# AGSM

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT MAGAZINE **ISSUE: 2 ★ 2003**

# Future factor

Taking the guesswork out of forecasting

**BEHAVIOURAL ECONOMICS**
Lessons for business

'Most of the time producers are operating sub-optimally – so there is really no substitute for science to solve these sorts of complex problems.'

See cover story, page 10.

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**ISSUE: 2 ★ 2003**

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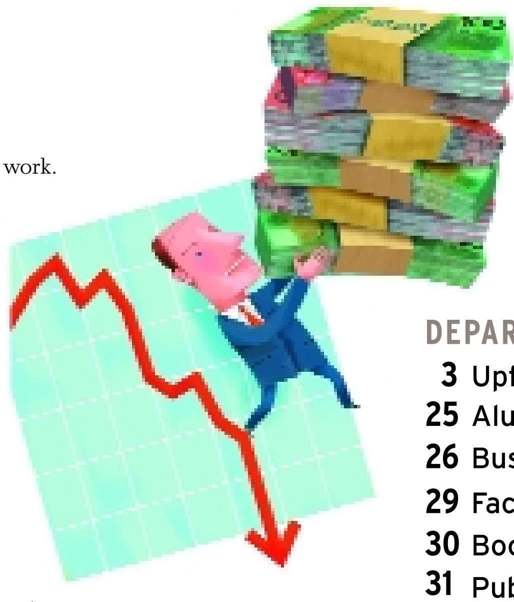

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## DEPARTMENTS

# DEAN'S MESSAGE

As interim dean these past seven months, I have been busy ensuring that the robust momentum of the school is sustained and that we continue to strive for excellence and leadership.

Since my previous message we have all been confronted with, and to some degree affected by, global events. These are undoubtedly challenging times, but there are also many positive things that touch us all that should be celebrated.

One such event is the AGSM's admirable performance in the *Financial Times* (UK) executive education rankings in May. The school retained its top Australian and Asia-Pacific ranking, improving two places to 31st in the world.

This achievement results from a dedicated and respected faculty, motivated and professional staff and, of course, the high-quality clients we work hard to engage and retain (see our story on page 3).

Also in May, about 350 alumni and their families attended our first joint reunion event – which brought together six classes from 1978 to 2001. This new format was well received – so well, in fact, that next year's reunion has been set for 28 March 2004 for alumni from the graduating classes of 1979, 1984, 1989, 1994 and 1999.

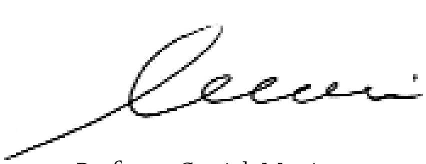
I would like to congratulate our South Australian alumni branch for awarding its first alumni scholarship of $5000 to MBA (Executive) student Dominic Lagana (see our story on page 6). The Melbourne alumni branch is also creating a scholarship, and I hope their efforts set a benchmark for other branches.

Alumni relations staff are already busily planning this year's alumni conference set for 7–8 November. Judging from the guest presenters' names being proposed, it promises to be an outstanding event.

We have made progress in appointing a permanent dean, having secured an executive search firm to find a suitable candidate. After consultation with key stakeholders, a clear preference is emerging for a dean who is able to enhance the AGSM's relationships with the external community, while also having the capacity to provide strong leadership.

The timetable at present anticipates an appointment being made in late September or early October, with the intention that the new dean will be in place from the beginning of 2004.

Finally, thank you for your continuing interest and support. A strong alumni network is an essential constituent for making the AGSM a pre-eminent business school. Please do not hesitate to offer me your thoughts and suggestions.



Professor Carrick Martin
Interim dean and director
Australian Graduate School of Management

upfront

NEWS UPDATE KEEPING YOU IN TOUCH WITH WHAT'S GOING ON AT THE AGSM

# AGSM wins global tender

Global port operator, P&O Ports, has selected the AGSM to lead an advanced leadership corporate education program for its middle and senior managers in Australia, the US and other locations over the next three years.

The AGSM won the business against a shortlist of nine business schools worldwide. It has been appointed the lead institution responsible for the design and development of the entire program under the directorship of professor Robert Wood.

"One of the things that set us apart in winning the business was the consultative approach we took to responding to the tender," says Therese Levi, the AGSM's manager, learning partnerships.

"We worked closely with P&O Ports to determine its requirements, which allowed us to develop a very detailed understanding of the leadership competencies that are strategically important to P&O," says Levi.

The teaching of the 12-day, two-module program will be conducted in association with Babson College in the US.

P&O Ports is based in London and is part of the P&O Group. It is one of the world's leaders in cargo handling services and port management.

## Community action


Rob Hunt

A back-to-basics approach to nurturing customer relationships is fundamental to Bendigo Bank's concept of community banking, said CEO Rob Hunt at a presentation at the AGSM in June.

Hunt said the upsurge in public support for Bendigo Bank's community banking program was an indication of what rural communities could do for themselves when you involved them in determining their own future.

"Most customers want to believe in people, their community and in themselves – but the problem is that people aren't invited to the party," Hunt said.

His philosophy seems to be paying off. By mid-June this year 100 community branches had been established around the country since 1998. They account for about $3 billion in business, and almost $2 million in benefits have flowed back to the communities in the form of local funding and shareholder dividends.

## Top spot

Once again the AGSM is the top business school in the Asia-Pacific for executive education, according to the 2003 *Financial Times* (UK) rankings released in May. The AGSM's open enrolment programs have steadily gained recognition in the past three years – from 40th place in the world in 2001 to 32nd in 2003. Overall, the *Financial Times* ranked the AGSM 31st in the world for executive education delivery – up two places from last year.

The AGSM's nearest competitors in the Asia-Pacific region for quality of executive education delivery are Australia's Mt Eliza Business School (ranked 37th) and the Shanghai-based China Europe International Business School (CEIBS), in 39th place.

"Executive education meets the immediate future needs of business and we are pleased that our extensive portfolio has been recognised as the best in Asia-Pacific," says the AGSM's professor Carrick Martin, dean. The *Financial Times'* ranking is one of the most highly regarded. Its criteria include customer satisfaction, course design, international participants, quality of faculty and skills and learning outcomes.

# Letters

### THE RIGHT MIX

I have just finished reading AGSM *Magazine* from cover to cover! Congratulations on an excellent publication. I found every single article current, topical and interesting – and just enough detail. What a great mix. I especially like the page of publications towards the back – very useful.

ALISON WYSE **(GMQ '91)**
Weston Creek ACT

### TECHNOLOGY AT RISK

I noted, with interest, your article, Powerful Ideas (Issue: 1 2003), which raised the issue of how important a secure intellectual property position is for new inventions – such as the virtual keypad developed by Simon Blyth and his team.

As a consultant working in intellectual property evaluation, I have noticed a dire need for greater awareness of the problems arising from technology investment decisions based on the assumption that a patent or application automatically provides the right to commercialise a particular technology.

As global patent authorities are strained by increased patenting activity, the quality of granted patents is no longer consistent, which means many are likely to be invalidated in the event of a legal challenge. Furthermore, patented technologies are often encompassed by third-party patents and, therefore, lack commercial viability. What is often deemed to be an intellectual property asset may easily wind up being a liability by way of legal wrangling to defend the rights supposedly offered by such an asset.

A more qualitative approach to assessing the risk associated with investing in new technology is needed, which analyses not only the fundamental aspects but also the likelihood that the intellectual property protection offered is enforceable and the technology is not already protected by earlier, broader patents. This requires a detailed comparison of patent and non-patent publications versus the intellectual property offered, and a thorough analysis of possible actions from interested parties. Such proactive behaviour is likely to create realistic expectations of returns and prevent unwanted surprises following capital outlay.

LEIGHTON HOWARD, XIP PTY LTD
Balmain NSW

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

## Economic tonic

Sydney lord mayor **Lucy Turnbull (MBA '84)** with AGSM dean Carrick Martin.

"How do we pursue the goal of excellence without discarding our fundamental value of equitable access to education?" asked Sydney lord mayor Lucy Turnbull at the AGSM's graduation in May.

She said the answer could be found in collaboration and specialisation because "in the longer term we will not do ourselves favours by reflexively competing against each other".

Addressing 624 AGSM graduates, Turnbull paid tribute to "the enormous contribution both the school and graduates make to the economic wellbeing of the community and the strength and success of the local and national economy".

## Global thinking

Senior Australian executives gained exposure to management experts from leading European and US business schools at the AGSM's second consortium executive forum in May.

Professors from Stanford Graduate School of Business (US), London Business School and INSEAD (France) joined AGSM professors to deliver a customised, interactive management program to 35 senior executives from Southcorp, National Australia Bank, BHP Steel, Telstra, Fairfax and Deacons.

"The consortium forum is unique not only for the way it brings senior executives face-to-face with current theory and practice perspectives from around the world, but also because it consults with the participating companies to ensure the choice of case studies and topics for debate are tailored to their specific organisational needs," says forum director, professor Simon Sheather.

According to forum delegate David Goodwin, BHP Steel executive vice-president, corporate affairs: "It was great to share experiences with colleagues from my company as well as managers from other organisations.

"BHP Steel has embarked on a strategy to significantly grow its business across South-East Asia. We also have a major focus on cultural change programs within our established Australian manufacturing businesses. The forum provided insights into other companies' experiences in navigating similar territory and was an extremely rewarding experience," he says.

BHP Steel's David Goodwin and Telstra's Christine Morgan.

**TOM PETERS:** "The hierarchical enterprise has to change."

## Lessons of a lifetime

AGSM alumni will have an opportunity to meet US management thinker and best-selling author Tom Peters at his only Australian appearance on 22 August in Sydney.

The AGSM is an event partner for Peters' one-day seminar – during which he promises to provoke, inspire and share his lessons of a lifetime.

Peters is known for surprising audiences with unconventional and original viewpoints, which has branded him a management rogue. "I think that I have taken some pleasure in being a bit of a contrarian over the last 20 years or so," he told *AGSM Magazine* from his home in Vermont, US.

Ever since the publication of his 1982 book, *In Search of Excellence* (co-authored with Robert Waterman), he has thumbed his nose at conventional wisdoms.

Author Stuart Crainer's 1998 biography of Peters describes him as a corporate skunk, a portrayal Peters accepts and does not consider derogatory. "I guess if the description fits then it's okay."

Peters' provocative opinions have often condemned contemporary management practice and, in the process, inspired individuals and organisations to transform the way they think, work, and live.

Asked what challenges Australian managers can expect in the 21st century, Peters says: "I don't want to sound like somebody who is culturally tone deaf, but I really do believe that we live in a global village and that everybody is a next door neighbour to everybody else, and so I think the Australian economic challenges are the same that we have [in the US]."

Peters' writing and teaching continue to urge managers to ignore conventional wisdom and to carve out new paths: "If you look in the US at companies that were barely known 25 years ago, like retailer Wal-Mart or Dell Computer, their processes for fundamentally getting things done have no relationship to the rules of management that I was taught 30 years ago when I got my MBA at Stanford.

"I think the fundamental idea of the hierarchical, bureaucratic enterprise has to change dramatically. I don't think organisations 10 years from now are going to bear much resemblance to organisations today," he says.

*– Alan Valvasori*

*Peters' one-day Australian seminar is entitled 'Lessons of a lifetime: reinventing management practices for the 21st century'. It will be held at the Art Gallery of NSW. For more information or to register, go to:* ***www.leading-minds.com.***


# What's your personal asset allocation?

## Futures - It's not all about money.

As one of the largest financial services organisations in Australia and one of the world's top 50 financial services companies by revenues, we are very mindful of our asset allocation.

That's why we have dedicated our time and money towards developing our executive talent.

National

CSDNABAGSM001

# It takes grit and greed

"Is being an entrepreneur a double-sided weapon?" asked former Regional Express Airlines CEO Michael Jones when kicking off a business leader presentation series at the AGSM earlier in the year.

Speaking about the task of launching a new airline in a climate of collapse, restructuring and downturn, he said to succeed in any new business venture you had to be prepared to embrace and live with risk.

