new \$25,000 scholarship to a full-time MBA entrant who can demonstrate leadership and integrity as well as credentials in teamwork.

The scholarship will go to a student who will be encouraged to network with the WCEI's membership.

For your diary

25 November Use research to focus on your customers' needs at Organisational Behaviour – Creating Service-oriented Organisations – a Centre for Corporate Change research briefing by the AGSM's Dr Marcus Groth, AGSM CBD campus, Level 6, No.1 O'Connell Street, Sydney (sponsored by Booz Allen Hamilton).

2–3 December Understand the basics of managing people in People Management, Little Bay Conference Centre (LBCC), Sydney.

2–12 December Thoroughly understand the balanced scorecard in this Time Saver Series program, The Performance Driven Organisation and the Balanced Scorecard, (five mornings, 7–9am), CBD campus, Sydney.

4–6 December Hone your leadership techniques in Strategic Leadership, LBCC, Sydney.

4–6 December Develop the courage to influence others in The Corporate Communicator, Randwick campus, Sydney.

5–6 December Project Management focuses on budgeting and quality management techniques, LBCC, Sydney.

9–11 December Become a more effective consultant with Winning Consulting Skills, LBCC, Sydney.

12–13 December Develop your financial skills in Finance for Non-financial Managers, Hong Kong.

2003

30 January Professor Don Moore of Carnegie-Mellon University presents The Independence of Advisory Services – a Centre for Corporate Change research briefing, CBD campus, Sydney (sponsored by NM Rothschild and Sons).

2–7 February Develop new managerial skills in the six-day residential General Manager Program, Randwick campus, Sydney.

6–7 February Learn more about leading-edge knowledge management from local and international academics and corporate leaders at the Knowledge Management Conference, hosted by the School of Information Technologies at the University of Sydney, the Carnegie-Bosch Institute of Carnegie-Mellon and the AGSM's Centre for Corporate Change.

24 February and 10 March The Manager as Coach is an intensive program comprising two days over a fortnight, CBD campus, Sydney.

5–12 March Gain the skills to achieve better outcomes in Contract and Commercial Negotiations (two half days), CBD campus, Sydney. ★

For more information on Centre for Corporate Change events, visit: www.ccc.agsm.edu.au, e-mail: annefi@agsm.edu.au or contact Anne Fitzsimmons on: (02) 9931 9502. For details on any of the above executive programs, call client services on: (02) 9931 9333, or e-mail: enquiries@agsm.edu.au. For details on Hong Kong executive programs, call: (852) 2588 1725 or e-mail: contact@agsm.com.hk.

THE WORD'S OUT

It's all about getting your message across when it comes to receiving MBA students' best teacher awards. Dr Shayne Gary (left) and professor Lex Donaldson enjoyed the honour in term two.



KIM BEAZLEY LEARNT THAT VISION AND VALUES CAN BE A LIABILITY FOR A POLITICAL LEADER. YET HE IS ADAMANT THAT GOOD LEADERSHIP AND A NATION'S FUTURE DEPEND ON THEM.

LEADERSHIP LESSONS

GRANT BUTLER* REPORTS.

A year out from election defeat, the former leader of the Australian Labor Party, Kim Beazley, appears relaxed, tanned and jovial. But ask him about leadership and it's clear that the fires still burn within. For Beazley, leadership means vision and strategic astuteness. It means operating according to core principles in the long-term interests of the nation rather than short-term gain. And while Beazley's universe is political, his views have resonance in a business environment rocked by crises of confidence, executive greed and strategic myopia.

"What differentiates political leadership at the national level from other forms of business, economic and social leadership does not lie in the way relationships are built, individuals are cajoled, encouraged, mentored or individually inspired," he said in his address to the AGSM 2002 Leadership Speaker Series in September. "The difference lies in the absolute requirement for long-term strategy and vision for your society and nation among national leaders."

Compare this with Telstra chief executive, Ziggy Switkowski, recently downplaying his company's ability to forecast future financial results: "It's not clear that any of us have the capability to look very far ahead with any sort of confidence ... so we certainly aren't going to be making forward-looking statements for some time to come, if ever."

It may be that vision is out of fashion after years of boom-time hype, particularly in telecommunications. But for Beazley it remains a defining characteristic of good leadership and he has a word for those who don't have big ideas: "coasters".

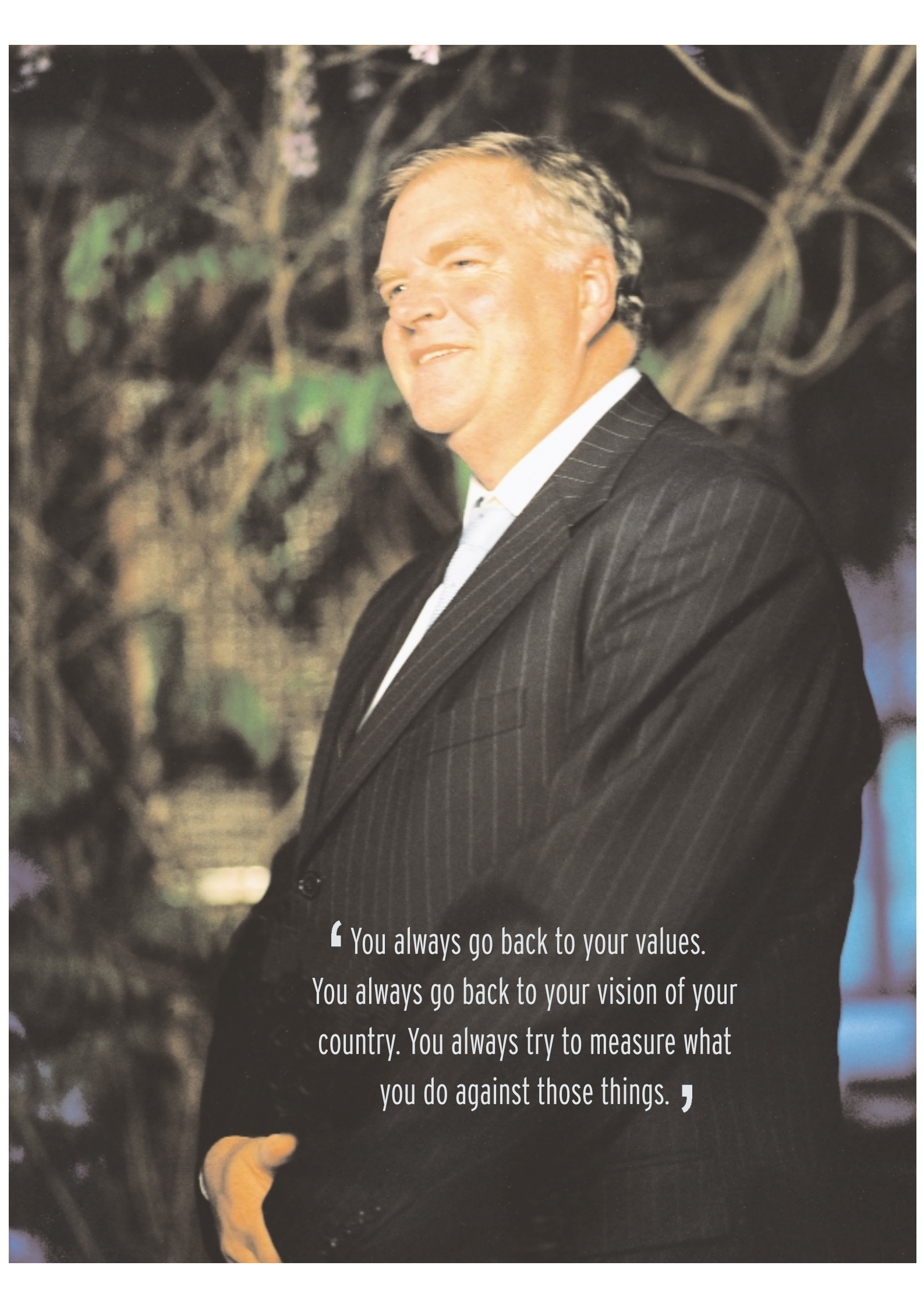
To Beazley, visionary leaders have a strong sense of the future and the personal conviction to act in ways that may be out of step with convention or public opinion. Coasters, on the other hand, have no driving vision. They look backwards, they manage and they maintain but they don't create future value, he says.

"National leaders can be politically successful and coast. They can also do material damage to the nation's long-term interest and be temporarily applauded for it ... The presence of the time-serving and backward-looking has to be leavened by the visionary and/or the strategically astute if the nation is to cohere, prosper and survive."

Most in business could identify managers who match one or other of Beazley's profiles. Particularly when it comes to those who create new areas of growth versus those who succeed through cost cutting, shakeups and other 'quick win' techniques.

Still very much locked in party-political combat, Beazley goes on to position successive Labor leaders as visionaries and Liberal leader John Howard as "one of those who coast in the comfort zone". His favourite Australian Labor Party leaders include Bob Hawke for his "chairman of the board" approach, Paul Keating as the "ultimate conviction politician" and Gough Whitlam for the breadth of his reform agenda in the 1970s.

Beazley also cites Abraham Lincoln for freeing America's slaves during the Civil War and, back in Australia, war-time prime minister John Curtin for his ability to see the threat posed by the Japanese and subsequent responses. "Curtin's strategic sense, his understanding of Australia's geopolitical situation, his willingness to break



“ You always go back to your values.
You always go back to your vision of your
country. You always try to measure what
you do against those things. ”

COVER STORY

foreign policy shibboleths and prejudice on national government roles in the economy, made him the one-eyed man in the valley of the blind,” Beazley told the AGSM audience.

The centrepiece of his speech was in turn a call for leadership on issues he believes are vital to Australia’s future happiness, sense of security and possibly even survival.

“Firstly, there is the need for a population policy for Australia that incorporates within it a return to a robust, welcoming attitude to immigrants.

“Secondly, there is the need for the Australian political leadership to embrace the ideas that we must be a knowledge nation with all that means for the development of a culture of lifelong learning and skilling, clever solutions for sustainable development in Australia and growing innovative businesses.

“Thirdly, the national leadership must now carefully think through the issues of the Australian national interest in a [security] environment that has rapidly changed in the last decade.”

Beazley has been engaged in questions of leadership his entire life. His father, Kim Beazley senior, was a federal parliamentarian for more than 30 years and, as minister for education in the Whitlam government, instrumental to the creation of the AGSM. Kim junior attended school in his home state of Western Australia before becoming a Rhodes Scholar at Oxford. He holds a Masters in Arts and Philosophy and lectured in social and political theory at Murdoch University. To this day, he is well-known for his love of history, particularly military.

A federal parliamentarian since 1980, Beazley has been a minister for aviation; defence; transport and communications; employment, education and training; and finance. He was also deputy prime minister before being elected opposition leader after former prime minister Paul Keating’s devastating defeat in 1996. He returned to the backbench after the Howard-led Coalition defeated Labor at the 2001 federal election, holding the marginal WA seat of Brand.

According to AGSM professor of

management, Robert Wood, who introduced Beazley at the Leadership Series, Beazley once even worked as a gravedigger to gain the union ticket he needed to join his party’s state executive.

With so many years of leadership experience, what advice would Beazley offer others? “I think you just value people, that’s all,” he says. “The starting point with people is their ideas, the things that they want to put forward and think are important to achieve in life. You absolutely have to listen to that ... it is the essence of democracy. You don’t lead by dictation, you lead by understanding.”

Beazley acknowledges that it’s often hard to reconcile the visionary and inclusive approaches, quoting an observation made by Don Watson in his recent book about Keating: “We expect him to listen to us and yet to lead us, to obey our will and yet be leader enough to have a will of his own; to reflect our view and yet project his vision.”

The trick, says Beazley, is to express your agenda in simple language.

“The art of great political leadership often lies in reducing complexities to a simple phrase. We understand how that focuses an

electorate that has become used to politics in seven-second grabs on the evening news. What is not understood is how the same phrase anchors its creator.”

This extends to the use of snappy statements of mission and values within businesses but Beazley believes companies need to know where their role ends and that of wider society starts.

“I think people who are in companies, whether they run them or work

for them, are entitled to an independent political mind separate from the things they do in the workplace. The workplace is not the final point of social organisation. In a democracy, the political process is. That’s why I’m always loath to fit businesses into a political frame because they are contributors to a whole society; they’re not the whole society.”

But Beazley can see a parallel between politics and business when it comes to how long a leader can sustain and implement a vision. He says that once political leaders finally reach the level of prime minister they are

typically “out of steam” in four to five years.

“I think there may well be a common element to that for a CEO. In a large company a CEO has probably exhausted his capacity to offer direction to it in a five-year period.” He adds that leaders need to realise that when in power they “live off the intellectual fat” gained during opposition.

As busy chief executives know only too well, there’s little time for quality reading or other abstract intellectual pursuits once you get to the top. According to Beazley, the best way to regenerate the ideas bank is to return to core values and goals. “You always go back to your values. You always go back to your vision of your country. You always try to measure what you do against those things.”

Inroducing Beazley, professor Wood said the former opposition leader did not conform to the charismatic model of leadership that, at least until the many recent corporate disasters here and overseas, has been held in high esteem.

“A lot of the popular writings on leadership equate the role of leadership with a persona that’s extremely confident,” said Wood. “There’s a certainty about complex issues that often degenerates into a simplification about debates, relies heavily on emotional appeals and puts the promotion of ideas above analysis.”

By contrast, he said, Beazley was able to work through complex issues without “grasping for quick conclusions” even under extreme pressure. This was illustrated by his proposals for border security in response to the Tampa affair that erupted during the 2001 election, most of which were included in the final piece of legislation adopted by the government. In closing, Wood suggested Beazley was: “A leader for our times but, at least in terms of popular leadership theory, not a leader of our times”.

As a manager Beazley is reputedly relaxed, open and respectful. He has developed a reputation for honesty, straightforwardness, integrity and intelligence. Indeed, it’s hard to find a critical comment about Beazley and it’s arguable that it may be these qualities that ultimately cost him his bid for national leadership: he’s simply too nice.

Australia’s prime minister John Howard zeroed in on this with his infamous gibe that Beazley lacked the “ticker” to lead. Even allies like Bob Hawke say he lacks the vicious streak of other leaders. “You see some in

“National leaders can be politically successful and coast. They can also do material damage to the nation’s long-term interest and be temporarily applauded for it.”

politics, on both sides, who really hate their opponents,” Hawke told the ABC’s *Australian Story* before the last election. “Kim hasn’t got the killer element to him.”

Beazley has a different take on his defeat – one that suggests that values and vision can be a liability. Just before the last election, Beazley’s team was forced to respond to crisis legislation prepared to deal with the electorally explosive issue of refugees. At the time the politically popular choice was to support the first draft of the new laws to ensure the voting public saw Labor as strong on border protection. But Beazley and Labor felt the bill was draconian and they risked being seen to waiver by calling for amendments. Today, Beazley feels that he and the party were caught out but is proud they remained true to their values and earlier policy.

“We were caught out alright. [John Howard] threw across the table at me a piece of legislation that was completely unconscionable. We opposed it and our vote went down. He came back to us about two weeks later with a piece of legislation that reflected each one of the points of criticism that we made and we passed it ... But by then the damage was done and the Australian community thought we might not stand up for protecting them.”

Beazley’s supporters speculate that the refugee crisis coupled with nervousness after September 11 were the two key factors that robbed Labor of victory. But even the best leaders have to accept the hand that history deals them. Beazley resigned as leader of the opposition on 22 November 2001. He says that sometimes the strongest act of a leader is to know when to step aside, and warns there are few things more destructive than allowing an organisation to fight about personnel rather than policies.

“The truth of the matter is that two shots at the top job are enough. A party develops an enormous loyalty around a leader ... [but] the best thing you can do is to allow the party to make an adjustment without a catfight developing underneath you between those who are loyalists and those who feel that the time has come to move on. You yourself declare that the time has come to move on.”

** Grant Butler is managing director of Editor Group in Sydney (www.editor.com). He was formerly a journalist with The Australian Financial Review and other publications.*

FOOTNOTE

The Hon. Kim C. Beazley MP is currently the federal member for the WA seat of Brand.

Big ideas

Budding entrepreneurs wanting to test their new ideas and technologies are turning to the AGSM.

The AGSM’s Connector Business Planning Competition has had a record year, attracting more than 200 students, entrepreneurs, scientists and inventors, who formed teams to pitch 52 new business plans.

Teams were formed by MBA candidates from the AGSM and by postgraduate researchers and students from the University of New South Wales and University of Sydney. Participants also included non-student entrepreneurs. Only one member of each team is required to be a student, which makes the competition accessible to business managers and others working or studying outside the AGSM and its parent universities.

One of the strengths of the competition is that it brings together business and science in an atmosphere of new business creation. Ideas and technologies hailed from a wide range of university faculties this year, including medicine, commerce and economics, biology, law, engineering, information systems, architecture, computer science and engineering and media.

The teams vied for \$35,000 in prize money from Deutsche Bank – which makes it the richest student-run business planning competition in Australia. Other prizes included consulting services from PricewaterhouseCoopers, Alchemy Partners Strategy Consultants and Bluefire Venture Capital, as well as five Biz Net memberships from Australian Technology Park.

PROFESSIONAL ADVICE

The main payoff for many of the competition participants is contact with venture capital professionals through Connector workshops and networking forums, and feedback from real investors on the viability of their business plans.

AGSM Connector forums and workshops offered practical skills and experience in developing business plans and preparing for venture capital funding, as well as an opportunity to meet venture capital and incubator professionals.



This year’s competition also introduced a mentoring program that gave teams access to industry professionals for guidance on their business plans.

Mentor Phil Stockwell, principal of Alchemy Partners, says: “I wanted to help the School to continue to develop its reputation in the area of entrepreneurial pursuits”.

As an AGSM graduate (MBA ’94) and someone who works in the field of technology and innovation commercialisation, Stockwell says: “You can’t learn how to build a business by reading a book and one way to help people succeed in taking their ideas through to marketable and profitable businesses is to mentor them”.

David Nelson (MBA ’00) is another mentor from the School’s alumni community and a first-time judge of the Business Planning Competition this year. He is an investment associate with Bluefire Innovation, an early-stage venture capital and incubator division of the Bluefire Group.

His advice to teams serious about attracting funding boils down to being able to demonstrate sound business credentials: “If there is a compelling business strategy wrapped around a business idea, that’s one less layer of risk for investors to deal with,” he says.

Bluefire Innovation is currently incubating six early-stage businesses in the areas of software and IT services. “We are always on the lookout for good ideas, and this competition represents another channel for us to gain insight into the ideas that people are coming up with,” says Nelson.

“The AGSM and Connector are to be commended for helping to develop entrepreneurial skills and raise the profile of innovation on campus,” says Nelson.

Those activities have made it possible for Bluefire – a new sponsor of the competition – to redirect its support of the School to an area that is particularly relevant to it.

The winners of the competition were announced on 7 November. Read the full story in the next issue.

by Debra Maynard

Governance drifts off course in sea of collapse

A crisis of confidence in corporate conduct has sparked calls for governance reform. Professors Lex Donaldson and Chris Adam examined the issues in the MBA classroom. **Lachlan Colquhoun*** reports.

Well before the Enron collapse, the demise of Arthur Andersen and the excesses of HIH, the philosophical father of the market economy, Adam Smith, anticipated the problem of corporate governance in volume 2 of his *Wealth of Nations*, published in 1776.

“The directors of such ‘joint-stock’ companies, however, being the managers rather of other people’s money than their own, it cannot be expected that they should watch over it with the same anxious vigilance with which the partners in a private partnership frequently watch over their own,” Smith wrote.

“Negligence and confusion always prevail, more or less, in the management of the affairs of such a company.”

Smith’s words are indeed prophetic, because negligence and confusion is a good summary for the events of the past two years.

The US accounting scandals and the behaviour of the boards of Australian firms such as HIH and One.Tel have created the perception of a crisis in corporate governance which has produced a flurry of responses, both in Australia and overseas.

In the US, the recent Sarbanes-Oxley Act passed by Congress commits the country even more strongly to its black letter law approach, while both the New York Stock Exchange and NASDAQ have issued principles of governance reform.

In Australia, the Australian Stock Exchange has created a new Corporate Governance

Council, partly under pressure from ASIC chairman David Knott. Prime minister John Howard, listening to the public mood, says: “People think something has gone wrong and I think some people have been getting away with murder in corporate excess.”

Corporate governance, of course, is a lot more complex than executives abusing their expense accounts or receiving overly-generous or undisclosed options packages.

At its core, corporate governance is about the legal and organisational structures which determine the way in which a company is managed, and from that flows just about everything else – from a firm’s acquisition strategy to its human resources policy.

OWNERSHIP AND CONTROL

MBA students at the AGSM grappled with the issues of corporate governance at the first Integrative Program on the subject, presented recently by professors Chris Adam and Lex Donaldson.

The program began by looking at why corporate governance has become such a pressing, practical problem, tracing its history from the early days of capitalism when the owner managed the firm, to the creation of joint stock companies in the 19th century – which began the separation between the shareholder-owner and the hired manager, and remains at the core of the modern dilemma.

Add to that ‘stakeholder’ theory – where employees, suppliers and the community at large also have a stake in the operation of

THE SHIP OF FOOLS. HERONYMUS BOSCH (1450-1516), THE LOUVRE. PHOTO RMN. GÉRARD BLOT





the corporation – and there is a plethora of usually competing interests to juggle.

“Most of the analysis starts with the so-called ‘agency theory’ where the manager is an agent and the outside owner is the principal,” says Donaldson.

“Much of the worry is about a large corporation where most of the owners are these dispersed shareholders who own but don’t control, and there are these managers on the inside who control but don’t really own.”

Response to these concerns has been two-fold: balance the interests of the managers on the board with non-executive, independent directors who represent the shareholders, and attempt to align the interests of the managers with that of the company through performance-linked remuneration like share options.

The rationale, says Donaldson, was to make the managers more like owners and so stem management excesses. But the options themselves are now seen as management excesses.

The public backlash against management excesses, particularly the cost of options, has thrown more focus back on the role of independent board members who are presumably there to keep executives in check. But does stacking the board with non-executive members actually improve corporate governance, and does it improve the operation of the company and safeguard shareholder’s interests?

“I’ve always believed that the best model is one in which there are no executives on the board because if you merge the interests of management and the board you don’t get sufficient arm’s length,” says Frank Conroy, former Westpac chief executive and now a non-executive director of several companies, including St. George Bank and Santos.

As a guest speaker on the corporate governance program, he said independent non-executive directors brought a “broad-based spread of knowledge” to companies which might otherwise be “mono-cultural” and closed off in their thinking.

“I have always believed that directors should be far more assertive in their

Hieronymus Bosch’s The Ship of Fools (c. 1490-1500) depicts a small ship drifting aimlessly, never reaching the harbour. The ship is representative of humanity and the wretched discomfort of human folly. The Ship of Fools is one of many Bosch paintings that depict humanity’s self-love and the potential for ugliness within us.

questioning of management and absolutely unforgiving if they find that management hasn't presented relevant and necessary information," he says.

DIRECTORS UNDER FIRE

Donaldson says some research challenges the view that the non-executive board is the best model: "Researchers have looked at that and some have found evidence supporting the view that there should be more independent board members, but there have also been studies¹ that have found exactly the opposite.

"One study² found evidence of higher company performance where the CEO was also the chairman of the board. In another study³ – which looked at Australian examples – the more outside directors there were on the board the worse the returns to shareholders," says Donaldson.

"That latter finding was particularly evident in cases where the outside directors had connections with other businesses and economic entities, and that pattern really goes against conventional wisdom that powerful and experienced outsiders on the board are the way to go.

"This is a concern that has been expressed about some members of the Coles Myer board over the years and still is now. It is a perceived conflict of interest when a director also has other interests, such as being a supplier or is linked to a competitor," says Donaldson.

Does this then mean that the professional director who serves on half a dozen boards or more is a part of the problem too?

AGSM research⁴ has shown that having more external directors with links to external entities can actually reduce the performance of a company. This points to the failure of the well-entrenched 'cooptation theory' that presumes benefits will flow from experienced business people recruited to multiple boards.

Cooptation theory has been criticised recently to the extent that the AGSM has coined a new term, 'dys-cooptation', to explain why the theory hasn't succeeded in practice.

The complex web of relations between the board of insurance company FAI, its eventual parent HIH and failed telco One.Tel is a case in point. Rodney Adler's controversial role as the vendor of FAI and then a member of the HIH board is the subject of further study at the AGSM.

"Non-executive directors are there to

Reform agenda

In September, Australian federal treasurer Peter Costello announced a corporate law reform program, known as CLERP 9 (Corporate Law Economic Reform 9), to be introduced in parliament next year.

Proposed reforms include:

- top 500 corporations to have audit committees
- more power to the Financial Reporting Council to oversee audit standards
- listed firms to expense share options
- compulsory rotation of auditors (but not audit

- firms) every five years
- penalties for executives who receive excessive remuneration from failed companies
- ASIC to have the power to police the changes and hand out fines of up to \$1 million.

ASX rules

The Australian Stock Exchange (ASX) supports CLERP 9 and has formed a Corporate Governance Council which aims to develop rules for ASX-listed companies to regulate corporate practice in seven

key areas:

- board composition and independence of directors
 - competency of directors
 - remuneration
 - related-party transactions
 - integrity of reporting, including consideration of audit committees
 - risk management and codes of ethics for senior management
 - shareholder participation.
- The ASX is aiming to produce recommendations by March 2003.

mediate between owners and managers, but we have to ask if it is really working as intended," says Adam.

Adam is also a company director, and has sat on the board of ORIX Australia – the local subsidiary of the Japanese company – since late 1999. The Australian board has nine members – three from the Japanese parent company, three non-executive Australian directors and three local executive directors.

“People tend to favour more disclosure and believe that if companies' annual reports provide more information than that's the answer, but it clearly isn't.”

– Lex Donaldson

"Because the Australian business, which includes operations in New Zealand, has a single owner, some of the communication aspects of corporate governance are simplified," says Adam.

"For example, the annual general meeting is held with a very well-informed shareholder because there is almost daily communication of decisions or advice from the Australian company to its parent in Japan.

"On the other hand, we have complexities of accounting practices and funds management, because of the US listing, when demands for information disclosure differ from both Australian and Japanese practices.

"We tend to follow whichever practice is most demanding in terms of disclosure – this is most often the US structure," he says.

In addition to the regular board meetings held every second month, Adam says the

ORIX board undertakes the appropriate governance subcommittee activities such as holding quarterly meetings of the audit committee (comprising non-executive directors) and annual meetings of the remuneration committee (also comprising non-executive directors).

"We believe it is very important for good governance that the expected arm's length processes of conformance review and strategic oversight are actively conducted by the ORIX board," says Adam.

Donaldson points out that in Australia some of the more notorious examples of corporate excess have been in companies where the CEO is also the founding entrepreneur, such as Bond Corp, One.Tel and HIH.

Although they were among some of our largest corporations, these companies had not evolved very much beyond the owner-manager stage when they ran into the problems that destroyed them, along with the wealth of the shareholders. Just because a company is big doesn't mean that its approach to corporate governance is mature.

"When you look into some of those cases the CEO is not some sort of professional manager who owns little or nothing, he's often a founding entrepreneur who owns a considerable amount of the company," says Donaldson.