"You also have to have a healthy fear of failure and be prepared to push the boundaries – because being right and broke doesn't necessarily work," he said.

Jones is not shy of telling an audience that he subscribes to the Gordon Gekko creed of life that greed is good: "At the end of the day we all do what we do in business for money."

"I also live by the creed that you can't fight half a war – if you're going to get engaged in something then commit to it 100 per cent, no matter what it is," he said.

He said the bottom line was about being flexible enough to move your development plans on a daily basis if necessary: "When you go into a business like this as a true entrepreneur you're always looking at the end strategy, because your investors want to know when they're going to get their investment back." To view the full report, go to: **www.agsm.edu.au/jones**.

# For your diary

**4–6 August** Discover new ways to improve your effectiveness at the Personal Productivity Workshop, a three-day residential program held at the Little Bay Conference Centre (LBCC) in Sydney.

**15 August** Don't miss the first alumni night with the Sydney Symphony, Sydney Opera House Concert Hall. A cocktail reception with Symphony staff and musicians follows the concert.

**18–19 August** Learn about creating an innovation culture in Building Organisational Capability, a two-day non-residential executive program, in Melbourne; also conducted at the Sydney CBD campus, 21–22 August.

**28 August** Learn about intellectual property management and the emerging issues of the intellectual property landscape at a symposium presented by Freehills and the Centre for Corporate Change.

**10 September** Hone your understanding of remuneration agreements and policy in Remuneration Strategy, a two-day non-residential executive program, taught by industry experts at the Sydney CBD.

**11–12 September** Improve your financial knowledge and skills in Financial Decision Making, a two-day non-residential executive program taught by professor Mark Hirst, Sydney CBD.

**24–26 September** Benefit from this powerful approach to understanding personal impact. Emotional Intelligence and Leadership is a two-and-a-half-day residential program held in Sydney at the LBCC; it is also conducted in Melbourne, 30 September–2 October and Brisbane 6–8 October.

**27–28 October** Acquire new capabilities for making strategy happen in Strategy Implementation, a two-day non-residential executive program, Sydney CBD; also held in Brisbane, 30–31 October.

**7–8 November** Meet high-profile speakers, join debate about topical management issues and network with classmates at this year's AGSM alumni conference.

*For details on any of the above executive programs, call client services on: (02) 9931 9333, or e-mail:* ***enquiries@agsm.edu.au****. For more information on Centre for Corporate Change events, visit:* ***www.ccc.agsm.edu.au****.*

# Making a difference

A group of MBA (Executive) students has established a charity challenge to raise money for Oxfam Community Aid Abroad and the Leukaemia Foundation. Initiated by Nigel Bedford, the challenge has already raised several thousand dollars. More events, such as auctions and dinners, are planned this year. Keep an eye out for a head shaving challenge scheduled for October in Sydney.

"The vast majority of us associated with the AGSM lead relatively comfortable and secure lives, with many opportunities open to us that are closed to others," says Dave Shelton, one of the charity challenge organisers.

"It would be great to leverage the network available to us through the AGSM to really make a difference in the lives of people less fortunate."

The charity challenge organisers appeal to all students and alumni to get involved and help build their activities. For more information, e-mail the organisers at: **ey2003charity@agsm.edu.au**.

## Champion activities

The AGSM's South Australian alumni branch awarded its first alumni scholarship to local businessman Dominic Lagana at a celebratory dinner in June. The event was attended by 80 alumni who were entertained by dinner speaker Geoff Lawson, former Australian test cricketer and company director.

Lagana received a scholarship certificate at the dinner, which was presented by CEO designate of Futuris Corporation, **Les Wozniczka (MBA '79)**.

The scholarship is funded by South Australian alumni and will be awarded annually to a student entering the MBA (Executive) program in Adelaide.

"The scholarship aims to help talented South Australians get a first-class business education without leaving the state," says alumni branch president **Amanda Heyworth (MBA '99)**.

**SUPPORTING SCHOLARSHIP**
Les Wozniczka (left) congratulates scholarship winner Dominic Lagana.

JOHN COLVIN, senior partner, Freehills

# THE JURY'S OUT ON EXECUTIVE PAY

It seems that whenever you turn a page in a newspaper or business magazine, the issue of 'excessive payments' to senior executives of corporations, particularly on termination, is reported. Generally, Australia has a reasonable track record in this area, but there have been some notorious exceptions. One also suspects not all the worst cases have surfaced.

In Australia – apart from the Corporation Amendment (Repayment of Directors' Bonuses) Act 2003 – we have developed a less regulatory and more cautious approach than the US with its introduction of the Sarbanes-Oxley Act. The issue for management and shareholders is whether this approach – in particular the new Corporate Governance Principles under the ASX Listing Rules – will work better than the previous system.

These principles require companies to include in their annual reports a statement disclosing the extent to which they have followed the best practice recommendations. Where companies do not follow the recommendations, they are required to give reasons – the 'if not, why not' approach.

Of particular interest to executive remuneration is recommendation 9 in the principles, which proposes that companies disclose their remuneration policies to enable investors to understand the costs and benefits of those policies, as well as the link between executives' and directors' pay and corporate performance.

The principles give disclosure guidelines in relation to requirements under the Corporations Act for companies to specify all monetary and non-monetary components of remuneration for their five highest paid executives and all directors. Companies should note also that continuous disclosure responsibilities may also be triggered by the obligations contained in their executives' employment agreements under ASX listing rule 3.1.

Other recommendations include: the establishment of remuneration committees consisting of a minimum of three members – the majority to be independent and chaired by an independent director; disclosure and clarification, under the

ILLUSTRATION: GREGORY BALDWIN

'Process and regulation by themselves are not enough.'

Corporations Act, of the value of stock options, awards of termination and other payments; and a commitment by companies to revive investor confidence in executive rewards and eliminate surprises wherever possible. For example, CEO termination payments should be disclosed at the time they are entered into, rather than at termination.

## FURTHER STEPS ARE NEEDED

My own view is that the principles are very useful in setting the scene for debate about 'reasonable remuneration' to executives and limits on termination payments. They also establish a process for boards to follow in dealing with what can, at times, be a very difficult area of governance.

However, process and regulation by themselves are not enough. There is a need for another set of foundations before the real work on executive remuneration can be properly dealt with. We need proper knowledge and education in this area, a culture of performance and adherence to ethical standards, as well as a deeper appreciation of the terms of executive pay in relation to what companies and organisations stand for in the community. Where necessary, courage is also required at board level to achieve more rigorously debated outcomes. These elements are included in a culture of compliance and responsibility that goes beyond a legal minimalist approach. In terms of education, the remuneration committee, or the entire board, has a responsibility to seek proper training in the latest legal parameters and the ASX principles, types of remuneration structures, alignment of remuneration policies with company objectives, reporting and so forth.

Some of the problems have stemmed from poor process – such as a failure to ensure that non-executive directors on the remuneration committee and board determine the process and decision-making for executive remuneration.

This is one area where the board, acting on behalf of company stakeholders, should have complete overriding control, including the engagement of specialist advice, independent of management.

Courage is also a necessary reserve ingredient. I have seen it play a critical part in saving a company from ignominy in dealing with executive remuneration issues.

Ethical behaviour must be a given – for without it no amount of prescription or process will assist. As one observer commented recently: "There are rules about not robbing a bank but it still occurs". Justice Owen in the HIH Royal Commission put it succinctly when he noted in his report: "From time to time as I listened to the evidence about specific transactions or discussions, I found myself asking retrospectively, 'Did anyone stand back and ask themselves the simple question – is this right?'"

Lastly, it is also time for a complete rethink of executive remuneration and contracts to ensure a new paradigm in this regard is introduced, if only to avoid rewarding failure.

The question, however, for many of us who have witnessed a few economic cycles is: "Will all this good work be lost at the next upturn in the cycle?" ✪

*John H. C. Colvin is the head of office and senior employment relations partner at Freehills, Sydney. He is also a vintner (of Colvin Wines located in the Hunter Valley of New South Wales). He will be teaching the upcoming AGSM Remuneration Strategy executive program with John Egan of Egan Associates.*

# Striking a tactical chord

## The AGSM steps up its learning partnership with the Sydney Symphony Orchestra. **Con Nats** reports.

AGSM students have been listening to the Sydney Symphony Orchestra with more than just an appreciative ear lately. They have analysed the organisation as part of the first 'management-in-action' study conducted in the full-time MBA program.

The study is part of an ongoing partnership between the AGSM and the symphony, designed to strengthen the school's links with the Australian arts community while giving the symphony access to management knowledge and expertise. Partnership benefits include cross-promotion opportunities, special ticket offers and performances for alumni, as well as executive development opportunities for the symphony's management.

### RARE INSIGHT

"We wanted to deepen the relationship," says professor Robert Wood, who coordinated the management-in-action study that gave 130 students an opportunity to analyse the symphony's financial structure, marketing strategies, human resource issues and market research. Students were required to produce team reports to highlight the issues facing the symphony, with recommendations for management action.

"We are always looking for opportunities for our students to apply the concepts and models they learn in a real environment; what the symphony gave students was rare insight into a unique not-for-profit Australian icon," says Wood.

"The students were just blown away by the symphony because it has this incredibly complex set of things to do.

"It has an educational responsibility, it has to reach into the community, promote itself and play at world-class levels every week.

"One of the key questions is: 'How do you nurture and protect the organisation's creative element – the musicians – in a world that demands you to be more business-like and efficient?'

"We can tell them what sells, but it's much more complex than that because a viable repertoire is not just a question of what 'sells', but what enables the musicians to maintain their skills," says Wood.

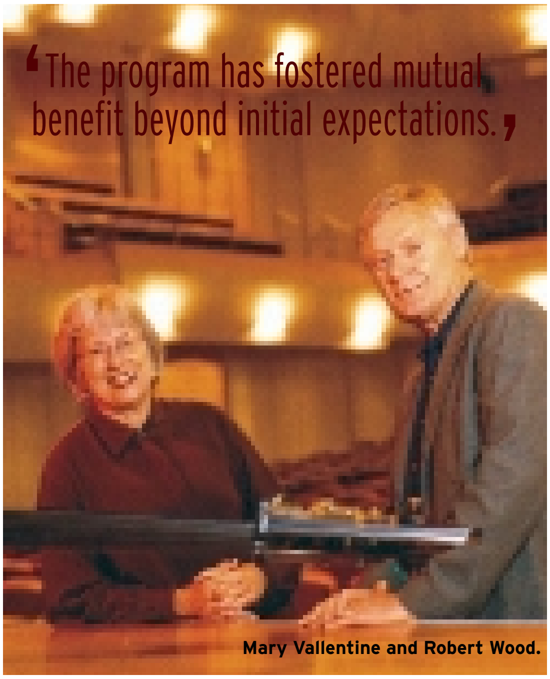
By playing complex music to challenge the musicians, the symphony can run the risk of alienating its audiences. In addition, its responsibility to funding agencies to present and develop Australian classical music can also hurt sales.

"Another issue is resource management: what set of practices, for example, ensures the orchestra is world-class and regenerates over time? The symphony pays pretty good salaries compared with average salaries in Australia, but not internationally," says Wood.

A key business challenge for the symphony is that it has to find solutions to revenue pressures owing to falling subscriptions.

"As you develop a more diverse repertoire you appeal to a more diverse audience, but you may find that you lose your traditional subscribers along the way," says Wood.

According to Wood, the symphony's traditional subscription base has been shrinking – and what that means, in revenue terms, is that it must consider what else it can use to replace a declining subscription base.




Mary Vallentine and Robert Wood.

The management-in-action study also highlighted the importance of succession planning for the symphony in a year when managing director Mary Vallentine and chief conductor Edo de Waart are leaving.

"The two key leaders are both being replaced in a short period of time – so a key question is: 'How do the conductor and new managing director bond over time and with the orchestra?'" says Wood.

### ONGOING INITIATIVE

The success of the management-in-action program has made the AGSM and the symphony keen to continue the initiative.

"It has been an excellent process," says Tom White, the symphony's director of human resources. "It has gone remarkably well and I believe next year we can go to a whole different level."

Added value for the symphony's management team has been the involvement of professor Simon Sheather, who produced an in-depth statistical analysis of the symphony's ticket sales, in terms of average ticket price and percentage of seats sold for each performance.*

"Everyone was amazed and appreciative of what professor Sheather was able to do, and we can see that it will lead us towards a level of programming and pricing precision that we might only have dreamed about in the past," says White.

According to Vallentine, the management-in-action program has fostered mutual benefit beyond initial expectations. "There is very strong synergy between the two organisations in that we are both in pursuit of excellence at every level – the symphony in artistic terms and the AGSM in leadership and management training." ✪

** Professor Simon Sheather will present his statistical analysis at the AGSM alumni conference, 7–8 November 2003.*

PHOTOGRAPH: FRANK LINDNER

STEVE FRENKEL, professor, AGSM

# THE INTELLIGENT ORGANISATION

New theories reflect changed conditions. So it is no coincidence that the resource theory of the firm has gained acceptance at a time when notions of the knowledge economy, innovation-based competition and the rise of the creative class are being widely debated. Resource theory encourages managers to adjust their focus inwards – to target previously neglected organisational capabilities and processes, in particular knowledge-related activities – to gain competitive advantage.

The application of new knowledge is the key to innovation. For example, the software and biotechnology industries epitomise the way intellectual capital is distilled into processes and products that transform the way we work and live.

Managers seeking competitive advantage through innovation need to assess and improve organisational capabilities that leverage, apply and align knowledge to their strategic goals. The objective is to create what the academic literature calls an intelligent organisation – one that not only generates, imports, shares and productively applies knowledge but also has the capacity to continuously learn from applying knowledge.

This, of course, requires employees who are curious, prepared to explore and exploit what they know and happy to share their knowledge with others. But it implies something more: the development of organisational capabilities that allow these processes to occur independently of particular individuals. For example, management consultancy Booz Allen Hamilton has created a knowledge-management system known as Knowledge On-Line. The system enables useful knowledge to be shared between consultants located around the world, and promotes social interaction and learning throughout the company's global network. The system also builds the reputation of consultants who succeed in having their ideas entered into the system – which provides a strong incentive for consultants to share knowledge.

ILLUSTRATION: GREGORY BALDWIN

The implementation of successful knowledge-management systems helps organisations to become more self-reliant and less dependent on a few exceptional individuals (who may leave an organisation or destroy a culture of shared commitment by self-aggrandisement).

## MAKING KNOWLEDGE COUNT

Managers need to recognise that intellectual capital has three elements – human, social and organisational capital.

Human capital is the individual talent embodied mainly in an organisation's employees. Social capital refers to the relationships between stakeholders – including employees, customers, suppliers and consultants. Organisational capital refers to the norms and systems that enable organisations to leverage their human and social capital. An example is Xerox's Eureka database, which draws on the knowledge of 25,000 photocopier repairers around the world to store valuable knowledge and insights about repair practices.[1]

Managers also need to identify the processes that will encourage the generation and application of intellectual capital in their organisations. For example, some companies use management development courses – often designed jointly with a business school – to impart up-to-date, relevant knowledge to senior employees.

Other companies emphasise social capital to encourage innovation. They foster 'communities of creation' or 'gated communities'. Sun Microsystems' Jini project, for example, makes software source code available to licensed customers who are free to improve it for their own purposes.[2] This knowledge sharing beyond the usual organisational boundaries has resulted in accelerated innovation and an increase in customised solutions to customer problems.

Organisational intelligence should not be confined to a small section of the company; it should be diffused across the organisation and extended to key vendors and customers. To achieve this, managers need to consider using cross-functional teams more extensively, including systematic rotation of people across departments, business units and between cooperating companies.

## LEARNING FROM OTHERS

There are many good examples of how organisations build and sustain intellectual capital. One of the most notable is petrochemical multinational BP's approach, which is documented in *Learning to Fly: Practical Lessons From One of the World's Leading Knowledge Companies.*[3] Learning at every stage of project planning and implementation is central to BP's approach to knowledge management. The company also emphasises processes that encourage employees to "instinctively seek, share and use knowledge". This leads to a culture where cooperation between customers, suppliers and employees is enhanced by effective information and reward systems. ✪

*Learning how to leverage knowledge is the subject of an upcoming AGSM executive program, Building Organisational Capability.*

## FOOTNOTES

1 John Seely Brown and Paul Duguid, 'Balancing act: how to capture knowledge without killing it', *Harvard Business Review*, May–June, 2000.

2 M. Sawhney and E. Prandelli, 'Communities of creation: managing distributed innovation in turbulent markets', *California Management Review*, vol. 42, no. 4, pp. 24–54, 2000.

3 C. Collison and G. Parcell, *Learning to Fly: Practical Lessons From One of the World's Leading Knowledge Companies*, Oxford, Capstone, 2001.

# Future factor

## A new research project aims to take the guesswork out of predicting what technology people will take up in the future. **Con Nats** and **Debra Maynard** report.

Imagine if we could accurately predict what new technologies would meet the future needs of consumers and markets. It is a challenge that has dogged technology producers for decades because traditional market research techniques are limited in dealing with the unpredictability of the future. Yet as our societies become more technologically driven, billions of research and development dollars increasingly ride on getting the future right.

Consider the more than $250 billion spent by some of the world's biggest phone companies on third-generation (3G) wireless licences for mobile phones since 1999, with little return in sight. Even with cashed-up Hutchison Telecoms "pressing ahead when others have closed their eyes to opportunity" – according to Hutchison's stakeholder relations director, Steve Wright – many telcos are taking a wait-and-see approach with so much still invested in second-generation networks.

Some say the jury is still out on whether future demand for 3G mobile phone services will justify the billions of dollars more it will take to build and market 3G services for mobile users. However, Wright asks: "Why then have so many telcos paid the entrance fee for rights to operate?" Telstra, Optus and Vodaphone have all bought 3G operating rights in Australia and Hutchison has now rolled out 3G services in nine countries, including Australia.

"The industry fully expects that the natural next step is to move out of the sound-only dimension into sound and visuals and that in the future there will be demand … the question is when the demand is going to be there in a big enough way to justify the capital it takes to create a new network," says Wright.

This problem of predicting into the future for new technology uptake is not a new one. There have been many failures that may have been avoided if the developers had had access to more accurate methods for predicting future product pricing and demand.

There was the Sinclair C5 electric car launched in the 1980s that was promoted as a revolutionary advance in personal transport. Its developer spent more than 7 million pounds on the wrong car for the time. Around the same time, Sony's Betamax video recording tape format was said to be the best in the market, but the price was too high and it was usurped by VHS. The 1980s also saw IBM's floppy-disk based home computer, the PCjr, fail because of keyboard design flaws and competition from Apple's launch of the Macintosh.

It is well documented that producers going to market with new products fail more often than they succeed. Over the past 30 years in the US the rate of success for new product uptake has been only 7 per cent to 35 per cent, with the median success rate around 15 per cent.

A big part of the problem for technology producers and their forecasters, according to the AGSM's professor Timothy Devinney, is that traditional market research methods fail to deal with the many future possibilities that can determine how new technology will evolve and the choices consumers will make.

"For example, cast back 20 years and ask yourself how many computer users understood or could foresee that the main use for home computers would be Internet communication," says Devinney.

"No technology develops in isolation and consumers typically use a specific technology in combination with complementary products like third-party software – so you have to factor those things into your methodology to get a more accurate prediction," he says.

### A NEW WAY FORWARD

A Sydney-based team of academics and computer programmers has recognised that product forecasting theory and methodology – including important techniques such as information acceleration developed in the early 1990s by a US team of marketing academics (from the Massachusetts Institute of Technology) – have progressed sufficiently to make it possible to significantly enhance existing methods and software for technology forecasting.

The team is led by Devinney, director of the AGSM's Centre for Corporate Change, and professor Jordan Louviere, professor of marketing and co-director of the Centre for the Study of Choice at the University of Technology, Sydney (UTS). The initial one-year program of work is funded by a $165,000 Cooperative Research Centre (CRC) for Smart Internet Technology grant and

**FORECASTERS** From left: Jordan Louviere, Tim Coltman, Timothy Devinney, Ben White, Steve Cook and Michael McGee.

> "Even slightly more accurate decisions about what new technologies to invest in could result in enormous value to companies and societies."

supported by academic and computer programming services from the AGSM, UTS, University of New South Wales and University of Wollongong. The team includes AGSM PhD candidate Tim Coltman, who brings an understanding of information systems technology, and University of New South Wales statistician professor Robert Kohn.

The team's technical developers include Steve Cook, Michael McGee and Ben White, whom Devinney describes as "absolute masters" because they have been through the dot com boom and bust and understand choice modelling and experimental design.

According to Louviere, whose academic field is understanding and modelling human (consumer) judgment and decision-making, one of the biggest problems with traditional forecasting methods is that they tend to place just one or two bets, based on what the technology producers or industry experts believe will happen.

"But if you are predicting into the future, say 10 years from now, there are millions of things that could happen, and to place a bet on one or two of them is very limiting," Louviere says.

## NARROWING THE ODDS

"We are taking technology forecasting to new levels by developing methods and software that integrate advanced theory and associated quantitative methods in marketing and economics that have been proven to increase the predictive ability of standard methods for marketing and technology prediction," says Devinney.

The team is drawing on the statistical modelling work of the 2000 Nobel Prize winners in economics, US professors Daniel McFadden and James Heckman. It is combining radical product design concepts with sophisticated statistical experiments, and using advanced information acceleration techniques to simulate future markets and technologies. This makes consumers sufficiently aware of future scenarios for their decisions about future product offerings to be meaningful.

The term information acceleration comes from the idea that you have a future and a product for that future, and what you want to do is accelerate the individual into that future.

How do you do this? The team creates the information, using extremely realistic multimedia techniques – ranging from advertisements and user testimonials to visual product demonstrations and media reviews – that consumers would receive in the marketplace in the future. The aim is to make respondents feel as if they are in the future environment.

"We create a whole world of possibilities – ranging from negative to positive and everything in between – so we can see what the uptake [of a new product, technology or service] is going to be no matter what the future environment is," Louviere says.

The team's aim is to solve for producers the problem of working out which particular ways of configuring a new product or technology will be robust no matter what the future, and to figure out what people will pay for a new product.

Louviere recalls getting involved in predicting the consumer uptake of Fruche – a completely new fresh cheese product category introduced to Australian consumers in the late 1980s. The producer underestimated demand and ran out of some product flavours – which eventually allowed second movers into the market. "We actually predicted they would run out, but if we had had information acceleration at the time, we would have used it [to provide a more convincing forecast]."

Information acceleration is particularly useful for testing the uptake of technology that people are largely unfamiliar with. The team has been working with another group of CRC-sponsored researchers, under the direction of the University of New South Wales' professor Claude Sammit, which has developed a wireless Internet personal digital assistant (PDA) with speech recognition and advanced artificial intelligence capabilities.

Few people have seen this kind of voice-activated feature in a PDA, and the developers want to understand what is the likely demand for it and what consumers are likely to be willing to pay for it.

"What we've learned over the last decade-and-a-half is that when you're dealing with unfamiliar products you have to accelerate people through to the future – you have to make them aware and build a level of interest," says Louviere.

### DETERMINING CHOICE

Once consumers are exposed to all the information about a new technology or product, as well as the future context in which they are likely to be using it, they are then given a range of offers from which to choose. This part of the forecasting methodology is all about trying to get people to make a comparative choice.

The methodology has to force consumers to make comparisons and decide what is the best combination for them – the objective is to force people to make a trade-off and, in so doing, reveal what they think is most important to them.

> ‘Information acceleration is useful for testing the uptake of technology that people are largely unfamiliar with.’

An example of trade-off in the methodology is a consumer being asked to choose between a basic PDA and one that is voice activated but which costs 30 per cent more. Another choice scenario might be the offer of voice activation on a new PDA without pen input – which forces the consumer to choose which feature is more important.

This is the kind of choice situation the team's methodology puts respondents through to get meaningful data for predicting new product or technology uptake.