"So it's a misdiagnosis to say the problem is purely and simply the separation of ownership and control."

After participating in the corporate governance program, MBA student Robin Durham is now doing a further study of corporate governance on the HIH case, alongside Donaldson and another student, Mark Baragwanath.

The aim of the study is to dig through

material such as transcripts from the current Royal Commission to determine to what extent good corporate governance could have made a difference in preventing the \$5 billion collapse.

GOVERNING COMPETING INTERESTS

One of the main principles, according to Donaldson, is to: “focus on the company rather than one group of people”.

“People say that the director has a fiduciary responsibility and they translate that to saying that the directors should put the interests of the shareholders first. But when this has come before some of the courts in the US, the courts have taken a very different view and said that the real responsibility of a director is primarily to the company, and the shareholders come second,” he says.

“So it’s the company as an ongoing entity which should be the focus, because if it does well then the shareholders will do well over the long term, and I have a lot of sympathy for that view.”

Adam’s view is that best practice: “has to be closely linked to the legal structure of the organisation.

“I don’t think companies should be free agents to choose which way they want to go here,” he says.

“I think part of the issue is that we run the risk of having boards focus too much on conforming. I’m a little reluctant to make every single company toe a specific line, which might be appropriate for large mature public companies with dozens of internal accountants, but would kill a start-up,” says Adam.

HOW MUCH REGULATION?

While the US has traditionally taken a rules-based approach, as evidenced by the Sarbanes-Oxley reforms, Australia has favoured a principle-based approach which relies on companies doing the right thing.

Adam, for one, believes that the global rules will eventually converge towards the US model, but he is unsure whether that will result in best practice.

Donaldson says: “I don’t really think the trend towards more disclosure, for example, will work. I think it’s really weak and watery.

“People tend to favour more disclosure and believe that if companies’ annual reports provide more information than that’s the answer, but it clearly isn’t.

“For example, knowing that the head of

a company was getting as much money as he was wouldn’t tell you he was manipulating accounts and that the auditors were helping him,” says Donaldson.

“It’s a question of raising directors’ awareness of their responsibilities, and I think that is actually a better course to follow,” adds Adam.

“The Australian Institute of Company Directors has done an excellent job over the years in building up an awareness, a body of material that can be made available for use, but I think we could do a little more in the way of encouraging. I hesitate to say licensing, but I’m thinking of something in that direction where directors have to do a course and have some continuing education over time,” says Adam.

Lex Donaldson agrees, but points out that even within professional bodies trying hard to do the right thing there are biases which can obscure the agenda.

“Directors’ groups talk about the importance of the non-executive director, whereas professional management groups highlight the importance of executives, and it all gets a little difficult,” he says.

“It’s not wrong for them to do that but I think the best thing is to have dialogue among all the different groups.

“That’s the process I’m involved with in my work here at the AGSM, and I think that’s really the best we can hope for at the moment.” 🌟

* Lachlan Colquhoun is a freelance writer.

FOOTNOTES

- 1 Lex Donaldson and James H. Davis, ‘Stewardship theory or agency theory: CEO governance and shareholder returns’, *Australian Journal of Management*, vol. 16, no. 1, pp. 49-64, Sydney, 1991; and Melinda Muth and Lex Donaldson: ‘Stewardship Theory and Board Structure: A Contingency Approach’, *Corporate Governance: An International Review*, vol. 6, no. 1, pp. 2-28, January 1998.
- 2 Lex Donaldson and James H. Davis: ‘Stewardship theory or agency theory: CEO governance and shareholder returns’, *Australian Journal of Management*, vol. 16, no. 1, pp. 49-64, Sydney, 1991.
- 3 Melinda Muth and Lex Donaldson: ‘Stewardship theory and board structure: a contingency approach’, *Corporate Governance: An International Review*, vol. 6, no. 1, pp. 2-28, January 1998.
- 4 *ibid.*

Matters of behaviour

The AGSM’s emeritus chairman John B. Reid AO* calls for less regulatory fervour and more reflective practices.

While there is no doubt that many shareholders, creditors and employees have suffered much lately at the hands of company directors, I believe that any government or regulator attempting to try and improve this unhappy situation by means of regulatory measures will enjoy, at best, limited success.

You cannot regulate against bad behaviour. But you can encourage and reward good behaviour.

So what are the attributes of a good company director? Chief among them, I believe, are courage and integrity. Possibly, how these attributes manifest themselves can be more easily measured than the attributes themselves.

However, I believe that a good company director, as a rule of thumb, will have a solid commitment to a particular set of standards

and values – probably acquired when young and further embedded by practical experience and the good example of others.

A good company director will make a distinct contribution to the style of a company. Evidence of his or her honesty, integrity, experience and courage will be apparent from the strategic moves a company makes, whether in the form of acquisitions, exploration or disposals, or in the way a company communicates with its employees and shareholders.

A good director is someone who understands the vital importance of the effective management of time as evidenced by the diligent reading of board papers, punctual and regular attendance at board meetings, and time set aside for visits to company operations or held in reserve for unforeseen events.

A director does not change the way he or she operates in the world the moment he or she enters a boardroom. In essence, they are one and the same.

Which brings me full circle to that most vital commodity: courage. A director’s moral backbone will be of no use to anyone if he or she keeps his or her own counsel when a growing sense of unease, or even some evidence, dictates that something within the company is awry. A board meeting is not a luncheon club. Wilful deception or obfuscation cannot be glossed over, or side-stepped, in order to preserve the niceties or a sense of fellowship.

A good company director, drawing on a lifetime’s reserves of integrity and courage, will know when the time for difficult questions has arrived. And he or she will know that when the answers to those questions are less than satisfactory or contrary to the best interests of the company and its shareholders, action must, as a matter of course, follow.

* John B. Reid is chairman of Business Management, TechStar and BestCare Foods. He was formerly a director of the former Broken Hill Pty and Qantas Airways among others.

Personal journeys to best practice

A Forbes farmer and South African doctor put business studies to the test.

On the face of it, farming and medical practice are not professions you would ordinarily associate with MBA studies.

But in the case of Andrew McDonald, a farmer, and Samantha Roberts, a medical doctor, both have sought the knowledge and skills of management education to take them to the next level in their different fields.

McDonald completed his MBA (Executive) at the AGSM earlier this year, while Samantha is in her first year of the full-time MBA program.

Farming, Andrew says, is like any other business under pressure to operate more efficiently and to innovate for survival. That's why he considered it worthwhile to make the 900 km round trip from his Pine Hill property near Forbes in central New South Wales to attend classes in Sydney each week.

"In doing the MBA, my focus was to improve the management of my farming and grazing business rather than opt for the career change, which traditionally would be the motivation for many students," he says.

McDonald and his wife Margaret own a diversified grain and grazing business that has been in Margaret's family for more than four generations. In the 1990s they bought out other family members and now run three properties comprising 5300 hectares. They employ five people and have invested more than \$1.5 million in plant, equipment and beef cattle.

After clocking up more than 100,000 km driving to and from classes over four years, Andrew says he's had lots of time to think about his studies and how to apply what he's learnt to his business.

In particular, he has been focusing on re-structuring his product mix, revising production systems and cost structures, and adopting new technologies.

McDonald says his approach to farm management has changed, particularly in the areas of strategy (he won the Director's Prize for Strategic Management in 2001)



FIELD STRATEGY Andrew McDonald.

and innovation. Some of the changes he's made include ceasing unprofitable wool production and adopting cutting-edge technology to maximise production and efficiency.

"We have invested in precision planting equipment, satellite guidance for tractors, yield monitoring for harvesters, soil moisture detection using nuclear technology, and we have entered cooperative alliances with similar businesses to allow greatly increased levels of professionalism," he says.

After achieving a \$2.5 million turnover in 2001, McDonald says Pine Hill's production this year will be greatly affected by the devastating drought many farmers are facing.

"After completing the MBA (Executive) I fully realised that the farm's competitive advantage is very much related to being able to respond and adapt quickly to external shocks such as drought. Professionalism, diversification and innovation are vital for the business's success," he says.



Samantha Roberts.

DIFFERENT PATH

For Samantha Roberts, the quest for transformation from a young doctor providing medical care in depressed rural South Africa to becoming a management consultant half a world away in Australia is still a work in progress.

In doing the MBA, Roberts is looking for "new ways of thinking and working" that her medical training lacked.

Born, raised and trained as a doctor in Johannesburg, Roberts began to see the shortcomings of her medical vocation while working as an intern at St. Mark's hospital in London, UK, in 1999.

While her 12 months at St. Mark's were exciting, she felt constrained by the British medical system. Roberts says she "never felt as though [she] could do anything different there [in the UK]" and opted to move to Melbourne with her husband in 2000.

After two years working in various Melbourne hospitals Roberts became increasingly disillusioned.

"I just felt the whole culture of medicine and the way it is practised is really old fashioned and narrow. Medicine fails to use all the knowledge of management that is available to it," she says.

Roberts sees two options available to her after completing her 18 months of study. She can either return to medicine as a senior manager, with a view to applying her knowledge to reform antiquated or non-existent management practices. Or she can opt to make the transformation to management consultant.

Before making that choice, Roberts plans to embark on a three-month student exchange at Kellogg Business School in the US, and complete a 10-week internship at McKinsey & Co when she returns to Australia.

"The thing I'd really like to do in the long term is not-for-profit work. I'd like to use my medical training and knowledge of business [management] to work for an organisation that's doing great humanitarian work." ★

by Alan Valvasori

The true cost of share options

The AGSM's **Chongwoo Choe*** takes a look at how share options measure up.

In a climate of corporate collapse that has exposed poor disclosure of the high costs of executive pay, share options have been singled out as an instrument of greed rather than a pay-for-performance tool.

Admissions from high flyers like former BHP Billiton CEO Paul Anderson of being overpaid, and millions of dollars of payouts to failed executives, have fuelled investor anger over the potential true value of share options and the lack of disclosure to shareholders.

Controversy over the wealth represented by executive share options and the way in which options are treated for tax and accounting purposes are not new, says the AGSM's Dr Chongwoo Choe, who has been conducting research for several years on executive wage contracts and the use of share options.

What is new, he says, is testimony that our markets are not exactly behaving according to modern finance theory. "They're not as efficient as we thought, at least in the medium term," he says. And that calls into question the market impact of share-based performance incentives.

"Modern finance theory suggests that people are smart and will apply whatever information there is in the marketplace to their trading behaviour, which in turn implies that the available information will be reflected in the price of shares," explains Choe.

The problem with that, he says, is the questionable assumption that people are able to calculate the true value of options, deduct that from company earnings and adjust their investment behaviour accordingly.

Even if share options are footnoted in annual reports, it is almost impossible for regular investors to calculate their true cost because of the complexity with which they are offered and exercised, says Choe.

"It doesn't seem to me that the market can properly calculate the true dilution impact of share options on companies' net value. The problem is compounded when options provide perverse incentives for creative accounting, as we have been witnessing rather dramatically.

"Of course, the collapse of Enron and the problems we now face are proof that the efficient market hypothesis

has suffered a major blow," says Choe.

"In practice, I think options have been used extensively in the past mainly because of cash constraint.

"Companies that did not have enough cash to pay a huge amount of money to hire high-flying executives, or firms which had difficulty servicing their debt, used share options as a 'cheap' way to promise wealth in the future.

"Options really took off during the US's Silicon Valley boom when start-up IT companies and venture capitalists promised options in order to poach talented executives.

"Since companies were not required to write the cost of options into their financial statements they tended to view share options as a 'free' instrument to get the people they wanted. Of course, if you go to the trouble to calculate the cost of those options, they are not free at all," says Choe.

Some financial controllers have argued that if options provide incentives that increase company value over and above the cost of options (whatever they are) then there is no point in expensing options.

"But it's a flawed argument because why wouldn't the same apply to a cash bonus?" asks Choe. "In fact, Warren Buffet used to say: 'If options do not represent costs then what the heck are they?'"

INSTITUTIONAL FRAMEWORKS

Australia only started requiring companies to include executive share options in their annual reports in 2000. "The next step," says Choe, "is requiring companies to deduct the cost of options from their earnings, but we still have a long way to go for that to happen."

In the US, the Sarbanes-Oxley Act has introduced sweeping changes to corporate governance and disclosure requirements in

the wake of the Enron debacle. Expensing options, however, is still up to the discretion of individual companies.

Choe says it is hard to find figures in Australia on what percentage of the total value of CEO compensation share options represent, but: "in the US the Federal Reserve Board has estimated how much corporate earnings would be reduced if options were expensed; it is something like two-and-a-half per cent of earnings over the past five years or so".

"Two years ago I thought share options could be a great pay-for-performance instrument because for the same dollar cost share options could generate more powerful incentives than shares.

"But this is subject to the assumptions that the market is efficient and the room for creative accounting is limited.

"What we are witnessing now is that these assumptions need to be seriously questioned. With hindsight, it may not be a good idea to keep using options unless the institutional frameworks are changed," says Choe.

The question now for companies is: can traditional bonus schemes generate the same incentives as share options?

"I don't think it is difficult to achieve that because before share options spread like wildfire companies successfully used long-

term incentive plans or traditional bonuses based on long-term performance measures," says Choe.

"Some bonuses were structured in the form of share appreciation rights, which successfully linked the bonuses to share performance." The difference, he says, is that the market has little difficulty calculating the true value of a bonus. ☆

by Debra Maynard

* Dr Chongwoo Choe is a senior lecturer at the AGSM. Next issue he analyses share option design.



It's time for action on ethics

The ability of corporate Australia to engage in effective self-regulation needs a genuine commitment to ethical conduct, according to a new AGSM course on business ethics.

Helene Zampetakis* reports.