"We can analyse whether consumers purchase or don't purchase, delay or don't delay. We can also test for the likely rate of product or service usage – which is important for predicting the uptake of new infrastructure like tollways," says Devinney.

### BREAKTHROUGH DESIGN

The research team employs sets of sophisticated forecasting experiments – designed to educate respondents about the future and accelerate them into what the future might look like in order to obtain meaningful data. The experiments are complex and usually would require thousands of respondents if standard techniques were used.

However, this research team has developed a methodology to streamline the mathematical complexity – which means that experiments can be designed and implemented with far fewer respondents and are, therefore, viable without sacrificing outcomes.

"What experimental design does is allow you to sample intelligently from a huge range of possible combinations – or futures in this case – so you can generalise reasonably well to those you don't sample," says Louviere.

And that's where the breakthrough in this team's forecasting lies – in its ability to develop experimental design solutions that are able to cope with, and integrate, a vast amount of multi-dimensional information.

"I developed the original science that underlies the design of these experiments – that allows one to study discrete outcomes like choosing one particular offer from a set of competing offers," says Louviere.

"The design theory allows people to study and understand how consumers are going to make choices and to derive models that will predict accurately what will be chosen," he says.

The behavioural theory – how people make these decisions – has been around since 1927. Developed by psychologist Louis L. Thurstone, it has had an unquestionable impact on the study and understanding of how people make choices. However, one of the more recent influences on the team's work is Daniel McFadden's Nobel Prize-winning theory that has made it possible for others to study and model how consumers choose among multiple product offerings.

"Prior to McFadden all we could do was study choices among pairs of options. Dan figured out how to extend this to multiple choices, which allowed us to derive models for how consumers choose among multiple offerings that are competing with each other at the same time," Louviere says.

"What I did was provide the experimental design theory that allows you to take what McFadden developed and use it to derive models from controlled experiments that systematically vary competing offers and observe how consumer choices change in response to changing features, prices, terms and so on."

The first applications of these choice experiments were carried out in Australia in the early 1980s. One of the first tasks was predicting demand for a new ferry operating between Melbourne and Launceston. "We had to predict what types of cabins, service features, amenities and prices would best compete with airlines, and we got it pretty right," says Louviere.

More recently, Louviere has been involved in work related to measuring and modelling the value of speed for new-generation aircraft for Boeing's commercial airline division in Seattle. The high-stakes nature of new-generation aircraft development is a good example of a technology sector that has a lot at risk and, therefore, a lot to gain from accurate forecasts of future demand.

### OTHER UPTAKE FACTORS

According to Louviere, you can look at any product on the shelf today and reasonably ask:

'Why did they make that one – is it optimum; in fact, is it anywhere near optimum?'

"Most of the time producers are operating sub-optimally. The reason? There is really no substitute for science to solve these sorts of complex problems because human beings are pretty bad at doing it on their own," Louviere says.

However, uptake success is not just about accurately forecasting what products or features consumers will want or will be willing to pay for in the future. The success of a new product is also determined by understanding more about consumer behaviour such as delaying a purchase decision – which can be crucial in technology markets.

A classic example of the problems that consumers can create by delaying their choice is the first commercial PDA – the Apple Newton – that failed not because it wasn't good technology, but because it was offered too early. Computer experts spotted others developing the next generation (Palm Pilot) that would be faster and cheaper and so consumers waited.

"What Apple should have done was put in place multiple generations of the Newton with a plan to roll them out based on the fact that consumers expected developments in the technology," says Devinney. "By failing to do this they handed the market over to the second movers; the Newton was as good as the Palm Pilot but it didn't have sufficient complementary features to go with it."

According to Devinney, the development of complementary software matters. "Take the ongoing development of 3G mobile phones. They will be heavily dependent on content, such as voice or video news, Internet search, games, inbuilt cameras and the like. But you have to know what content matters to consumers because if you don't know you can over-produce and overwhelm the consumer," says Devinney.

"If technology is evolving, improving and getting cheaper, people will delay. You can't assume that because they don't choose now that they won't choose tomorrow. Our research can deal with that because we can test consumers' choice in tomorrow's context," he says.

## APPLICABILITY

"Even slightly more accurate decisions about what new technologies to invest in could result in enormous value to companies and societies," Devinney says.

"Our methods have wide applicability and capability for evaluating and testing technologies at any stage of development.

PHOTOGRAPH: FRANK LINDNER

**'We are taking technology forecasting to new levels.'**

"Suppose you are planning a high-speed train from Sydney to Melbourne. Some of the pricing and demand issues would include competition against the airlines and other transport options, as well as the influence on demand of things like oil and airline prices, airline structures and high-speed Web-based videoconferencing.

"If it is a costly project you are going to want to know if people will use it or the context in which they will use it," says Devinney.

Another example is home networking – the kind that Microsoft founder Bill Gates has – to allow people to monitor their houses 24 hours a day, or even have their houses monitor them. Developers want to know how much people might pay in the future and what features they are likely to want.

"But the real question is: 'What's the right configuration of these home networks for specific types of people, and what parts matter to different market segments?'," says Devinney. Individuals don't want it all – so you need the right product at the right price that can be put into ordinary people's homes.

## NEXT STEPS

Both Devinney and Louviere are confident their forecasting platform is well in advance of any in the world. Earlier this year they presented their platform to academics and researchers at the Wharton School of the University of Pennsylvania in the US, who had developed their own forecasting tool called Future View.

The team also presented to and discussed current and future developments with Mercer Management Consulting in Boston, which operates a commercial information acceleration platform.

"At Wharton they were very impressed with what they saw because they were never able to go beyond the very simple automation of information acceleration," says Devinney.

The team is 12 months away from developing a 'plug and play' version of the forecasting platform, which will be adaptable across a variety of consumer uptake challenges. Devinney predicts that full commercialisation is about two years away.

"The idea is there will be a licensed product, which developers and producers could slot into very easily with standard sets of experiments.

"Ultimately, the plan is to have a software product that can be licensed to technology developers, consultants and researchers, where they can easily choose from a menu of standard experiments that allow them to understand customer response to new products and technologies.

"Right now we can build this system to meet almost any set of requirements but the future is in having a product others can use," Devinney says.

The team hopes to take the forecasting even further by using the experimental design that it has developed as a base for determining an individual's choices. The aim is to be able to predict an individual's actions or choices at any given time and for any situation based on given variables.

"What we'd like to have is the ability to literally trace out or map individuals' future preferences – so you could accurately predict whether a person would prefer this product or feature twice as much as that, pay this amount of money for that, or choose this product over that one," Devinney says.

"In the end, what we want to do is simulate the path of the product and technology adoption over time and to do so very accurately," adds Louviere. "If we can fund this next stage we will have the most advanced forecasting system in the world bar none." ✪

# Do differences matter?

Managers can learn to make teams more effective by understanding how demographic dissimilarity influences behaviour.

**By Elizabeth George and Prithviraj Chattopadhyay.***

The composition of many work groups in organisations is diverse in terms of demographic characteristics such as gender, race, age and functional background. This diversity has implications for a range of human relations and teamwork issues and behaviours in the workplace.

In general, we cannot escape diversity. Large numbers of people in the workforce now come from groups that have traditionally been under-represented – such as women and people born outside Australia. For example, the Australian Bureau of Statistics' *Year Book Australia* 2002 reports that about 25 per cent of the workforce is born outside Australia.

## GOOD AND BAD EFFECTS

A key issue of workforce diversity for managers is that it has both positive and negative effects on teamwork. On the one hand, diversity in teams increases the diversity of opinions, knowledge and skills – all factors that lead to a team's success. On the other hand, differences such as race, gender and age can bring considerable dissimilarities in approach and attitude that are difficult for a team to overcome in moving towards its goals.

For example, think of a multinational company that operates factories in Vietnam, China, Indonesia, South Korea, Thailand and Brazil. It wants to develop a unified human relations (HR) strategy in a consultative way, rather than imposing it from head office. It invites the HR managers from all its factory locations to form a team to develop a common HR process and perspective.

The cultural diversity of the team members can have a very positive influence on the team's work by contributing diverse skills and knowledge. On the other hand, those cultural differences can just as easily hijack the team's goals by having a negative effect on the way the team goes about its work.

For example, people of different backgrounds can have very different approaches to time: one team member might be thinking that the team's goal is to set a strategy for one year, while another wants to focus on how a strategy would evolve over five years. This example illustrates the challenges that organisations can face in dealing with employees from a variety of backgrounds.

For managers interested in knowing more about how to effectively manage diversity in work teams, it is important to understand why diversity is a challenge and in what circumstances demographic differences really do matter.

## THEORETICAL FRAMEWORK

Studies that link demographic differences and individual attitudes and behaviours have been based largely on three theoretical frameworks: the similarity-attraction paradigm pioneered by social psychologist Donn Byrne; the self-categorisation theory of the Australian National University's John Turner; and the social identity theory developed by British psychologist Henri Tajfel and John Turner. Of these, the similarity-attraction paradigm is the simplest. It argues that people tend to be attracted to and influenced by those whom they perceive to be similar to them. Thus, employees are likely to be more influenced by members of their group who are more similar to them in terms of salient demographic characteristics.

However, our own and others' research on diversity suggests that this is not always true. In fact, the similarity-attraction paradigm seems to hold true for some groups of people but not others.

Better explanations of the effects of diversity can be found in the self-categorisation and social identity theories. These theories argue that people define themselves not just in terms of the individuals they like, but also according to the groups in which they belong. This suggests that diversity should be understood as an intergroup rather than interpersonal phenomenon – which means that managers should pay attention to team structure as well as individual behaviour in order to manage diversity well.

This became clear in some of our research work that surveyed three different demographic and functional workforce combinations: we examined work groups composed of temporary and permanent workers, males and females and whites and non-whites. The most interesting finding was that in all three cases the 'lower status' workers (temporary staff, women and non-whites) preferred working in groups with higher status workers (permanent staff, men and whites). The reverse was not true. This suggests that diversity initiatives might need to be different for different groups.

Our study of permanent workers from a Fortune 500 computer hardware manufacturer and a medium-sized manufacturer of printed circuits found that permanent workers preferred working with other permanent workers, rather than with temporary workers. In contrast, temporary employees preferred working with their permanent colleagues rather than with other temporary workers. This is because the permanent workers perceived that working with lower status temporary workers eroded their prestige, even though their skill levels were similar.

Our second study – of men and whites – found that each of these groups preferred working in teams with other men and whites, whereas women and non-whites preferred working in groups with men and whites.

We found that men, who typically have higher status than women employees, may be more inclined to see themselves and others on the basis of gender and, therefore, be more negatively affected by sex dissimilarity with regard to their organisation-based self-esteem and trust and attraction towards their groups. Men working in female-dominated groups may feel this composition violates their expectations of working in the majority. As a result, they may not trust their group, resulting in lower team commitment and productivity.

## WORK GROUP RECOMMENDATIONS

In putting together work groups in an increasingly diverse workplace, managers would be best served to:

- Combine different types of individuals to capitalise on the benefits of diversity.
- Recognise that not every team member will be similarly affected by diversity.
- Ask team members to focus on shared goals and ways in which their differences can help achieve their goals.
- Assure those who traditionally have been in power, such as men and whites, that they will not lose the networks, resources and opportunities to which they have had access.
- Recognise that different groups' comfort with diversity will take time to develop and that any fears they have reflect the social context in which they live and work.

> 'Managers should pay attention to team structure as well as individual behaviour in order to manage diversity well.'

In contrast, women are used to working in male-dominated groups, which means their organisation-based self-esteem is generally either unaffected or even positively influenced by the greater number of men in their groups (owing to the higher status afforded groups with greater numbers of men).

### THE INFLUENCE OF STATUS

Similar arguments apply to higher status white employees and lower status minority employees working in groups dominated by each other. We found that white employees showed lower levels of trust and organisation-based self-esteem when they worked in groups dominated by non-white minorities. On the other hand, minority employees' organisation-based self-esteem was unaffected by the greater number of whites in their group. This pattern of results held true in other studies where we compared groups with different proportions of Australians and non-Australians.