A crackdown on corporate malpractice in the US has triggered a debate about whether Australia's corporate regulatory system needs to grow teeth. To date, ethics in the Australian marketplace have been governed by best-practice guidelines or professional codes of conduct. But the collapse of companies such as One.Tel and HIH through corporate malfeasance has prompted the prime minister, John Howard, to warn business of new regulations if corporate behaviour does not improve.

In the US, however, George W. Bush has acted swiftly by signing the most sweeping corporate governance and accounting regulations to be enacted since the 1930s. The US Congress has passed the Public Company Accounting Reform and Investor Protection Act, the US Securities and Exchange Commission has toughened its rules, and the New York Stock Exchange and NASDAQ have introduced more prescriptive listing requirements.

Even before this, federal sentencing guidelines have made it risky for US companies not to have a code of ethics. US courts can penalise companies that do not have a code – they can send in officials to draw up a code for a traditional miscreant company and then bill it for the work.

By contrast, in Australia, business self-regulation is the traditional practice. General ethical principles such as the 'true and fair' requirement are observed in spirit rather than through the letter of the law. But revelations of malpractice in business over the past 12 months are a fresh indication that existing measures are inadequate safeguards against unethical behaviour.

Investment bodies and regulators such as the Australian Stock Exchange, the Australian Securities and Investments Commission,

and the Business Council of Australia are expected to come up with a set of best-practice standards for Australian directors after holding round table talks.

But the way forward is not clear-cut, according to AGSM professor of management, Bob Marks: "The jury is still out on whether increased legislation and coding of behaviour or other measures such as changing executive incentive structures are the answer to reducing rotting of the system."

We do know, however, that people need internal motivation to ensure they act ethically, he says. "The question is how to achieve that."

In July, Marks taught the AGSM's first MBA elective on business ethics together with associate professor Damian Grace, director of graduate ethics programs with the Faculty of Arts and Social Sciences at the University of New South Wales.

The course was a factor taken into consideration by the Association to Advance Collegiate Schools of Business, when it accredited the AGSM in September this year, as business ethics is considered essential to achieving excellence in management education.

The five-day intensive elective, which will be followed by another course in January, was designed from scratch by the AGSM. It followed an elective Integrated Program, also taught in the full-time MBA, on corporate governance earlier this year.

The business ethics course includes 10 to 12 hours of lectures. In between, students split up into groups to thrash out responses to questions and hypothetical challenges.



A checklist for ethical decision-making

Those confronted with ethical dilemmas are advised to step away from the situation to consider it clearly. Professor Damian Grace suggests posing the following questions:

- Have I defined the ethical issue properly in my decision?
- Have I given proper consideration to the available options?
- What values are expressed in my choice? What values am I sacrificing? Can I justify this sacrifice?
- Am I considering the wellbeing of other affected parties or only myself?
- Am I acting in accordance with the law and policy?
- What kind of person would take the decision I am making? Can I live with this decision?
- Could I justify my decision if it were to appear on the front page of the morning paper?
- Have I checked my decision with relevant peers before taking it? If not, why not?

which has taken considerable time and funding to bring to market.

■ You believe that you won't be successful as a foreign firm in another country unless you bribe officials.

■ Your company's offshore manufacturing operation is endangering the local environment but local authorities are willing to turn a blind eye.

■ Your accountant assures your boss that capitalising expenses is a Generally Accepted Accounting Principle. Your boss wants to capitalise certain everyday expenses to improve the bottom line ahead of profit reporting.

Most quandaries posed in business are of this nature rather than simple questions of right and wrong. But tools to address the more subtle ethical dilemmas are elusive.

The elective provides an arena for students to experiment with such questions, define an issue and assess their responsibilities in relation to it.

Robin Durham, a student with a background as a general manager in the travel industry, said the course helped establish some frameworks around the notions of ethics and tools to deal with future dilemmas.

"I did a full afternoon on Enron, looking in part at the role of whistleblowers and how they become outcasts and unemploy-

able – it was fascinating," he says.

"It's quite easy to lose track of the implications of what you're doing in business. From an economic standpoint, it's common to be guided by the view that the end justifies the means.

"The course left me with the sense of needing to look at business from many different perspectives – the social as well as the economic," says Durham.

Indeed, social responsibility has taken a back seat over the past decade or so. In the public sector, a range of legislation covers ethics, such as the Public Management Act and the Protected Disclosures Act. In the private sector, far fewer protective mechanisms exist.

Recently, however, organisations such as the St James Ethics Centre in Sydney have gained prominence.

"There's been a huge resurgence of interest in ethics," says Marks.

The week the AGSM ran the ethics elective, there were two or three stories each day in the press – including Enron and WorldCom – culminating with the resignation of the vice-chancellor of Monash University, who was found to have plagiarised parts of a book.

Grace notes that scandal has cut across most professions recently, including the standard bearers of ethics, the clergy.

"Given that there's been a collapse of the traditional institutions through which we learnt about ethics, it may be that we just don't know [how to go forward]," he says.

Other factors have fed a climate of cavalier profiteering. Marks cites the immense faith in the efficiency of unfettered markets that started in the late 1970s with the privatisation of government functions, led by Margaret Thatcher.

More recently, globalisation and social churn have diluted corporate loyalty, while the 13-year bull market fostered greed and created heroes out of overnight millionaires.

But post-September 11 uncertainty and corporate collapses have ushered in a change in emphasis, with the public clamouring for accountability.

Grace acknowledges that people are disgusted, but says it is absurd to believe that legal scare tactics can work in the long term or that more regulation can be policed. Laws are useful in setting minimum standards and a level playing field but there will always be ways for unscrupulous people to find holes they can wriggle through, he says.

More effective, advises Grace, is for individuals to take responsibility for probity.

"Corporations must set out a realistic vision of their values, without setting the bar so high that it becomes a formula for failure," he says.

Diligence, responsibility, accountability, honesty and integrity are the key drivers of ethics in business.

An implicit teaching in Marks' and Grace's course is that while you can't write moral particulars into ethical codes, managers can retain integrity by keeping a close watch on their business, taking responsibility and owning up to their actions. ★

* Helene Zampetakis is a freelance writer.

Professor Bob Marks (left) and associate professor Damian Grace.

"The issue for us was how to run a course on ethics for adults whose consciences are already fully developed," says Marks.

"We don't see our job as telling students what is right or wrong but providing areas where there are shades of grey and getting them to think through and justify a response to that.

"The course aims to help students develop a critical thought process by considering real life situations."

Consider, for example, these hypothetical dilemmas:

■ Private evidence arrives of increased risk to consumers of your company's product,

People leadership

Becoming and staying an employer of choice has a lot to do with getting your culture right.

Travel retailer Flight Centre and professional services firm Deloitte Touche Tohmatsu would, on the face of it, appear to have little in common. However, scratch the surface of two of the best HR performers in Australia – as judged by the *Best Employers to Work for in Australia* study, released earlier this year – and there are some surprising parallels to the way they do business.

Flight Centre ranked number one and Deloitte number three in the large company category (more than 1000 staff) of the study, which was sponsored by Hewitt Associates, the AGSM and the John Fairfax Group. The study found that what distinguished the top companies were an accessible, involved and trusted CEO; people practices that reinforced a compelling employment offer; more investment in training and development; a strong focus on culture and values; and more emphasis on rewarding employees and having fun.

The 2003 study is expected to attract well over 150 companies and will include, for the first time, public sector organisations. Companies are being surveyed this month and the AGSM's professor Roger Collins will chair the judging in January. The results of the 2003 *Best Employer* study, which will once again rank the top employers in Australia, will be published in March.

DEFINING CHARACTERISTICS

According to Deloitte, its success as an employer of choice is, in part, attributable to its strong focus on culture and values. The company's people and knowledge partner

PHOTOGRAPH: FRANK LINDNER





BEST PRACTICE Professor Roger Collins (right) discusses HR challenges with Deloitte's Peter May and Margaret Dreyer.

Peter May says: “Creating a highly adaptive culture that results in one team going to the market is something I think we’ve done well and which drives employee engagement and performance”.

May says the company pays a lot of attention to how people behave in order to produce results. Substantive cultural transformation at Deloitte was initiated by former CEO Lynn Odland, then subsequently invested in and led by current CEO Domenic Martino. The transformation created a system called Signals in Action. The signals are core company values, such as ‘only recruiting the best’, ‘talking straight’ and ‘play to win – think globally’ that inform how people behave and how their performance is measured.

Turn over May’s business card and the company’s seven cultural values or signals are boldly listed. “Our internal values are communicated externally to declare publicly who we are, and I think that’s a distinct difference,” he says.

The signals are the fundamental behavioural platform for the organisation and form an integral part of Deloitte’s performance management. “In fact, you can’t emerge with a high performance rating without doing well on the signals,” says May.

He says the program has had an impact on staff retention rates, which increased by about 10 per cent after its implementation.

Deloitte’s cultural values or signals are one of the main elements performance is measured against. The others are the company’s business goals and its global competency framework, which together give an overall assessment.

“That means,” says Deloitte assurance and advisory partner Margaret Dreyer, “that even if a person performs well against budgets and global competency, they won’t emerge with a high performance rating if they don’t ‘walk the talk’ or behave according to the signals.”

Dreyer is one of 240 partners throughout the organisation with responsibility for adhering to and promoting the Signals to Action program, and that, she says, turns out to be a powerful enforcing influence across the company.

What’s interesting about Deloitte’s focus on behavioural values, according to the AGSM’s Collins, is that it is an initiative not

just of the human resources function but one that is led by the partners. “The program is much more about leadership than structural controls,” he says.

A recent extension of the signals program is a signals leadership initiative in which a substantial number of Deloitte’s partners have participated.

“I think that’s innovative because client-focused professional services partners would normally be quite reluctant to invest in that sort of learning and development,” says May.

“But at Deloitte, we think the only way you can really engage your people is by effectively leading them – I don’t think you can do it any other way,” he says.

One of things the Hewitt study measured Deloitte and other employers on is flexibility in people management. “At Deloitte we don’t have any formal working hours, which means our focus is on outcomes, not inputs,” says May. That means that the company leaves it up to its employees and partners to navigate their personal and professional lives while meeting client commitments and work objectives.

In practice, says Dreyer, “all of us will pick up whatever the load may be to help each other out from time to time”. She believes Deloitte’s flexible working arrangements also help the company to retain women coming back from maternity leave. “That’s probably more so in the professional services rather than administrative areas because we have the technology to

“Our philosophies such as equality and egalitarianism are not just something on a piece of paper on the wall of the training room.”

support communication with clients, so it doesn’t really matter whether you’re looking after children or sitting in an office, says Dreyer.

Collins also has been impressed by how Deloitte has used communications, HR, marketing and leadership congruently as a shaping force in the organisation.

According to Collins, this is unique because it integrates internal functions that are often independent of one another. Such integration can strengthen the firm’s brand and performance by signalling to both clients and members the behaviours that are promised and required to meet client needs.

One of the aims of Deloitte’s focus on culture and values through its Signals in Action program has been to weave a thread through individuals to create a collective. “What that means, hopefully, is that when people come into contact with Deloitte they experience a group of people who are aligned to the market and to clients in a distinctive way,” says May.

“The intended result is that it feels better working with Deloitte and that applies to both our clients and our people – we want there to be a qualitative difference about being with the company.”

SOCIOLOGICAL APPROACH

Collins agrees that one of the things that distinguishes Deloitte is a collective level of effort – a sociological and anthropological approach.

“This is also characteristic of Flight Centre which organises its workforce into teams and groups it calls families, villages and tribes, which is designed to encourage people to think and behave collectively to create consistent customer experiences,” says Collins.

According to Andrea Slingsby, Flight Centre’s global human resources manager: “One of the key philosophies or one of the lessons we’ve learnt has been to grow big by staying small”.

Everyone in the company works in small teams – for example, retail shops and other business units will have no more than eight people to create a family feeling of respect and knowing one another. Shop groups socialise and work with other shops in the area to form a village, and villages are grouped together in tribes of about 120 people. “Honouring

these anthropological groupings and building our corporate organisational structure around them is how we succeed,” says Slingsby.

Like Deloitte, Flight Centre works hard at making cultural values stick. “Our philosophies such as equality and egalitarianism are not just something on a piece of paper on the wall of the training room,” says Slingsby.

Share ownership is available to employees at all levels of the company and employees receive perks based on performance rather than status, says Slingsby. “Our CEO, for example, works in an office with eight other people, like everyone else.

“For us, the way we set up the whole organisation is to make sure we are creating



COLLECTIVE EFFORT Flight Centre's Andrea Slingsby.

an environment where people feel respected as individuals, where they respect others, where there is strong leadership, where people have fun, where people are rewarded and recognised for what they do, where there are great career opportunities for them – and for us that's the stuff that makes the organisation tick," she says.

Flight Centre has grown strongly since it floated on the Australian Stock Exchange in 1995, achieving a three-fold increase in shops and businesses to almost 1000 outlets. It has also expanded its business to the US and more recently Hong Kong. So, how does it translate its business model and make it stick?

"We have incredibly detailed and decentralised communication systems at all levels throughout the organisation, which makes the business model very transportable and supportive of our philosophies and culture," says Slingsby.

"At the cultural level we started most of our overseas operations with people who had grown up with the organisation; our people do walk the talk and I think if you have the right person setting up a new country the model replicates itself," she says.

CORPORATISATION

One of the factors that distinguishes Flight Centre's people practices, according to Slingsby, is its decision three years ago to corporatise its internal human resources function. "We decided that the generalist HR function wasn't supporting the business in the way it could so we split it into the specific functions such as recruitment, learning and development and corporate health," says Slingsby.

"We now operate our HR here as a set of internal businesses and they run exactly as they would if they were external businesses providing services to Flight Centre," she explains.