Our research shows that women, temporary workers and non-white minorities prefer to work in groups that comprise people unlike them. We speculate, as do some other researchers, that these traditionally less dominant groups in the workforce perceive an opportunity to gain access to the important networks and resources in organisations by working with the conventionally dominant and powerful groups such as men, whites and permanent workers.

It is important for managers to understand that diversity can have negative, as well as positive, effects on employees' attitudes and behaviour. Specifically, men, permanent workers and whites find it challenging to work in groups that are dominated, numerically, by people who are not similar to them. For example, when a temporary worker brings fresh ideas to a well-established permanent team it is not uncommon for the permanent workers to feel threatened, despite the potentially positive influence of the ideas.

This apparent fear of difference has implications for workforces. For example, the work of some sociologists looking at wage decline over time has shown that the movement of women into certain occupations, such as the public service, has resulted in the average wage going down for those occupations.

The lesson in this is that in dealing with diversity we need to take care of the concerns of groups such as male, white and permanent workers – for whom difference has more of a negative impact – to ensure they continue to contribute to their organisations in a valuable way. ✪

** Dr Elizabeth George and Dr Prithviraj Chattopadhyay are senior lecturers in organisational behaviour at the AGSM. Their article, 'Do Differences matter? Understanding demography-related effects in organisations', was published in the* Australian Journal of Management *special issue on organisational behaviour in Australia and New Zealand. To read the article, go to:* www.agsm.edu.au/differencesarticle.

*The* Australian Journal of Management *is published by the AGSM. To obtain a copy of the special issue, or to subscribe, contact Sandra Hoey at:* sandra@agsm.unsw.edu.au.

# The lessons of behavioural economics

It makes good business sense to understand the shortcomings of traditional economic theory. **Debra Maynard** reports.

At the heart of classic economic theory is the assumption that people make decisions in the marketplace based on self-interest and rationality. However, if this is how people always behave then charitable organisations would not exist. People would not make anonymous donations or leave tips in highway restaurants where they are unlikely to return. Stock market bubbles would not occur as a result of investors' irrational exuberance. The dotcom overvaluation, for example, would not have come about because a rational calculation of the odds would have discouraged people from attaching higher decision weights to a low probability.

Clearly there are limitations to the way in which traditional economic theory views human behaviour – which has given rise to a large and growing body of scientific work called behavioural and experimental economics. This field is devoted to the empirical testing and modification of traditional economic theories.

### EXPERIMENTAL PATHS

The work of two behavioural economists at the AGSM, Anna Gunnthorsdottir and Daniel Lovallo*, not only calls into question the assumption of economic rationality, but also builds bridges between research in economics, psychology and business. Both are associated and work with the 2002 winners of the Nobel Prize in economic sciences, Vernon L. Smith and Daniel Kahneman.[1]

According to Gunnthorsdottir, who has studied under and worked with Vernon Smith: "All social science ultimately deals with human behaviour and, therefore, our ultimate goal should be the unification of all social sciences.

"The practical implication of unification is that we learn more about how people do business and how it could be done better, rather than spending our time focusing on sectarian divisions between disciplines or getting hung up about research methodology," says Gunnthorsdottir.

The Royal Swedish Academy of Sciences' information on the Nobel Prize in economic sciences states: "If deviations from rationality and self-interest were small and purely idiosyncratic, they would on average cancel out and economic theory would not be too wide off the mark" when predicting human behaviour.

Yet, people trust and reciprocate when standard economic theory would consider it irrational and ill-advised to do so, says Gunnthorsdottir. For example, in business, contracts are never complete and are sometimes non-existent, which means trust and reciprocity play an important part (in gaining acceptable outcomes).

Gunnthorsdottir's latest research involves game theory experiments to test the influence of behaviour – such as trust, reciprocity and competitiveness on behalf of one's group, team or organisation – on collective outcomes.

"Since trust, reciprocity and joint cooperation in groups are part of who we are, and are therefore taken completely for granted, it comes as no surprise that economists have only recently turned their attention to these economically important interactions," says Gunnthorsdottir.

Traditional economists have studied how markets realise the gains of trade for more than 200 years. But it is only since the 1950s that economists have paid attention to how groups of two or more people reach joint gains through concerted effort (see the famous 'prisoner's dilemma' described below). And it is only in the last decade that economists have shown interest in sequential bilateral exchange relationships – which refer to any business relationship where parties exchange goods or favours for mutual benefit.

### COOPERATIVE GAINS

"When you think about it, joint effort and cooperation in groups and reciprocal relationships have been right under our noses every day of our lives since early childhood – so much so that we fail to notice their pervasiveness and importance," continues Gunnthorsdottir.

"Think of children playing in a group or a meeting of managers formulating business strategy.

"Think of children lending each other crayons or the intricacies of business relationships – the degree of trust that is often possible without contracts and the ease with which we navigate these complex exchanges.

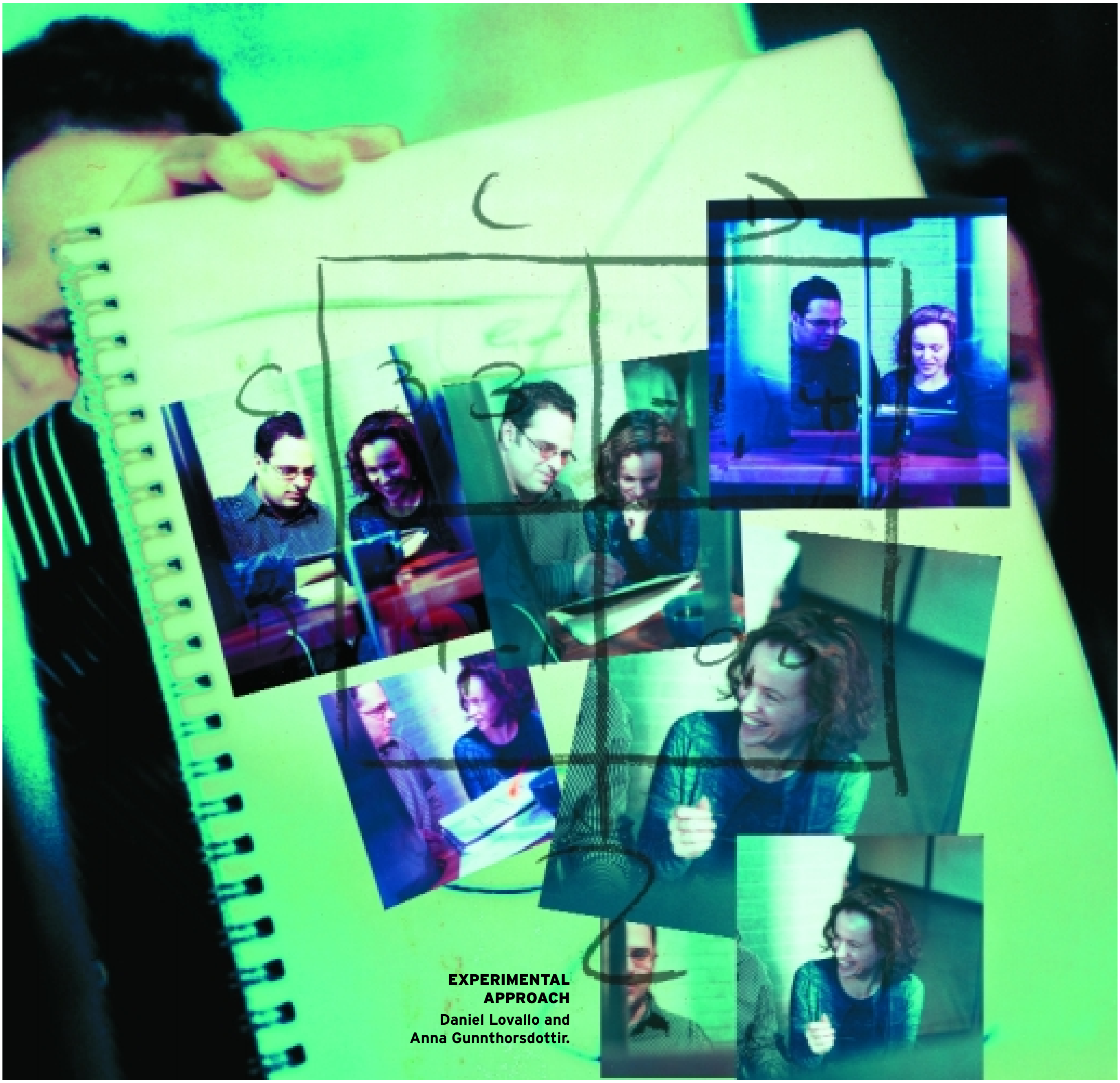
> 'Without trust, reciprocity and joint cooperation, we would achieve very little.'

"Without trust, reciprocity and joint cooperation, we would achieve very little; life as we know it, including business and organisations and, indeed, the economy as a whole, would break down.

"What interests me is that while aggregate behaviour in markets corresponds well to what economic theory predicts, behaviour in reciprocal relationships and teams does not.

"In such interactions, many people are more trusting, selfless and reciprocal than a purely self-interested participant should be. It is precisely these deviations from the so-called equilibrium behaviour as predicted by economic theory that often make possible these types of cooperation," says Gunnthorsdottir.

This is illustrated by the game theory model of cooperation known as the 'prisoner's dilemma'. Invented in the 1950s, it shows how groups of two or more people need joint and simultaneous effort to reach



**EXPERIMENTAL APPROACH**
**Daniel Lovallo and Anna Gunnthorsdottir.**

joint gains. In the prisoner's dilemma the outcomes are worse if all participants are rational and selfish than if they manage to trust and cooperate. The same is true for sequential exchange.

"Traditional economic theory predicts non-cooperation for both joint group effort and most sequential exchange, yet we often overcome our immediate self-interest and reciprocate; we also overcome our fear of being cheated and trust that others will reciprocate," she says.

"Markets would not exist without group trust, reciprocity and joint cooperation. There would be no trade (because it involves sequential exchange, such as handing over goods followed by payment); no business organisations (which often require group effort, as well as sequential exchange between employer and employee given that labour and salary are not exchanged simultaneously); and no work teams (that require joint efforts)," says Gunnthorsdottir.

For managers, Gunnthorsdottir's game theory experiments have the potential to reveal which types of group joint effort encourage cooperation and efficiency and which hinder it; which incentive structures strengthen people's cooperative tendencies; and which, and to what extent, personality types influence individual differences in trust, reciprocity and joint cooperation.

"The literature and my own experiments show that individuals' degree of cooperativeness, reciprocity and trust varies, which raises the question of who tends to cooperate and who does not," says Gunnthorsdottir.

"For managers, an interesting question is: 'Are we able to identify those who tend not to cooperate and, if so, can we tailor incentives for cooperation to their type?'"

Her exploration of personality psychology and decision-making has lessons for a whole range of business activities – from forming and managing effective teams, and structuring incentives so that individuals conform to organisational goals, to identifying who is likely to be trustworthy and who is not.

"But the important question at the heart of my work is: 'How do we incorporate into economic theory the fact that people are not only interested in money but often have an inherent preference for cooperation?'" queries Gunnthorsdottir.

** Daniel Lovallo article – next page.*

PHOTOMONTAGE: FRANK LINDNER


Daniel Lovallo

# IRRATIONAL EXPECTATIONS

The AGSM's Daniel Lovallo, who has recently completed a research project on managerial decision-making with Nobel Prize-winner Daniel Kahneman, says behavioural economics has many lessons to teach executives. Their research calls into question the assumptions of economic rationality by analysing how people's intrinsic optimism affects managerial decision-making.

"Most large capital investment projects come in late and over budget, never living up to expectations," wrote Lovallo and Kahneman in a recent *Harvard Business Review* article. "More than 70 per cent of new manufacturing plants in North America, for example, close within their first decade of operation. Approximately three-quarters of mergers and acquisitions never pay off … and efforts to enter new markets fare no better."

To fix this apparently endemic deviation from the standard assumptions of economic rationality in complex decision-making, they prescribe what they call an "outside view" to inject more reality into business forecasting.