"In particular, we have a level of accountability going here within HR that I believe exists nowhere else in the world, because I have done a lot of research on it.

"While my recruiters have a 20 per cent profit share, 80 per cent of their incentives are based on the company's strategic balanced scorecard outcomes for recruitment – and that means they receive incentives based on the retention rates of the people they hire," says Slingsby.

Flight Centre recruiters also receive incentives based on the time it takes them to fill vacant positions and how successfully they do that – what the company calls its average daily vacancy KPI (key performance indicator).

"We've really managed to get a fantastic alignment between the company's strategic objectives and the accountability of individuals in each of our HR-related businesses; we then use that to recognise and reward people," explains Slingsby.

Flight Centre lost about one-third of its recruiters in the process of introducing greater accountability, "but at the end of the day I wasn't unhappy because the people we lost didn't want to be accountable for the results they were providing," she says.

"My people are now running [HR] businesses that made \$592,000 this year compared with a loss of \$700,000 the year before last. We're providing better services at a better price than Flight Centre would get

elsewhere – and why would you have an internal HR area if you can't do that?"

Slingsby says the turnaround had nothing to do with putting up fees. "We realigned ourselves with our internal customers, but when we first went 'user pays' our income started drying up.

"That made the HR businesses start asking, 'Well, hang on, why aren't you using us – why are you outsourcing your executive recruitment?'" says Slingsby.

"And the answer was – because we weren't meeting their needs internally, so it has really made us refocus on what it is that our internal clients need and to come up with the goods in order to provide better services at a better price," she says.

As a result, Flight Centre's corporatised HR businesses are now at a point where Slingsby is starting to look at external opportunities once 100 per cent internal market share is achieved. "The five-to 10-year vision is to perhaps supply HR services to other businesses and certainly expand the range of services that we offer," she says.

EMPLOYEE ENGAGEMENT

Another area of difference at Flight Centre, says Slingsby, is a policy of share ownership. "More than 80 per cent of our employees own shares in the company, and I think that is a huge factor in driving both engagement and performance because people have a vested interest in the organisation.

"I think share ownership contributes to people believing strongly in the vision of the company and wanting to be a part of achieving it," she says.

However, Flight Centre's overall success in engaging its employees to the extent of being rated the best employer in Australia by the Hewitt study comes back to organisational structure and culture, says Slingsby. "For example, if you put a share ownership scheme into a traditional, hierarchical company I don't think you would get the same result because you wouldn't have the culture or the [employee] buy-in."

It's the whole package at Flight Centre, she says. Slingsby attributes the company's best employer status to a flat and lean structure driving productivity that emphasises how people are remunerated, the availability of share ownership, the company's philosophies and its leaders, and the fact that there is a pervasive quality of egalitarianism. 🌟

by Debra Maynard

Measuring customer satisfaction: how to get reliable results for less cost

One of the tricks to achieving accurate and cost-effective customer satisfaction measurement for benchmarking is to understand the relationship between survey data reliability and efficiency.

Debra Maynard talks to award-winning marketing lecturer **Ujwal Kayande**.*

Consider the customer satisfaction measurement methods of a large bank. It has 780 branches and surveys 100 customers per branch per quarter – that’s 78,000 customers per survey at a cost of \$500,000.

In an analysis of the bank’s survey data Dr Ujwal Kayande found that if the bank reduced the number of customers surveyed from 100 to 25 it could significantly reduce the cost of its quarterly surveys to \$121,000.

He found that while there would be more errors in the measurement of satisfaction because fewer people would be surveyed, the data indicated that reliability would only fall from 0.98 to 0.95 (on a scale of 0 to 1).

The important thing, says Kayande, is to understand the inherent variability of your branches, customers and survey questions in order to get dependable responses. Only then can you achieve cost efficiency by using your understanding of marketplace variability to determine the minimum number of customer responses you need to obtain reliable data.

“If a bank or retail chain is surveying customer satisfaction to use for benchmarking itself against its competition or for benchmarking its branches or retail outlets against one another, there are ways in which you can evaluate whether the survey is doing a good job,” says Kayande.

“Unfortunately, most companies will not try to assess that. Instead, they implicitly assume the data is indicative of the truth whereas, in fact, the data can be subject to a lot of measurement errors,” he says.

What Kayande’s work does is identify the cause and magnitude of errors (or unreliability) in survey data so that companies can

ascertain whether the data means something substantial or just represents random numbers.

“If you are providing incentives to your employees and to your branches or retail outlets on the basis of customer responses that have a substantial error component, that are ‘noisy’, then you can expect your incentive scheme, your benchmarking methods to lead to employee dissatisfaction over time,” says Kayande.

WHAT GOES WRONG?

Benchmarking typically produces data that represents responses to customer satisfaction surveys that ask questions such as: ‘How well do our staff help to make your banking easy?’ or ‘Do you perceive that we treat you with respect?’. “What many companies fail to do,” says Kayande, “is recognise there are typically a lot of errors that come from the fact that customers are not all the same.

“Now marketers might reasonably worry about a marketing lecturer who says the fact that customers are different implies the data is unreliable. However, there is another way to think about it.

“If all customers in the marketplace were identical then the number of customers you would have to ask to get the answers would be equal to exactly one, because if you asked one you’d know everybody’s answer.

“However, the interesting thing about this world is that customers are not all the same, which begs the question, ‘Well, how different are they?’

“If they are all terribly different then you have to ask every one of them a question, but if they are not all terribly different then you can ask just a few and get the answer you

want. What I am trying to point out is if they were all the same and you asked only one person, you would have no errors in the data. If they were all very different and you asked only one person, your information would be so unreliable there would be no meaning to it.

“What you have to do is go through a process of matching how different your customers are to how many people you should be surveying. This helps to reduce the unreliability to the greatest extent possible and that’s what my work has been all about,” says Kayande.

But there is another angle to it. It is not just about minimising errors in customer response data. The other part of good survey design is about capturing the inherent variability in the units (the branches or retail outlets) you are benchmarking – what Kayande calls a ‘signal’.

“If you start off with an assumption that these retail outlets are different – in terms of sales and market share and other factors – but your survey data comes back indicating they are not actually different at all in terms of satisfaction, then you have a problem – because your benchmarking isn’t capturing those things that make some outlets better than others on sales or share,” says Kayande. (See Figure 2: Concept of Reliability.)

ASKING THE RIGHT QUESTIONS

“You have to try to design a survey in which your questions produce the largest possible signal [the best possible capture of the inherent variability between the units being surveyed] and the smallest error or unreliability in customers’ responses – that’s the critical matching you have to go through,” says Kayande.



Ujwal Kayande.

“You have to do better, and a lot of companies are, in fact, not doing any better than tossing a coin from the data I’ve seen.”

“For example, suppose you have 1000 retail outlets. You randomly select 20 or 50 branches, randomly select customers within each branch to understand how different those customers are, and randomly select 20 questions from a pool of 50 that tap into customers’ satisfaction.

“This random selection allows you to generalise to your 1000 outlets, millions of customers and the 50 questions. You then conduct a survey on these customers to assess how much of a signal this set of 20 questions is giving you.

“If it is giving you a lot of signal relative to the differences between customers then you are doing pretty well. But if it is giving you a small signal relative to the differences between customers, then your survey is

doing really badly, and you have to start rethinking your questions.

“For example, if you asked about whether a bank branch is clean or not when you know that most of them are, in fact, pretty clean, then most of these branches would come out with a similar score and what that means is your signal is going to be close to zero.

“On the other hand, if you asked a question about friendliness when you know that few branches are, in fact, very friendly, you are going to find a lot of difference in the data and that means there will be quite a bit of signal coming through,” he says.

Good, or dependable, survey design relies on an understanding that if you start asking questions that generate little or no signal,

then you are wasting your time and money. The whole point, says Kayande, of randomly selecting questions from a pool of 50, is that you can determine which questions are good and which are bad – and use the better ones for future surveys. “But, of course, the questions you select all should be conceptually linked to customer satisfaction,” he says.

ACHIEVING EFFICIENCY

It is all about efficiency at the end of the day, says Kayande, and “you have to match this thing called reliability – which is how much of a signal there is relative to how much error there is”. (See Figure 1: Reliability and Efficiency).

“You have that, on the one hand, and then you have the cost of doing the survey – which is determined by how many people you survey, how many stores you include and how many questions you ask,” says Kayande.

The trick is to balance these things against each other. If a benchmarking exercise surveys too many customers the implicit assumption is that the differences in customers

are large compared to differences between retail outlets (the signal). However, if customers are not very different and a huge number of people are still being surveyed then your benchmarking is not efficient and you are wasting money. On the other hand, if customers are very different and, in addition, very few people are being surveyed, the benchmarking outcome will be unreliable for decision-making.

THE IMPORTANCE OF RANDOM SELECTION

“Random selection is the way you can determine the inherent variability that exists among people, questions, retail outlets and occasions,” says Kayande.

“Suppose you are conducting mystery shopping at petrol stations and your mystery shopper visits the petrol station only in the mornings; that’s a problem because you can’t generalise the results [to your marketplace of customers] because there hasn’t been a

RELIABILITY AND EFFICIENCY

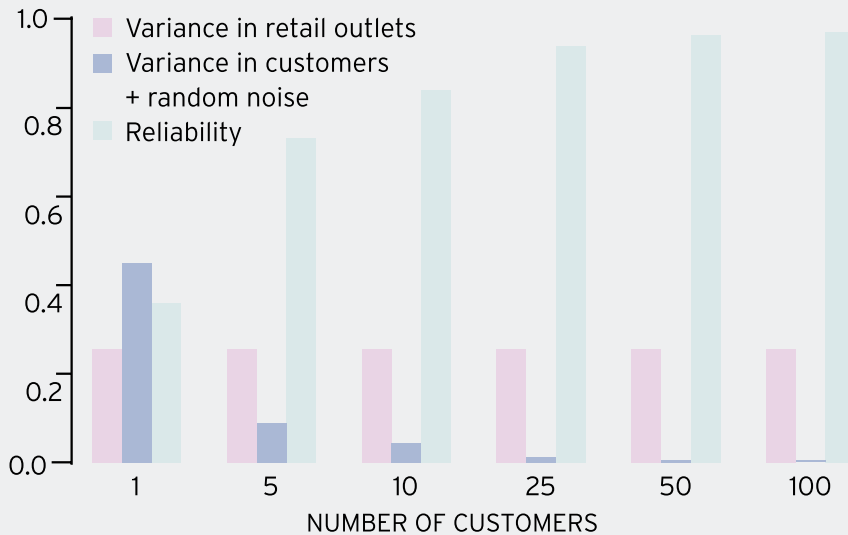


FIGURE 1: The foundations of reliability theory were laid in 1951 by professor Lee J. Cronbach's seminal work in psychometrics' (the science of psychological measurement). Psychometrics has traditionally focused on measuring the ability of students, whereas the focus here is on measuring the performance of retail outlets using customers as survey respondents. Therefore, the concept of reliability, as it is used in psychometrics, has to be adapted because the focus of measurement is different.

CONCEPT OF RELIABILITY

- Overall ability to compare retail outlets

$$\text{Reliability} = \frac{\text{Variance in retail outlets} \quad \left. \begin{array}{l} \text{Signal} \\ \end{array} \right\}}{\text{Variance in retail outlets} + \text{Variance in customers' views} + \text{Random noise} \quad \left. \begin{array}{l} \text{Noise} \\ \end{array} \right\}}$$

- Low reliability makes decisions undependable
- High reliability is good, but are you efficient?

FIGURE 2: "You can look at reliability as a ratio of the variance in the perceived performance of outlets being surveyed and variance in customers' views plus random noise. If you score close to 0 you are doing badly because your survey reflects no variance in outlets and the data has way too much noise. If you are close to 1, that means the variance in outlets is huge compared to the noise. What you should be striving for if you want to make any decisions that actually impact on your employees or your organisation is a ratio of at least 0.95. When the variance in outlets is equal to the variance in customer views (combined with random noise), reliability is equal to 0.5, which is really no better than tossing a coin for making important decisions based on the data. You have to do better, and a lot of companies are, in fact, not doing any better than tossing a coin from the data I've seen." – Ujwal Kayande

spread of measurement across the day.

"If you randomise this then you are much better off because you can generalise – you get an understanding of the inherent variability, which you can't if you specifically choose certain times. Your survey responses should reflect the inherent variability across branches or stores, among people, questions and occasions," he says.

SURVEY DESIGN CHECKLIST

- Understand the purpose of doing a customer satisfaction survey – this is critical. Many companies collect data but don't know what to do with it.
- Use the data you have already collected to determine what you should do in the future; this will make future data collection efficient.
- Ask questions that find differences and, therefore, give you a better signal (or reflection of the inherent variability of the retail outlets, branches or other units you are surveying).
- Watch out for indications of high unreliability in your benchmarking data. If, over a year, you find that stores drop in and out of being good at customer satisfaction when you would expect a consistent pattern, then you need to reassess the number of customers or range of stores being surveyed, or the type of questions you are asking. Another indicator of data unreliability would be a situation where the stores which do well at customer satisfaction are the ones that have poorer sales.
- Recognise that good survey design will, in most instances, result in a correlation between satisfaction and sales over time. ★

* Dr Ujwal Kayande is a senior lecturer in marketing at the AGSM. He received the American Marketing Association's Donald R. Lehmann Award for best dissertation-based article in *Journal of Marketing Research* or *Journal of Marketing* (1998), and he was awarded *Researcher of the Year* by the Australia New Zealand Marketing Academy (ANZMAC) in 2000. He is continuing to work with Australian and US professors on improving survey design methodology.

FOOTNOTE

1 Lee J. Cronbach, 'Co-efficient alpha and the internal structure of tests', *Psychometrika*, vol. 16, no. 3, pp. 297–334, 1951.

FURTHER READING

- Ujwal Kayande and Adam Finn, 'Unmasking the phantom: a psychometric assessment of mystery shopping', *Journal of Retailing*, vol. 75, no. 2, pp. 195–217, 1999.
- Ujwal Kayande and Adam Finn, 'Reliability assessment and optimisation of marketing measurement', *Journal of Marketing Research*, vol. 34, no. 2, pp. 262–275, 1997.

books

Welcome to the new books page – a Lifelong Learning initiative that features reviews and news of new business books. Browse the recommended section to learn what's on the minds of AGSM faculty when it comes to good reading.

Reviewed by JOHN B. REID AO, AGSM EMERITUS CHAIRMAN

HIGH PERFORMERS: HOW THE BEST COMPANIES FIND AND KEEP THEM

by Leon Martel (*Jossey-Bass, San Francisco 2002*)

Author Leon Martel enjoys two great advantages. First, he is a diversely experienced researcher and manager in management studies. Second, he is a senior fellow of The Conference Board, the pre-eminent New York-based meeting place and centre of learning for senior business people in the US, and in more recent years for European, Asian and Australian business people.

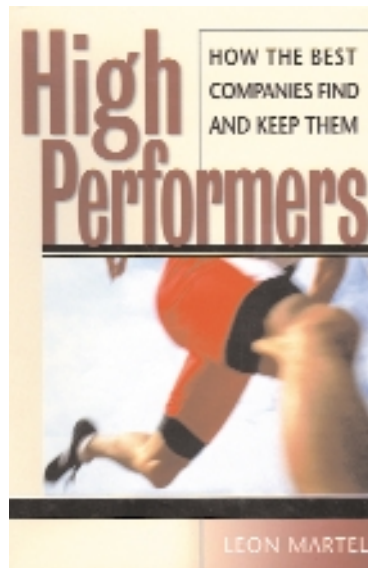
High Performers is no mere theoretical study. It is the product of intense and detailed research and draws its conclusions from Martel's extensive discussions with leaders of American, Asian and European businesses.

And if much of what Martel has to say might appear to be commonsense to experienced

business people, it bears repeating. Given that dramatic change appears to have become the norm in many businesses, the concern for and care for people, and the values implicit in that concern and care, makes not only good moral sense but good business sense.

The unfortunate need to restate this truism is perhaps best exemplified by The Conference Board's 1999 study which revealed that 656 CEOs of major corporations around the world ranked "helping employees achieve work-life balance" as last on a list of 15 management challenges (equal with "community relations across multiple regions").

Throughout *High Performers*



Martel lists issues of concern and importance to employees and shows that those companies which address these issues and concerns experience a high

degree of financial and corporate success.

If this connection appears self-evident, the behaviour of some Australian companies – which seem comfortable in announcing a proposed reduction in employees whilst almost in the same breath trumpeting some new acquisition or record profit performance – would, regrettably, seem to deny it.

To Martel's credit, *High Performers* does not set out to provide simple answers to management problems. Rather, it invites the reader to engage interactively with it as it tries to find reasonable outcomes and solutions to generic problems.

By bringing together a formidable range of individual corporate voices and experiences, *High Performers* will, I believe, bring light to bear on issues familiar to many Australian businesses.

Recommended

THE CASH NEXUS: MONEY AND POWER IN THE MODERN WORLD, 1700-2000

by Niall Ferguson (*Allen Lane 2001*)

Professor of finance, Chris Adam, recommends this: "very readable history of financing innovations, which focuses on government activities.

"Ferguson rejects a widely held view that spontaneous financial innovations such as new types of government bond issues, or the concept of income tax, gave the opportunity for governments to expand their activities within economies and across nations," says Adam.

"He provides extensive empirical evidence to support his case that the causation has been in the other direction: nation

states that tried to grow, especially through military means, became the creators of financial innovations we accept today as regular governmental financing devices.

"In short, warring activity drove the need to create ideas like taxes on income, perpetual debt instruments, and (most recently) 'generational accounting'.

"Despite the apparently daunting content, the text is written in an energetic and engaging fashion, with many fascinating sidelines into fiscal history," says Adam.

NATURAL CAPITALISM

by Hawken and Lovins (*Little, Brown 1999*)

Dr Marc Orlitzky, organisational behaviour lecturer, says this book:

"describes examples of four environmental strategies that will allow your company to reap substantial economic benefits".

The four strategies are resource productivity, biomimicry, service and flow, and investment in natural capital.

"The book presents in-depth, case-based research on a wide range of organisations and industries," says Orlitzky.

"Former US President Bill Clinton once said about the book: 'If you read it you will be convinced that whatever you're doing ... you could make a lot of money by getting into alternative sources of energy and energy conservation ... and this is a huge deal'."

HOW ASIA ADVERTISES

by Jim Aitchison (*Wiley 2002*)

Marketing lecturer Dr Giana Eckhardt recommends this book to anyone interested in understanding, in a practical sense, how culture affects marketing strategies in Asia.

BRANDING IN ASIA: THE CREATION, DEVELOPMENT AND MANAGEMENT OF ASIAN BRANDS FOR THE GLOBAL MARKET

by Paul Temporal (*Wiley 2001*)

This book is also highly recommended by Eckhardt because: "the author discusses which brand management techniques (typically developed with the US customer in mind) are applicable in Asia and which are not". It also discusses how to manage a brand successfully in Asia. ★

publications & papers

PUBLISHED WORK AND RESEARCH PRESENTATIONS

BOOK CHAPTERS

M. Sinclair, N. Ashkanasy, M. Boyle and Dr **Prithviraj Chattopadhyay**, 'Determinants of intuitive decision-making in management: the moderating role of affect' in N. Ashkanasy, C. Hartel and W. Zerbe (eds), *Managing Emotions in the Workplace*, pp. 143–163, M.E. Sharpe, New York, 2002.

Professor **Murray Kemp** and K. Shimomura, 'A new approach to the theory of international trade under increasing returns: the two-commodity case', pp. 3–21, and 'A second correspondence principle', pp. 37–56, in A.D. Woodland (ed.), *Economic Theory and International Trade: Essays in Honour of Murray C. Kemp*, Edward Elgar, Cheltenham, UK, 2002.

Professor **Robert Marks**, 'Playing games with genetic algorithms' in Shu-Heng Chen (ed.), *Evolutionary Computation in Economics and Finance*, pp. 31–44, Physica-Verlag Heidelberg, New York, 2002.

T.P. Hettmansperger, J.W. McKean and professor **Simon Sheather**, 'Robust non-parametric methods' in A.E. Raftery, M.A. Tanner and M.T. Wells (eds.), *Statistics in the 21st Century*, pp. 359–367, Chapman and Hall/CRC, London, 2002.

J.S. Gans, and Dr **Robin Stonecash**, 'The innovation and market structure in general equilibrium' in A.D. Woodland (ed.), *Economic Theory and International Trade: Essays in Honour of Murray C. Kemp*, pp. 181–191, Edward Elgar, Cheltenham, UK, 2002.

JOURNAL PUBLICATIONS

Professor **Christopher Adam**, review of *Practical Applications of Approximate Equations in Finance and Economics* by Manuel Tarrazo in *Economic Record*, vol. 78, no. 241, pp. 243–244, June 2002.

Professor **Eddie Anderson** and A.B. Philpott, 'Using supply functions for offering generation into an electricity market', *Operations Research*, vol. 50, no. 3, pp. 477–489, May–June 2002.

Professor **Grahame Dowling**, 'Customer relationship management: in B2C markets, often

less is more', *California Management Review*, vol. 44, no. 3, pp. 87–104, Spring 2002.

Dr **Giana Eckhardt**, 'Culture's consequences: comparing values, behaviours, institutions and organisations across nations', *Australian Journal of Management*, vol. 27, no. 1, pp. 89–94, June 2002.

Dr **Elizabeth George** and Dr **Prithviraj Chattopadhyay**, 'Do differences matter? Understanding demography-related effects in organisations', *Australian Journal of Management*, vol. 27, June 2002.

Dr **Markus Groth**, B.M. Goldman, S.W. Gilliland and R.J. Bies, 'Commitment to legal claiming: influences of attributions, social guidance, and organisational tenure', *Journal of Applied Psychology*, vol. 87, no. 4, pp. 781–788, August 2002.

B.M. Goldman, S.S. Masterson, E.A. Locke, Dr **Markus Groth** and D.G. Jensen, 'Goal directedness and personal identity as correlates of life outcomes', *Psychological Reports*, vol. 91, pp. 153–166, 2002.

S. Wood, professor **Robert Kohn**, T. Shively and W. Jiang, 'Model selection in spline nonparametric regression', *Journal of the Royal Statistical Society Series B – Statistical Methodology*, vol. 64, pp. 119–139, 2002.

Dr **Chris Lloyd**, 'Semi parametric estimation of ROC curves based on binomial regression modelling', *Australian and New Zealand Journal of Statistics*, vol. 44, no. 1, pp. 901–999, 2002.

Associate professor **Sharon Parker** and M.A. Griffin, 'What is so bad about a little name calling? Negative consequences of gender harassment for overperformance demands and distress', *Journal of Occupational Health Psychology*, vol. 7, no. 3, pp. 195–210, July 2002.

Associate professor **Sharon Parker**, M.A. Griffin, C. Sprigg and T.D. Wall, 'Effect of temporary contracts on perceived work characteristics and job strain: a longitudinal study', *Personnel Psychology*, vol. 55, no. 3, pp. 689–719, 2002.

Professor **Thomas Powell**, 'The Philosophy of Strategy', *Strategic*

Management Journal, pp. 873–880, September 2002.

Professor **John Roberts** and P.D. Morrison, 'Assessing market structure and company fit based on consumer perceptions in dynamic information technology markets', *Journal of Business Research*, vol. 55, pp. 679–686, August 2002.

G. Clinch, associate professor **Baljit Sidhu** and S. Sin, 'The usefulness of direct and indirect cash flow disclosures', *Review of Accounting Studies*, vol. 7, no. 3, 2002.

P. Weill and professor **Michael Vitale**, 'What IT infrastructure capabilities are needed to implement e-business models?', *MIS Quarterly Executive*, vol. 1, no. 1, pp. 17–34, March 2002.

P.W.B. Atkins, professor **Robert Wood** and P.J. Rutgers, 'The effects of feedback format on dynamic decision making', *Organizational Behaviour and Human Decision Processes*, vol. 88, no. 2, pp. 587–604, July 2002.

REPORTS

G. Foster, R. Kasznik and associate professor **Baljit Sidhu**, *The Pricing of Technology Stocks: A Global Perspective on Australian Stocks*, Australian Stock Exchange, Sydney, March 2002.

CONFERENCE PRESENTATIONS

PhD candidate **Jennifer Adelstein**, 'Mechanisms of control in a post-industrial corporation: a case study for a new assembly line', presented at the UNSW Sociology 2002 Conference, September.

Dr **Chongwoo Choe**, 'Executive stock options and investment choice', presented at the 2001 Financial Management Association European meeting, Paris, 30 May to 1 June, 2002; and 'Leverage, volatility and executive stock options', presented at the Econometric Society Australasian meeting, Brisbane, 7–10 July 2002.

Dr **Prithviraj Chattopadhyay**, Dr **Elizabeth George** and S. Lawrence, 'Why does dissimilarity matter? Contrasting self-categorisation with

similarity-attraction', presented at the Academy of Management meeting, Denver, US, August 2002.

PhD candidate **Catherine Collins** and associate professor **Sharon Parker**, 'Collective efficacy and team performance: the moderating role of task interdependence and personality', presented at a symposium chaired by Collins and Parker entitled 'Collective efficacy: new directions for predicting team effectiveness' at the Academy of Management meeting, Denver, US, August 2002.

Dr **Markus Groth**: 'Customer citizenship behaviour in Internet service deliveries: a social exchange perspective'; 'Service per mouseclick: identifying antecedents of customer co-production and citizenship behaviours'; and (with Sherry Schneider and Barbara Gutek) 'The effects of customer and service provider gender on customer satisfaction: stereotype congruence versus in-group bias', presented at the Academy of Management meeting, Denver, US, August 2002.

Dr **Marc Orlitzky** (with Diane L. Swanson), 'Exploring individual differences in normative myopia: executives' personality factors, pay preferences, and ethics of care', Academy of Management meeting, Denver, US, August 2002.

PhD candidate **Doan Hoang Cau Thai** and professor **Eddie Anderson**, 'A co-evolutionary approach to modelling the behaviour of participants in competitive electricity markets', presented at the 2002 IEEE Power Engineering Society Summer Meeting, Chicago, US, 21–27 July 2002.

CONFERENCE PROCEEDINGS

Dr **Markus Groth**, 'Managing virtual customers: examining different types of online customer behaviour', in Proceedings of the 11th AMA Frontiers in Services Conference, Maastricht, Netherlands, June 2002. ★

Statistics leadership

It takes profound influence and outstanding research to gain election to fellowship of the Institute of Mathematical Statistics. It is an achievement realised by the AGSM's professor Robert Kohn, who was made a fellow in July this year at the IMS Annual Meeting in Banff, Canada.

Kohn has contributed innovative and influential research over more than 20 years in the fields of methodology in time series, nonparametric regression, Bayesian inference and statistical computing. He "is one of the premier statisticians of our time," says Randy Eubank, professor of statistics at Texas A&M University.

Eubank says Kohn is arguably the world's foremost authority on the Kalman filter, which gives recursion formulas for estimation and prediction using a state space model. The filter enables quite general models, which were previously intractable,

to be fitted to data.

"Until two years ago," says Eubank, "it had never seemed to me that there was any imperative reason to prefer Kalman filter methods over the band-limited computing methodology that I had always employed in my own research.