## THE OUTSIDE VIEW

For most of us, the tendency toward optimism is unavoidable. And it's unlikely that companies can, or would even want to, remove the organisational pressures that promote optimism. Still, optimism can, and should, be tempered. Simply understanding the sources of over-optimism can help planners challenge assumptions, bring in alternative viewpoints, and in general take a balanced view of the future.

But there's also a more formal way to improve the reliability of forecasts. Companies can introduce into their planning processes an objective forecasting method that counteracts the personal and organisational sources of optimism. We'll begin our exploration of this approach with an anecdote that illustrates both the traditional mode of forecasting and the suggested alternative.

In 1976, one of us was involved in a project to develop a curriculum for a new subject area for high schools in Israel. When the [project] team had been operating for about a year, its discussions turned to the question of how long the project would take. Everyone on the team was asked to write on a slip of paper their best estimate of the number of months that would be needed to finish the project. The estimates ranged from 18 to 30 months.

One of the team members who had made a guess within that range – a distinguished expert in curriculum development – was then posed a challenge by the rest of the group: "Surely, we're not the only team to have tried to develop a curriculum where none existed before. Try to recall as many such projects as you can. Think of them as they were in a stage comparable to ours at present. How long did it take them at that point to reach completion?"

After a long silence, the curriculum expert said, with some discomfort: "First, I should say that not all the teams that I can think of, who were at a comparable stage, ever did complete their task. About 40 per cent of them eventually gave up. Of the remaining, I cannot think of any that completed their task in less than seven years, nor of any that took more than 10."

He was then asked if he had reason to believe that the present team was more skilled in curriculum development than the earlier ones had been. "No," he replied, "I cannot think of any relevant factor that distinguishes us favourably from the teams that I have been thinking about. Indeed, my impression is that we are slightly below average in terms of resources and potential." The wise decision at this point would probably have been for the team to disband. Instead, the members ignored the pessimistic information and proceeded with the project. They finally completed the initiative eight years later, and their efforts went largely for naught – the resulting curriculum was rarely used.

In this example, the curriculum expert made two forecasts for the same problem, and he arrived at very different answers. We call these two distinct modes of forecasting the inside view and the outside view.

The contrast between inside and outside views has been confirmed in systematic research. Recent studies have shown that when people are asked simple questions requiring them to take an outside view, their forecasts become significantly more objective and reliable. For example, a group of students enrolling at a college were asked to rate their future academic performance relative to their peers in their major. On average, these students expected to perform better than 84 per cent of their peers, which is logically impossible. Another group of incoming students from the same major were asked about their entrance scores and their peers' scores before being asked about their expected performance. This simple detour into pertinent outside-view information, which both groups of subjects were aware of, reduced the second group's average expected performance ratings by 20 per cent. That's still overconfident, but it's much more realistic than the forecast made by the first group.

Most individuals and organisations are inclined to adopt the inside view in planning major initiatives. It's not only the traditional approach, it's also the intuitive one. The natural way to think about a complex project is to focus on the project itself – to bring to bear all one knows about it, paying special attention to its unique or unusual features. The thought of going out and gathering statistics about related cases seldom enters a planner's mind. The curriculum expert, for example, did not take the outside view until prompted – even though he already had all the information he needed. Even when companies bring in independent consultants to assist in forecasting, they often remain stuck in the inside view. If the consultants provide comparative data on other companies or projects, they can spur useful outside-view thinking. But if they concentrate on the project itself, as is often the case, their analysis will also tend to be distorted by cognitive biases.

The outside view's advantage is most pronounced for initiatives that companies have never attempted before – like building a plant with a new manufacturing technology or entering an entirely new market. It is in the planning of such de novo efforts that the biases toward optimism are likely to be great. Ironically, however, such cases are precisely where the organisational and personal pressures to apply the inside view are most intense. Managers feel that if they don't fully account for the intricacies of the proposed project, they would be derelict in their duty. Indeed, the preference for the inside view over the outside view can almost feel like a moral imperative.

## PUTTING OPTIMISM IN ITS PLACE

We are not suggesting that optimism is bad, or that managers should try to root it out of themselves or their organisations. Optimism generates much more enthusiasm than realism (not to mention pessimism), and it enables people to be resilient when confronting difficult situations or challenging goals. Companies have to promote optimism to keep employees motivated and focused. At the same time, though, they have to generate realistic forecasts, particularly when large sums of money are at stake. There needs to be a balance between optimism and realism – between goals and forecasts. Aggressive goals can motivate the troops and improve the chances of success, but outside-view forecasts should be used to decide whether or not to make a commitment in the first place.

## HOW TO TAKE THE OUTSIDE VIEW

Making a forecast using the outside view requires planners to identify a reference class of analogous past initiatives, determine the distribution of outcomes for those initiatives, and place the project at hand at an appropriate point along that distribution. This effort is best organised into five steps:

**1 Select a reference class.** Identifying the right reference class involves both art and science. You usually have to weigh similarities and differences on many variables, and determine which are the most meaningful in judging how your own initiative will play out. Sometimes that's easy. If you're a studio executive trying to forecast sales of a new film, you'll probably use as your reference class a set of recent films in the same genre, starring similar actors, and with a comparable budget. In other cases, it's much trickier. If you're a manager at a chemical company that is considering building an olefin plant incorporating a new processing technology, you may instinctively think that your reference class would include previously constructed olefin plants. But you may actually get better results by looking at other chemical plants built with new processing technologies. The plant's outcome, in other words, may be more influenced by the newness of its technology than by what it produces. In forecasting an outcome in a competitive situation, such as the market share for a new venture, you need to consider industrial structure and market factors in designing a reference class. The key is to choose a class that is broad enough to be statistically meaningful but narrow enough to be truly comparable to the project at hand.

> When people are asked simple questions requiring them to take an outside view, their forecasts become significantly more objective and reliable.

**2 Assess the distribution of outcomes.** Once the reference class is chosen, you have to document the outcomes of the prior projects and arrange them as a distribution, showing the extremes, the median and any clusters. Sometimes you won't be able to precisely document the outcomes of every member of the class. In such cases, you can still arrive at a rough distribution by calculating the average outcome as well as a measure of variability. In the film example, for instance, you may find that the reference-class movies sold $40 million worth of tickets on average, but that 10 per cent sold less than $2 million dollars worth of tickets and 5 per cent sold more than $120 million.

**3 Make an intuitive prediction of your project's position in the distribution.** Based on your own understanding of the project at hand and how it compares with the projects in the reference class, predict where it would fall along the distribution. Because your intuitive estimate will likely be biased, the final two steps are intended to adjust the estimate in order to arrive at a more accurate forecast.

**4 Assess the reliability of your prediction.** Some events are easier to foresee than others. A meteorologist's forecast of temperatures two days from now, for example, will be more reliable than a sportscaster's prediction of the score of next year's Super Bowl. This step is intended to gauge the reliability of the forecast you made in Step 3. The goal is to estimate the correlation between the forecast and the actual outcome, expressed as a coefficient between 0 and 1, where 0 indicates no correlation and 1 indicates complete correlation. In the best case, information will be available on how well your past predictions matched the actual outcomes. You can then estimate the correlation based on historical precedent. In the absence of such information, assessments of predictability become more subjective.

You may, for instance, be able to arrive at an estimate of predictability based on how the situation at hand compares to other forecasting situations. To return to the movie example, say that you are fairly confident that your ability to predict the sales of films exceeds the ability of sportscasters to predict point spreads in football games but is not as good as the ability of weather forecasters to predict temperatures two days out. Through a diligent statistical analysis, you could construct a rough scale of predictability based on computed correlations between predictions and outcomes for football scores and temperatures. You can then estimate where your ability to predict film scores lies on this scale. When the calculations are complex, it may help to bring in a skilled statistician to assist with this step.

**5 Correct the intuitive estimate.** Due to bias, the intuitive estimate made in Step 3 will likely be optimistic – deviating too far from the average outcome of the reference class. In this final step, you adjust, or regress, the estimate towards the average based on your analysis of predictability in Step 4. The less reliable the prediction, the more the estimate needs to be regressed towards the mean. For example, suppose that your intuitive prediction of a film's sales is $92 million and that, on average, films in the reference class do $40 million worth of business. Suppose further that you have estimated the correlation coefficient to be 0.6. Then the regressed estimate of ticket sales would be: $92m + [0.6 x ($40m – $92m)] = $60.8m. As you see, the adjustment for optimism will often be substantial, particularly in highly uncertain situations where predictions of the future are unreliable. ✪

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## FOOTNOTE

1 Vernon L. Smith is professor of economics and law at George Mason University. He is a pioneer of laboratory experiments as a tool in empirical economic analysis. Daniel Kahneman is the Eugene Higgins professor of psychology at Princeton University. He is a pioneer for having integrated insights from psychological research into economic science.

**TOOLKIT**

PAUL GRIFFITHS, media consultant

# TAMING THE MEDIA BEAST

Sit back for a moment, close your eyes and imagine an average day in your business. How much of your professional time do you spend using oral and aural skills (as distinct from keyboarding and writing) to motivate others to think and act the way you want them to? Think about it – on the phone, across the desk, in the meeting room, on the mobile, at lunch and in the car.

For most busy executives it's as high as 90 per cent. Maybe it's a little lower for you, but the point is just as valid. To a large extent your motivation of others relies on the way you speak, listen and respond, and it is those skills you should harness for media appearances.

When you choose (or are forced) to appear in the media, the need for professional and expert posture is greatly magnified because millions of viewers may see, hear or read your comments. Your behaviour, therefore, has the power to influence your clients, customers and shareholders to buy; your peers to compliment; and your staff to follow your leadership – or not, as the case may be.

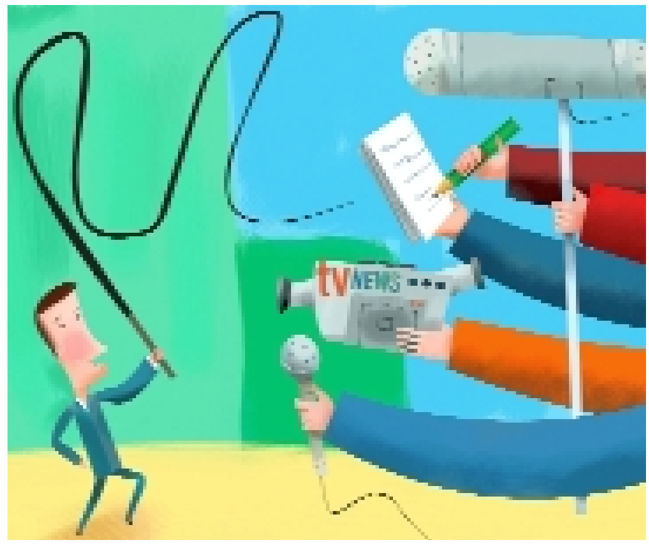
## PLAN YOUR STRATEGY

Every effective management function relies on planning to control performance – a point that holds true nowhere more so than when you are to appear in the media. If you are going to be effective then you need to plan. Even if you are busy writing the board papers for tomorrow, you should spend a few minutes planning your communication strategy.

In my experience, even the most senior executives fall into the trap of taking on a primitive, naive and defensive posture: "What are they going to ask me?" Wrong!

As an expert, you need to flip that over to: "What am I going to tell them?" Decide the most important messages you want an audience to see, hear or read. Then condense those messages into headlines (in the main, the media's agenda demands short, precise points).

Next, take a 'come hell or high water' attitude. Learn to link what the interviewer asks you to what you want to say. That's not to evade or avoid (leave that to your tax specialists), but to use your innate expertise to display just that – your expertise. It was this ability to 'bridge' that brought former premier of Queensland Sir Joh Bjelke-Petersen so many headlines. Can't you just hear Sir Joh saying: "Don't you worry about that! What's more important is this!" Then he'd throw in a headline the media would find irresistible.




> 'Take a 'come hell or high water' attitude and learn to link what the interviewer asks you to what you want to say.'

Once you've developed the headlines, fill in the gaps with reason and evidence. I've developed a planning matrix I call PREP – which stands for Point, Reason, Evidence and Point – to make this easy. Use this matrix for your preparation – you make a point, give the reason, offer one piece of evidence and make the point again with a closing statement or call to action.