"However, I now stand corrected on this notion and, although I remain a staunch frequentist, I have joined the ranks of the converted in that I now prefer the Kalman filter for the computation of smoothing splines and related estimators.

"I came to this enlightened point of view by reading Robert's wonderful 1989 *Biometrika* article with Ansley on signal extraction, influence and cross-validation in state space models," he says.

In the early 1990s, Kohn was one of the first research scholars to recognise that Bayesian methodology coupled with Markov Chain Monte Carlo simulation methods could provide a powerful general approach to estimating complex



Professor Robert Kohn.

methods. Marketplace applications of Kohn's methods include a real-time model he produced to predict wind speed in different parts of Sydney Harbour for the Sydney 2000 Olympic Games.

"Robert Kohn is one of today's most productive and innovative statisticians; his methods have consistently outperformed the other leading contenders and are now the standards against which new methods are compared," says Edward I. George, professor of statistics at The Wharton School, University of Pennsylvania. As such, says George, his work is "widely

considered to be the most important in the field".

According to professor Peter Hall of the Mathematical Sciences Institute at the Australian National University, Kohn "has also made major contributions to the statistics profession in Australia by training graduate students and directing the work of one of the country's leading groups of academic statisticians [at the AGSM]".

Colleague professor Simon Sheather says Kohn is renowned "for his generosity with ideas and time, which has made the AGSM a richer place". ★

International appointment

Professor **Robert Wood** has been elected to the Executive Board of the International Association of Applied Psychologists (IAAP). The IAAP is the oldest international psychology association and its membership includes leading research scholars from Europe, the US, Asia, South America and Australia. Wood has also been appointed editor of the journal *Applied Psychology: An International Review*.

Police study wins \$65,000

The Sir Maurice Byers Research Fellowship Program granted senior lecturer Dr **Bob Westwood** \$65,000 mid-year to conduct a two-year study on performance indicators for New South Wales police recruits. Working with Westwood on the study are AGSM professor **Robert Wood** and professor Murray Barrick from the Graduate School of Management at Michigan State University. The study is called 'Predictors of Performance: Psychological

Testing and Subsequent Performance of New South Wales Police Service Recruits'.

New faculty

Dr **Anna Gunnthorsdottir** joined the AGSM last month as a senior lecturer in general management, specialising in strategy and decision-making under uncertainty. She completed her PhD in management at the University of Arizona in 2001 and subsequently worked there before her appointment to the AGSM. Her first degree is a BA in psychology

from the University of Iceland.

Gunnthorsdottir's research interests reflect her diverse education: her work focuses on the determinants of cooperation, defection and reciprocity, and on incentives that drive cooperation and strategy. She draws insights from experimental game theory as well as organisational behaviour, statistics and political science. Her work has been published in journals such as the *Journal of Economic Psychology*, *Anthrozoos* and *Political Psychology*. ★

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

Nathan Perkins has moved from Leichhardt in Sydney to Melbourne's Docklands. Contact: nathan_perkins@wm.national.com.au, Tel: (03) 9600 1078.

2000

Philippe Vincent has moved from the role of channel marketing manager to European channel marketing manager with AMD in France. Contact:

philippe.vincent@amd.com, Tel: (+33 1) 4975 1010.

Bruce Bachenheimer married Doria Stetch in New York last June. Bruce is a vice-president at iQ Venture Partners and was recently appointed an adjunct assistant professor at Pace University.

He is teaching the undergraduate management course, Business Strategy, as well as New Venture Creation and Entrepreneurship in the MBA program. Last year, Bruce taught six different undergraduate courses at other institutions and hopes to continue teaching. Plenty of pictures can still be found on www.bachenheimer.com.

Tom Richardson has left Bain International to join Deloitte Touche Tohmatsu. Contact: trichardson@deloitte.com.au, Tel: (02) 9322 5360.

Kenny Wong has moved from the role of account manager with Cable & Wireless HKT to global account manager with WorldCom Asia Pacific. Contact:

kenny.wong@wcom.com, Tel: (+852) 2233 6043.

Sheng Yi Chen has relocated to China. Contact: csysh@hotmail.com.

1999

Michael Jacobsen has taken up a new position as sales consultant with Longridge Sarah Housing Group. Contact: michail_jake@smartchat.com.au, Tel: (08) 8244 9111.

1998

Simon Wong has left Citybright Property Consultancy Co. to join CB Richard Ellis as property manager in Beijing, China, Tel: (+86 10) 6801 7994.

Brian Kernick gave notice to KPMG and has moved back to Canada where he is involved in a hotel development project in Fort McMurray (northern Alberta). Brian would like to hear from alumni/staff visiting Alberta (Calgary or Banff). Contact: briankernick@yahoo.ca, Tel: (+1 403) 609 8623.

1997

Tye Anthonisz has moved to the New South Wales Government Department of Public Works and Services as manager, portfolio management. Contact: tye.anthonisz@dpws.nsw.gov.au, Tel: (02) 9372 7348.

Paul Li has left DNA after serving the company for four years. He has joined interior design and architectural consultancy firm David Hudson and is based in Shanghai.

1994

Nicholas Stoian and his wife Tina and daughter Ariella relocated to Bucharest, Romania in July this year.

Paula O'Connell established her own recruitment company in Amsterdam earlier this year after two years consulting in Europe for an international recruitment

company. The business specialises in middle to senior marketing appointments for international companies who have set up in the Netherlands to target the European market. See www.oconnell.nl.

1993

Derek Myers has taken up a new position in London as CEO of iVentures. Contact:

Derek.Myers@iventures.co.uk, Tel: (+44 20) 7002 3755.

Subramaniam Vinod has left SPARC Technology Business to join Sun Microsystems, Inc. in San Francisco as a senior product manager. Contact: sk.vinod@sun.com, Tel: (+1 650) 786 5155.

1992

Jochen Bonitz has moved from the role of vice-president (e-commerce) with Air New Zealand/Ansett Australia to consultant with Brisbane City Council. Contact: jochen@zipworld.net, Tel: 0411 191 666.

Eva-Marie Matiszik and partner, Russell Debney, are pleased to report the birth of their baby boy, Sascha, on 12 August. Eva-Marie says she will be taking a break for a little while from management consulting. She is glad to keep in contact with other management consulting MBA graduates who are doing the same thing:

Lisa Carlin (MBA '97) and **Julie Allan (nee Lonsdale) (MBA '91)**. **Dr Robert Lee** has left Degussa Dental (Hanau, Germany) after nine years to work for its competitor, Heraeus Kulzer, in New York, where he is responsible for cosmetic dentistry product management and marketing for the US and Canadian markets. Heraeus Kulzer is the third-largest dental

company in the world and part of the family-owned Heraeus Holdings conglomerate with a turnover of \$US7 billion. Robert has already launched a new cosmetic filling material called Venus (so-called for its "sexy positioning"). Robert has also worked in Sydney, Melbourne, Singapore, Tokyo and Frankfurt, but he says he still calls Australia home. Contact: Robert.Lee@hkiaus.com.

1990

Terry Daubney has taken up a new position as consultant with SMS Management & Technology, Tel: (02) 6230 1211.

Trish Donaldson has relocated from Hamilton, Queensland, to Talking Rock, Georgia, US. Contact: trish@mountainpowersports.com, Tel: (+1 706) 6365 222.

1989

Scott Taylor has left Kimberley-Clarke Australia to join Hutchison Telecoms as general manager. Contact: staylor@hutchison.com.au, Tel: (02) 9964 4540.

1988

Zach Tan is now living in Singapore. Contact: zach.tan@daimlerchrysler.com.

1987

Morrison Carter has been promoted to president at Beckett Gas Inc. Contact: mcarter@beckettcorp.com, Tel: (+1 440) 3531 300.

1986

After six years as senior partner at Macquarie Marketing Group, **Pat Mooney** has decided to go back to having some fun with technology

as commercialisation manager for information and telecommunications at CSIRO. He says he would like to hear from alumni, and that Pat, Laura, Georgia and Roland are enjoying the bush setting in Berowra. Contact:

patrick.mooney@csiro.au,
Tel: (02) 9372 4604.

Genevieve Vignes has taken up a new position as consultant with AnD Consulting Group. Contact: **andconsulting@bigpond.com**, Tel: (02) 9964 0663.

Cindy Monical and family have relocated to Colorado and started two new businesses – one imports unique Australian products into the US and the other is a small multimedia company which creates personal videos and DVDs. Contact: **clmonical@adelphia.net**.

MBA (EXECUTIVE)

2001

Jennifer Meiselman has moved to Watertown, MA, US. Contact: **jmeiselman@hotmail.com**, Tel: (+1 617) 924 9133.

Julia Cook has taken up a new position as associate financial adviser with Merrill Lynch. Contact: **julia_cook@ml.com**, Tel: (02) 9225 6596.

Geoff Cope has left Singtel Optus to join Dunn & Bradstreet Australia as national business development manager. Contact: **jgeoffcope@optusnet.com.au**, Tel: 0411 114 426.

2000

Vicki Doyle has been promoted to executive, customer strategy at the Commonwealth Bank of Australia. Tel: (02) 9513 1077.

Dixson Kwan is no longer living in Chung-Ku, Seoul, having relocated to Hong Kong. Contact: **dixson.kwan@prudential.com.hk**.

1999

Adam Benecke has moved to the role of sales and marketing manager, Asia and Latin America, with ATLINKS Hong Kong. Contact: **benecke@atlinks.com**, Tel: (+852) 2589 9707.

1998

David Woodhouse reports he married "Ratih (who is an Indonesian geologist) on a volcano in Bali during a geology conference". David is now associate director, metals and mining division, at Macquarie Bank in Sydney. Ratih is working for a company that monitors volcanic eruptions in Asia for the aviation industry. Contact: **David.Woodhouse@macquarie.com**.

David's best man was **Mark Gell** (also **MBA Exec '98**), who is now vice-president of external affairs and investor relations at One Steel. Contact:

gellm@onesteel.com.

Other MBA Exec '98s at the Woodhouse wedding were **Nicola McIntyre**, a senior executive at the Gartner Group, **nicola.mcintyre@gartner.com**, and **Richard Woods**, vice-president of business operations at Ansett Worldwide Aviation Services, contact: **Richard.Woods@ansettworldwide.com**.

Sue Robinson, who regrets missing the wedding, is now at the New South Wales Urban Taskforce – an industry group representing the property development sector. Contact: **suerobinson@urbantaskforce.com.au**.

Tom Sloane has been in Athens for the last few years working on the Olympics. Tom had worked on the 2000 Sydney Olympics in a senior role after finishing his MBA (Executive).

Peter Tyrrell has arrived back in Australia after a 16-month stint in the UK working for AMP, where he helped to consolidate information technology across several companies AMP had acquired in the UK. He reports: "I've joined Aspect in Sydney (part of the Kaz Group) as customer service manager responsible for developing Aspect's presence in the financial services sector. Contact: **peteratyrrell@hotmail.com**, Tel: 0403 937 098.

Peter Batchelor has moved from the role of investment manager with Ericsson Equity Alliances to director, innovations

and incentives with Ernst & Young. Contact: **peter.batchelor@ernstyoung.com.au**, Tel: (03) 9288 8385.

1997

David Walton has moved from Wheelers Hill in Victoria to Hove, South Australia. Contact: **waltod@hotmail.com**, Tel: (08) 8296 0880.

Simon Hickey is based in New York as CFO for Lend Lease Real Estate Solutions. He has had an ongoing involvement with the World Trade Centre recovery operation as Bovis Lend Lease (a division of Lend Lease Real Estate Solutions) was asked to help New York city to manage the site and logistical challenges. Simon has hosted visits by prime minister John Howard and Queensland premier Peter Beattie, and has appeared on Australian television to talk about the cleanup operations. Tel: (+1 212) 592 6807 or (+1917) 847 6002. In January 2002 **Dr John Knight** left the Children's Hospital in Sydney, where he had been for 22 years, to join the pharmaceutical industry. In August he was promoted to senior director, global drug safety and surveillance at Johnson and Johnson pharmaceutical research and development. He will move to London with his wife Lindsay in January 2003.

1996

After an extended courtship, **Janelle Pantan** and Mark Beadon recently celebrated their marriage in Janelle's home town of Narrabri. Janelle has been with E*TRADE Australia for the past three years, most recently managing corporate projects.

GDM

1999

Bob Smillie is presently CEO of the Shire of Wyndham, East Kimberley, which is the most remote local government in Western Australia with a population of 7000 people in an area of 121,189 sq km. Located 3200 km from Perth, the shire is the home of the famous Ord River irrigation area and is a

booming tourist destination with the soon-to-be-listed world heritage site of the Bungle Bungles. Bob has been assisting the Council with the recruitment of senior managers and a CEO following a period of high staff turnover in late 2001. Bob's term will finish following the appointment of a CEO, most likely in early 2003.

GCM/GMQ

1999

Neill Wiffin has moved from Castle Hill in New South Wales to Beaumaris, Melbourne. Contact: **neill.wiffin@baycorpadvantage.com**, Tel: (03) 9589 2790.

1998

Kimon Taliadoros has moved from North Bondi in Sydney to Kew, Melbourne. Contact: **kimon_taliadoros@hotmail.com**.

1997

James Brennan has left Packmasters to join Tynan Mackenzie as senior relationship manager. Contact: **jbrennan@syd.tynmack.com.au**, Tel: (02) 9252 1021.

1994

David Ebeling has moved from the role of manager with Teletronics to consultant with Process Management International. Contact: **djebeling@optusnet.com.au**, Tel: (03) 9815 2815.

1993

Sonny Mehta has taken up a new position as director of purchasing with Sagacious. Contact: **sonny.mehta@sagacious.net.au**, Tel: (02) 9283 0600.