## GET INTO PRACTICE

Like most adult learned behaviours the media task requires clarity, competence and confidence. Watch the TV news and current affairs tonight and think through why it is that some people appear (to you) as 'good talent'. Importantly, also look for why some people are 'bad' – and think about the alternatives they could apply to improve their communication. This will help you understand the dos and don'ts – to gain clarity. Then think about how you would have done the interview – to place your own competencies against that clarity.

And the confidence? That comes with practice, using your self-belief and business expertise. Through practice you soon flip the 'task' into 'opportunity'.

While many people fear the media, based on learned fear (of other people's failures), it doesn't have to be that way. If you don't apply yourself to the task by practising, you'll spend your life going little further than thinking about the dos and don'ts – hardly the way to improve your media performance. Being effective in the media certainly does not require you to transform yourself or act like someone other than yourself. But it does demand that you get to know and optimise your communication strengths.

Perhaps most important of all is to remember that these skills are acquirable – and that you can learn to turn media tasks into opportunities. ✪

*Paul Griffiths has been a journalist and media manager for nearly 40 years, including 10 years as the media director for the International Paralympic Committee. He teaches media presentation skills in the AGSM's General Manager and Senior Manager Development executive education programs.*

ILLUSTRATION: GREGORY BALDWIN

# Stock up with marketing

## In the interests of a more stable share price, treat your shareholders like customers. **Con Nats** reports.

Companies should turn to industrial marketing techniques to improve their share price, according to McKinsey & Company director, Matt Bekier, who presented new research on investor-based finance to AGSM alumni at a seminar in May.

According to Bekier, companies could build a better picture of what drives their shareholders' buying and selling behaviours by segmenting their shareholder base in the same way they segment their customer base.

To highlight the different behaviours of various groups of shareholders, Bekier contrasted the shareholders of a media company, who were willing to "blast out" of the stock when conditions were difficult, to shareholders of a pharmaceutical company, who were unresponsive to good or bad news and held the stock for longer than average.

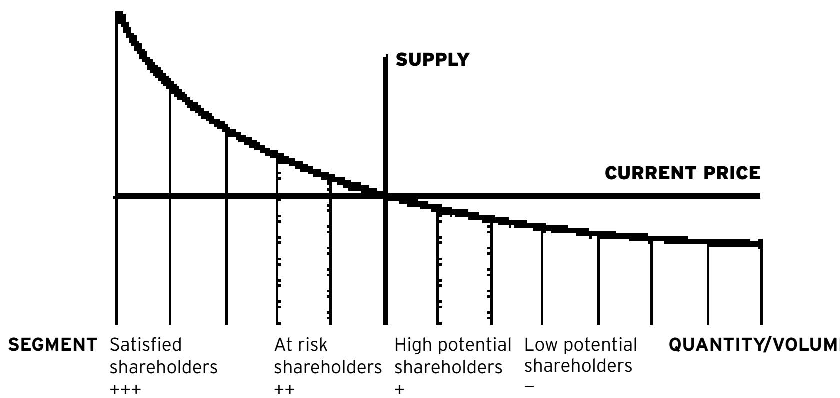
He also called attention to an example of an energy company that found its price rose dramatically against its peers. This was due to the trading actions of one segment, its top 50 shareholders, which set off the 'momentum' buyers.

According to Bekier, US company Digital Equipment improved its share price by $30 in just 12 months (in 1995) by introducing a strategy to improve shareholder relations. Through management presentations and improved investor relations it targeted institutional shareholders who were low-turnover traders and most likely to appreciate its management approach. This led to this shareholder segment, as opposed to the more speculative traders, increasing its shareholdings, which stabilised and increased Digital's share price.

The seminar was opened by the AGSM's professor Chris Adam, who presented the 'traditional' present value model for valuing shares. Adam then contrasted actual share prices to their fundamental values, which showed significant short-term variations and a long-term correlation.

"While the traditional, or fundamental, model indicates long-term trends for share prices, it does poorly with short-run predictions," says Adam. Bekier agrees that in the long run (more than five years), markets price correctly, but in the short- to medium-term, market players are concentrated among the few who do not have enough information to price a company's intrinsic value.

**GROUPING INVESTORS INTO ACTIONABLE SEGMENTS**




**MATCH COMPANY'S/INVESTORS' STRATEGY**

Source: SMI, McKinsey Corporate Governance Team

"I don't think there's enough information which flows from the institutions to the analysts; there are still surprises about when investments are made, when business declines …" says Bekier.

"There's a sense – from the analysts in particular – that there's not enough information from the institutions to model businesses effectively, and what we do know for a fact is that 80 per cent of a share price movement is typically driven by institutions."

McKinsey's research indicates that analysts are strongly dissatisfied with company information. While 53 per cent of analysts surveyed believe it is important to know what non-recurring charges (such as abnormal items) to expect, only 14 per cent were satisfied with the quality of company information supplied.

Share price performance, says Bekier, can be adversely affected by discrepancies between analysts' predicted and actual earnings per share. To counteract this he recommends companies expand their investor relations activities – such as more frequent presentations to shareholders, more management attention to developing closer relationships, and unveiling company and market strategies to ensure the analysts are better informed.

According to Bekier, this would be a turnaround in entrenched market behaviour. The traditional approach is to keep strategies secret until launched in the market. "Australian businesses are responding particularly well to the argument for more transparency, more disclosure and better explanation of their strategies to the market and to key analysts – and that resonates."

However, seminar participants expressed concern that Bekier's marketing approach would inflate share prices beyond reasonable levels, particularly when CEOs' salary packages contain share options that have been criticised for encouraging short-term strategies. "Our research shows that a share price cannot be sustained away from its fair value. All the analysis and data we've seen suggests that," argues Bekier.

"In the short run it is illegal to talk up the share price. If you follow my theory that real value is [derived from] executing well against strategy and delivering the results you set out to deliver, then there's no value in talking up your share price, because you would have to deliver against something that you can't … and the punishment [for that] is going to be a lot harsher." ✪


Upton

# Leadership and the process of change

Success in managing your business today is no guarantee that you will be able to change and renew it for tomorrow, writes professor **Dennis Turner.***

Many seemingly robust businesses falter and fail when faced with competitive pressure to change. Why is this so? One key reason is that the capabilities which underpin the actions required of managers to succeed today are fundamentally different from those needed to manage the change and renewal processes needed for future success.

To succeed *today* your organisation needs to be good at doing three things. The first is to command and understand the specific business technologies and processes through which your company produces and delivers its products and services to the market (Biztek). The second is to identify and understand your market, its needs and environment, and sell to it effectively (Marketing and Selling). The third is to ensure that the things that need to be done to achieve effective execution actually happen so that your business consistently achieves what is intended (Performance Management).

But to manage for *future success* is different. First, your organisation needs to be good at ensuring your people are informed, involved and motivated to act in order to achieve its purpose and future directions (Engagement). Second, it needs to develop the resources – people, technologies, systems and processes – needed to achieve its future directions (Development). Third, your organisation needs the same performance management capability, noted above, but this time focused on ensuring the actions and processes needed for change and renewal actually happen (Performance Management).

Managing for today and tomorrow share a common capability – performance management – because this is about ensuring things actually happen, whether for today or the future. And we all know things do not always happen as intended. For example, to support performance today a business may have a policy of being price competitive. Yet under profit pressure its managers try to improve their margins, which results in competitors undercutting its prices. Senior management either ignore this or do not know it is happening. The policy and the intention are there but the practice and performance management are not. In terms of performance tomorrow, a company may establish new priorities for growth, but top management simply fails to shift resources from the old to the new areas. The result is that new growth is held down by the dead hand, corporate barons or silos of the past. The idea is there but the performance management is not.

While the capability of performance management is powerful for both today and tomorrow, the other four capabilities (see the diagram on page 24) are split strongly between the present and the future. Research I have carried out in the Centre for Corporate Change with my colleague Michael Crawford, looked at 243 cases of change in Australian and New Zealand companies and found that the capability most strongly related to performance today – Biztek (or business technologies) – has little relationship to effective change. Being good at running your business today has little association with your ability to change and renew it for the future. Engagement, the capability most strongly related to change and renewal for tomorrow, will not help you very much to be effective today. You and your organisation need to have both these capabilities to perform well today and create a successful future. But for many companies this is simply not the case.

Is it any wonder that most attempts at change fail to achieve what they set out to do. Or, to put it more starkly, that corporate failure is more the norm than long-term corporate success. Most business organisations die in their infancy and relatively few achieve even the lifespan of the average person. When you cannot renew or recreate you begin to die. That happens quickly in changing environments and more slowly in relatively stable situations.

The diagram on the following page shows both the performance and renewal framework and the process. The capabilities fall into two groups. The operational capabilities support performance today and are the ones you need all the time. The reshaping capabilities underpin the management actions needed to renew, recreate and

ILLUSTRATION: AMANDA UPTON

reshape your business for future performance. You need these whenever change is needed.

## CAPABILITIES

It is also important to recognise that there are two kinds of capabilities – personal and corporate. Personal capabilities are those which you or I may have in order to do something well. Companies hire us for these capabilities and we take them with us when we leave. Corporate capabilities, on the other hand, are embedded in the organisation in a number of ways and tend to remain in the business despite the comings and goings of individuals.

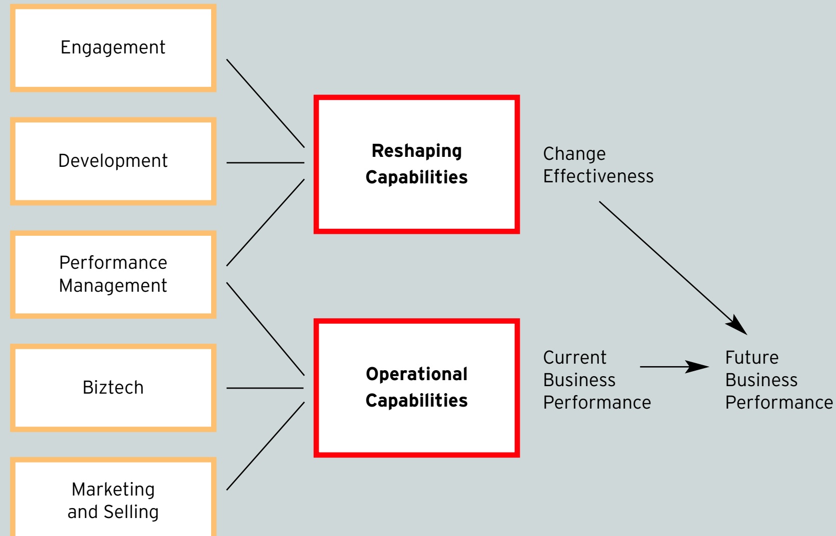
Corporate capabilities exist in the form of documents, such as instruction manuals, or in complex databases of customer transactions or behaviours. They are captured in processes such as recruitment, decision-making or communication practices. They may be in systems used in monitoring or disseminating information. They are often embedded in specialised and sometimes patented technology, plant or equipment. They may be captured in particular structures or roles that have been developed to improve performance. They are usually supported by values and cultures that shape behaviour and underpin performance. Because these capabilities do not disappear with the normal comings and goings of individuals, they are powerful determinants of a company's ability to perform today and reshape its business for the future.

## ORGANISATIONAL STATES

However, your company is, of course, more than just a collection of systems, processes and technologies. It is fundamentally a collection of people. So managing the process of change that is fundamental to business renewal is not well described, as it constantly is, as 'managing change'. Change is, in fact, neutral. It can be change for the worse just as easily as change for the better. It is not change that is managed but the organisation that is managed through change. And important to that is managing the people of the organisation through the change process.

Although I have emphasised the importance of key capabilities to performance and change, the effectiveness of management action is not solely a matter of having the necessary capabilities. It is also influenced by the 'state' of the individual or company. We can think of an organisation as having a state affected by collective beliefs, feelings and behaviours, and that is influenced by prevailing

### PERFORMANCE AND RENEWAL FRAMEWORK




conditions. You may recognise such a state in your own company: a state of confidence, anxiety, conflict or something else. States are important factors to performance and change because they affect individual and collective action and predisposition to act. States are also shared by many members of an organisation, and while change may be led by just a few it is achieved by many.