GCCM

1999

John Meyer has moved from the role of manager, business strategy and communications, to director, land information and building services, with Planning and Land Management. Contact: **john.meyer@act.gov.au**, Tel: (02) 6207 2644.

alumni at large

THE AGSM ALUMNI BULLETIN BOARD

MTM

1997

Kim Stewart has left Emery Worldwide to join Australian Air Express as business development manager – corporate, Tel: (02) 9582 1692.

Group captain **Warrick Paddon** finished up as commandant of the Air Force's College at Point Cook in June 2002 and headed off to Harvard for a year. He is participating in a fellowship program at the Kennedy School of Government and invites any alumni visiting Boston to get in touch. Contact: wspaddon@netspace.net.au.

SMDP/DPM

1998

Ken McFarlane has returned from East Timor, where he was an aid program adviser to the chief engineer-director of the Water and Sanitation Service. "The objective was to assist the newly-appointed East Timorese senior managers to come to grips with their roles in the new state water authority. The majority were engineers with limited management experience. They had never been in positions that had any budget planning responsibilities. It was an extraordinary experience to be involved with a group of people on such a steep learning curve, and to have assisted in developing their insights into the operation of a national water authority," writes Ken. He has now returned to Carlton, Melbourne where he lives with his wife Jacky and daughter Ruth.

1996

Domenic Girolamo has taken up a new position as director, business implementation with Xchanging in Farnborough, UK. Contact: dgirolamo@xchanging.com Tel: (+44 78) 7627 2172.

1981

Paul Lavulo has joined MOSB (retail and wholesale trade) as managing director in Tonga. Contact: tplavulo@kalianet.to Tel: (+676) 23597. ★



ADVENTURERS Urs Koenig and his team-mates cycling across the US in the world's longest bike race.

High performer

Urs Koenig (MBA '00), a former skier for the Swiss University Ski Team and now a Seattle-based business coach, has another sporting talent – long-distance cycling. He joined three mates from the Zurich-based Swiss Academic Ski Club to cycle across the United States in the 4800-kilometre non-stop 2002 Race Across America.

His team won second place in the four-rider team division, clocking a time of six days, 10 hours and seven minutes in what is the world's longest bike race.

Koenig says the team's aim was to: "enjoy a great adventure, ride 24 hours a day averaging 19 miles an hour,

and arrive in Florida with a smile on our faces with all four riders crossing the finish line in the saddle (and not in the support vehicles!)"

Held each year in the US's summer, the race sees cyclists pedal around the clock for up to 15 days after starting in Portland, Oregon. The race crosses the Rocky Mountains and passes through the American mid-west before finishing in Pensacola, Florida.

Koenig's team covered the distance using a rotating roster, based on a "28-hour day". For each rider, that meant 21 hours of three-hour continuous shifts (comprising one hour on the bike and two hours in the pace van) followed by a seven-hour rest.

Despite mastering the ride without any major mishaps – not counting an early wrong turn that saw the team lose time – the race was undoubtedly brutal.

Reflecting on the feat, Koenig says: "The Race Across America reinforced two main lessons I have learnt during my sports and professional career, including my MBA. First, in order to fire up a team and get people motivated, you need a big, inspiring vision that everyone identifies with 100 per cent. Second, there is no substitute for solid, hard work and follow-through on each and every milestone and goal you have set to achieve the vision."



TRUE SPIRIT Singapore alumni enjoyed a taste of Australian wine: (from left) Charlie Koh (MBA '97), Anthony Chew (MBA Exec '95) and Samantha Mark (MBA Exec '00).

A taste for learning

In the true spirit of advanced education, the AGSM alumni Singapore branch held its third function for the year – a joint wine tasting evening with Melbourne Business School Singapore chapter and sponsored by JBWere.

Singapore branch president **Samantha Mark (MBA Exec '00)** reports that 45 alumni and friends learnt about the Australian wine industry sector from JBWere's visiting wine analyst Paul Ryan, and gained some stimulating tasting tips from Dr Tan, a local Singaporean wine connoisseur.



TRIBUTE Senior Manager Development Program (SMDP) graduate Rachael Hansom (left) dined with Kim Beazley at the Leadership Speaker Series dinner at the AGSM. She joined professor Mike Vitale, dean, his wife Susan Keyes-Pearce and other SMDP graduates and alumni in a toast to the former Australian Labor Party leader.



MARKET SELECTOR Richard Gould.

Taking PhD study to market

Former Australian Trade Commissioner **Richard Gould (MBA '85)** began a voyage of discovery 10 years ago with an idea to develop a new methodology for selecting the most viable export markets for companies. He applied the idea to PhD studies, which he completed in August this year, and set up his own business – International Market Selection.

"It began when I was working as an Australian Trade Commissioner and a company wanted me to select the best country in which to sell its products.

"The problem was,

research methodology at the time wasn't sophisticated enough to compare all of the world's 230 potential markets. We could only effectively assess one country at a time, so a firm would never know whether it was picking the best of all the possibilities," he says.

So Richard undertook a doctorate on foreign market selection methodology to determine the decision variables and their weights.

"Most businesses choose an export country on the basis of unsolicited orders received from customers; others base their choice on factors such as management ethnicity, holiday destinations, trade rumours and so on," explains Richard.

"We need to optimise the country choice because systematic country selection

will add about \$200 million per year here in Australia through increased sales, and reduced costs and risks," he says.

"The research collected and tested all the influential variables indicated in the literature to ascertain what things matter when making an export market choice."

Richard says his research is the first to incorporate psychological dimensions in the assessment so that foreign market selection is tailored to suit the abilities and desires of particular businesses.

"Statistics show that different companies selling the same product will be successful in different countries," says Richard. "One size (of country) does not fit all (firms)." ★

A STAKEHOLDER APPROACH TO PHILANTHROPY

Chum Darvall* proposes a model for aligning community and corporate interests that will not leave shareholders out in the cold.

We have heard many times in recent years, from both government and community leaders, about the need for the corporate sector to be more visible, more giving and more involved in support of community service activities. It is true that many important non-profit organisations have lost government funding (state or federal) for key projects in the past decade. But for the philanthropically inclined corporation the array of organisations now seeking corporate support is bewildering. A general list would include welfare, hospitals, theatre and opera, art and music, medical and scientific research, universities and schools and sport.

To oversimplify, while most people see the need for greater corporate giving and endowment, the development of lasting partnerships can be elusive. The key to long-term partnerships is the subtle alignment of interests; the inclusion of the corporation's own stakeholders.

'Pure' corporate philanthropy has a short lifespan, maybe one or two years, given the quite appropriate pressure on management to focus on shareholder value creation. My proposition is that partnerships must enrol third stakeholders, which could include the clients, staff or shareholders of the corporate donor. A well-constructed partnership between the corporate and non-profit sectors will yield a subtle 'dividend' to the donor. Examples might include perceived differentiation from competitors, staff involvement in community activity, brand awareness and publicity. If third stakeholders are enrolled in the effort then the partnership will have longevity far beyond any initial expectation.

Deutsche Bank's partnership with Mission Australia in support of 'Artworks' follows this pattern. Artworks is part of Mission Australia's Creative Youth Initiative



CHUM DARVALL

and uses the study of art to engage disadvantaged and marginalised youth as students to enhance confidence and self-esteem and demonstrate vocational potential. Art produced by the students is exhibited and sold each year in the lobby of Grosvenor Place, with Deutsche's clients and staff attending the event opening. Initially envisaged as a three-year program, it enters its sixth year in 2002, largely because the third stakeholders (Deutsche's clients and staff) see the merit of the Artworks program and reinforce the partnership.

LASTING PARTNERSHIPS

Another example is BRL Hardy's outstanding support of wetland restoration. When Sir James Hardy, a BRL Hardy director, initially introduced the possibility of sponsoring Landcare, the board was unsure of the merits. However, the creation of the Banrock Station label and its focus on wetlands and environmental sponsorship

created the opportunity for a lasting partnership with Landcare. Today, Banrock Station sponsorship through Landcare has supported Australian wetland initiatives for over six years with projects in every Australian mainland state. A small contribution to wetlands restoration from each bottle of Banrock Station has enlisted BRL Hardy's customers as the third stakeholder. The success of this concept through Landcare has seen similar sponsorships in the UK, the Netherlands, Sweden, Finland, Denmark, Norway, Canada, the US and New Zealand.

The ability of non-profit organisations to lock in long-term partnerships may be hindered by an inability to understand corporate long-term agendas. Conversely, some corporations appear to have a poor understanding of the benefits that can accrue from relationships with community organisations. Happily, some partnerships are self-evident and demonstrable success will encourage other partnerships to develop.

More radical approaches to funding non-profit organisations may take hold over time. For example, as Australia becomes more litigious we may see some settlements of difficult matters include donations to community organisations as part of the settlement conditions, thereby circuit-breaking otherwise intractable legal situations.

The message is simple – careful alignment of interests can create very long-term relationships (beyond five years). However, non-profit organisations, regardless of type, must help donor corporations find ways to include their clients, staff or shareholders as stakeholders to achieve this longevity. 🌟

** Chum Darvall was appointed CEO of Deutsche Bank Australia and New Zealand in July 2002. Deutsche Bank sponsors the AGSM's annual Business Planning Competition and provides an MBA program scholarship to promote Australian women in management.*

Christmas functions in a unique environment in the heart of the CBD



Book now for your Christmas function at the AGSM's CBD venue:
No.1 O'Connell Street, Sydney.

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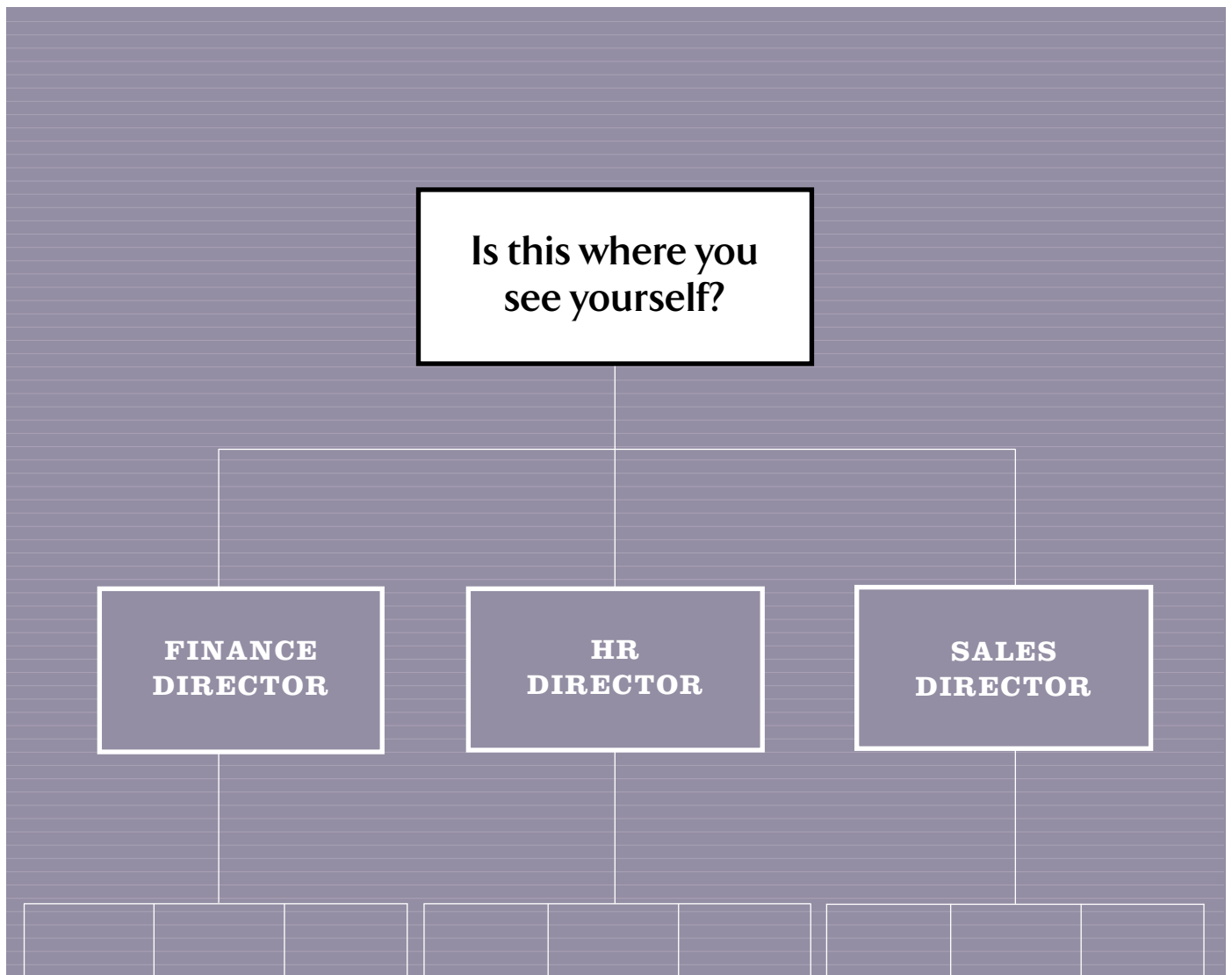


FIGURE 1: AMBITION

If leadership is your aim, the AGSM's *Strategic Leadership* program will help you accomplish it.

The program, running from 4 to 6 December, will be directed by Professor Sydney Finkelstein from Amos Tuck School, Dartmouth College, US. Professor Finkelstein is one of the world's foremost leadership experts.

Held in the beautiful surroundings of the Little Bay Conference Centre in Sydney, this program will also be an ideal opportunity to network with experienced managers from a variety of fields.

AGSM alumni will receive a 15 per cent discount on fees for this highly recommended program.

Shine on

For a full program brochure please call: (02) 9931 9333,
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