Our research data shows that different states can help or hinder change. States of understanding, empowerment, commitment and esprit de corps were found to be positive to change, while those of conflict, resistance and anxiety were negative to change. The important point here is that the process of building capabilities is often a long and difficult job, but effective management action can have a relatively quick impact on states. So understanding the states of your company and taking action to influence them is one way you can contribute relatively quickly to the renewal process.

## LEADERSHIP ACTION

If you want to use your skills and energy to lead your company's long-term performance what does this analysis suggest you might usefully focus on?

For near-term performance, it is important to focus on first-hand knowledge of what is actually happening – gained from personal interaction with your staff and customers, as well as through information systems and other organisational processes. Signalling that you care about performance today, knowing how it is being achieved and who is doing it also puts you in a strong position to see that performance is recognised and rewarded. This has important ramifications for how you manage yourself and your time. It also helps you to influence your organisation's state – which is important for both performance and renewal.

In terms of change and renewal action, the most important thing to do is to ensure that engagement, development and performance management of the change process actually happen. You cannot do it all yourself but you can play a leading part in ensuring that it is done. If you have the personal skills, our research and experience indicate that you can make the strongest individual contribution by:

- identifying and crystallising direction
- understanding the specific developments needed to achieve future direction
- focusing on aspects of performance management, particularly staff motivation and resource allocation, and ensuring coordination across the organisation.

Providing leadership is about what you do to affect others and your organisation at large. What you think, value, know, hope and plan, as well as who you are, may all be important. But it is what you do that counts. And that means, most of all, how you manage yourself. Self-management is where true leadership starts. ✪

** Dennis Turner is a professor of general management at the AGSM. He is the author, with Dr Michael Crawford, of* Change Power: Capabilities That Drive Corporate Renewal.

# alumni at large

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## Sailing sabbatical

**Elizabeth Eastland (MBA Exec '98)** recently decided to beat a downturn in business by trading in her job as a vice-president with Alcatel in Paris for sailing around the world with her husband Paul Jenkins.

"It was not a difficult decision to make because such a trip has long been a dream of my husband, who is a passionate sailor," says Eastland.

In preparation, they first sailed more than 1000 km around the Mediterranean, "which shook down crew and boat alike because we were forced to sacrifice anchors in unsheltered harbours, dodge lightening storms, and heave-to for 12 hours in 100 km winds and with 9 m waves towering over the boat," she says.

Eastland and Jenkins set sail in their 1995-built Bavaria 44 from Barcelona in late April with plans to cruise the Mediterranean for a couple of years before heading west to cross the Atlantic in late 2004. From there they will eventually transit the Panama Canal and sail through the South Pacific to make their way home to Australia.

"What could prove to be a five-year journey of ocean sailing will be an experience of a lifetime. But my goal is simple – to arrive home safely with boat, husband and sense of humour intact!" says Eastland.

Elizabeth Eastland

*Keep an eye on* bush telegraph *in future issues of the magazine for updates of Eastland's journey.*

Kathy Walsh

## KNOWLEDGE WISE

AGSM research fellow Kathy Walsh, who graduated from the school's PhD program in May, says: "One of the differences between a PhD at the AGSM and other Australian PhD programs is the course-work requirement, which raises you to a new level; it helps you to understand the current literature and allows you to achieve a high-level thesis."

Walsh's thesis topic, 'Essays in asset pricing', looked at regime switching in equity and bond markets in Australia. "If we understand this fully," says Walsh, "it will help us to predict bull and bear markets."

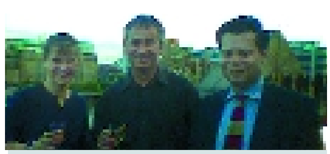
Walsh was appointed a post-doctoral research fellow in the AGSM's accounting and finance department in October last year.

Walsh graduated with Dianne Gardner and Ron Guido (now working at the University of New South Wales), Li Liu (University of Sydney), Cameron Hooper (Michigan Business School in the US) and David Chan (CSIRO).

For more reunion photos (classes '78, '83, '88, '93, '98 and '01) go to: **www.agsm.edu.au/reunionphotos**.

**A GREAT YEAR**

MBA class of '88 at their reunion in Sydney in May: (back row, from left) Kathy and Alexi Jubian with children Corben and Brandon, Mark Reeves with son Patrick, James Hwang, Marty Walsh, Colleen and Wes Madycki, Stephen McBurnie, Michael Brink, Michael Briggs, Deb Shaw, Jennifer Schneider, Diana Briggs and Alistair Fourne; (middle row, from left) John Piddick with Allan Matheson, Ruth Matheson with daughter Angelica, Jane Craig, Karen Waldman, Camille Abbott and Colleen Carmody; and (front row, from left) professors Jeremy Davis and Chris Adam.



From left: Kris Thirlaway, Geoff Walker and Derek Myers.

## London beat

In 2002 the first European alumni branch was formed in London – there are more than 100 AGSM alumni in the region. "Every second month we meet in a pub in the West End of London and we welcome any alumni who may be in London to join us," says branch president Geoff Walker.

If you would like to join the network, contact: **Geoff Walker (MBA Exec '94)**, **geoff.b.walker@gsk.com**.

## Community leadership

The Melbourne alumni branch has implemented a strategy to use funds raised through sponsored events to offer an MBA (Executive) scholarship to an executive working in the charitable sector in Victoria.

The branch committee hopes to raise $5000 to $10,000 a year to fully fund an MBA (Executive) place for an executive working for a not-for-profit organisation such as the Red Cross, Scope (Vic), Yooralla or the Anti-Cancer Council of Victoria – where salaries are generally unable to support MBA program fees.

"The charities we've approached seem excited by the idea of an MBA being conducted through their organisation, and we have been able to use that as a selling point to get speakers and sponsors to participate," says branch president **Andrew Stops (MBA Exec '99)**.

The opportunity to help foster community leadership is attracting a lot of interest, says Stops. Linda Nicholls, chair of Australia Post, has been a speaker and sponsor of a function; KPMG has sponsored an event and Ernst & Young, among others, is lined up to get involved.

"What we are doing is bringing together the mutual interest of the AGSM, top-quality speakers, charitable organisations and our alumni," says Stops. ✪

# bush telegraph

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## MBA

### 2002

**Olivier Salamin** is working as head financial attorney with Compagnie Financiere Michelin in Switzerland. Contact: **olivier.salamin@ch.michelin.com**, Tel: (+41 26) 467 4405.
**Tanya Tsui** writes: "I am a civil engineer currently working in the Hong Kong highways department. I had studied in Australia since Year 9 and finished my undergraduate degree at the University of Sydney before starting work back in Hong Kong." Contact: **tanyatsui@hotmail.com**.

### 2001

**Rod Strauch** has left Australian Water Technologies to join News Interactive as the classifieds business development manager. Contact: **rod.strauch@news.com.au**, Tel: (02) 9288 7423.

### 2000

**Raj Thakorlal** has moved from the role of business development consultant with Janssen-Cilag Pharmaceuticals (Johnson & Johnson) to commercial business manager with the same firm. Contact: **rthakorl@janau.jnj.com**, Tel: (02) 8875 3371.
**Connie Wong** is working as accounting manager with Royal Bodyperfect in Hong Kong. Tel: (+852) 2577 1202.
**Dixson Kwan** has moved from South Korea to Hong Kong. Contact: **dixson.kwan@prudential.com.hk**, Tel: (+852) 2918 6300.

### 1999

**Michael Jacobsen** reports that in addition to his current role as a new home sales consultant with the Longridge Sarah Housing Group, he has also been a part-time teacher at University Senior College, Adelaide University for some time now. This year he is teaching mathematical applications and enjoying the experience. At the time of writing, Michael and his wife Jennifer were looking forward to the birth of their first child (the due date was 23 June). Michael passes on his regards to any of his former classmates from the GSB at the University of Sydney and says he would love to hear from them. Contact: **michael_jake@smartchat.net.au**.
**Emily Chiu** had a baby on 28 October 2002, and his name is Patrick William Gale. "We have put some photos of Patrick on a Web site and the link is: **www.ozetech.com/patrick/littleboss.htm**. I left JP Morgan at the end of March as part of the restructuring and, right now, I am spending my time looking after Patrick. Peter and I have decided to stay in Hong Kong for a while and seek other job opportunities. Contact: **emily-chiu@usa.net**, Tel: (+852) 9189 9321.
**Luke Eginton** has left his position as strategic marketing director for Tetra Pak (Thai) and is now general manager of WasteKleen (Thailand) Co. He also has a regional role as vice-president, marketing, WasteKleen (Asia). Contact: **eginton@wastekleen.com**.

### 1998

**Julia Yan** writes: "I am still at Accenture, currently on a two-year project to support two partners building some internal capabilities. It's kind of like a mixture of operations and internal consulting, and there's no travel. My 'babies' Evangeline and Enoch are now nearly six and four-and-a-half years old." Contact: **ymyan@hotmail.com**.
**Shannon Young** reports: "Senna is our new daughter and is a darling – she has big eyes and a drop-dead smile."
**Brenda Chow** writes: "I got married in Melbourne in January 2003 and married life has been wonderful these past months. After my first job with Morgan Stanley immediately after I returned to Hong Kong, I joined PricewaterhouseCoopers Consulting (now IBM Business Consulting)." Contact: **chowbrenda@hotmail.com**.
**Simon Moore** says: "I am pretty much the same as five years ago except with many less strands of hair and many more centimetres on the belly (kind of like a smoking version of ET)! My news of interest is that I somehow managed to convince someone to marry me. Her name is Louise and we are getting married in January. As a mate of mine recently said, 'You're boxing above your weight'. I am very lucky. Work-wise I recently left consulting and have taken a job working for an old client, managing BP and Caltex's motor oil business in Victoria – which is basically a factory in Newport. Pretty much the exact opposite of consulting but I am having great fun. If anyone wants a beer when they are in town, or a factory tour, don't hesitate to give me a call. Contact: **simon.moore.98@alumni.agsm.edu.au**.
**David King** reports: "Like Simon, I too popped a certain question and am now officially retiring from single life. I thought I'd be safe for a while, but no." At the time of writing David reported he was moving to Singleton, "the extreme northern gateway to the upper Hunter", and says, "you can all come up and drink wine with me any time you like". Contact: **david.king.98@alumni.agsm.edu.au**.
**Mauricio Campos** is based in Mexico working in the financial sector – supervising 37 credit unions around the country. He writes: "The good thing is that I can return home early enough to play with my son Mau". Mauricio and his wife Citali are also planning to open an Adelco automotive repair shop franchise. Contact: **mauricio.campos.98@alumni.agsm.edu.au**.
**Garth Collier** writes: "After the Moore report (congratulations Simon on your engagement), we thought it only equitable that a similar Collier-Schulte report be issued to keep all our friends up to date with what has been happening in Hong Kong. The SARS situation is easing with the number of new cases declining every day, contrary to foreign media reports. I am still with PricewaterhouseCoopers and have a new role as director of corporate planning and development. Karin continues to manage a number of private equity funds with a focus on emerging markets. After three years we are both still enjoying Hong Kong, and last year it was great to have visits from Rob, Brett and Anthea. So, if business or pleasure brings you to Hong Kong let us know as it would be great to catch up." Contact: **garth.collier.98@alumni.agsm.edu.au**.
**Bing Zhang** has been working with Accenture since 1999 and moved to its Shanghai office early last year, which has involved work around China, Hong Kong, South Korea and Taiwan. "Despite SARS, this region is still quite enjoyable – of course, running around with masks is not fun. I will be visiting Sydney towards the end of this year and hope to catch up with [my classmates] then."
"Fergus William George Pandy has arrived," writes **Craig Pandy**. Fergus was born on 2 May and is a sibling for Grace.
**Phyllis Lau** reports that she visited **Michel Chany (MBA '98)** in Paris on a detour to London last Easter. "I just wanted say that our French friend is as cool as he was and enjoying his life in France with his partner and five-year-old son Theophile. His family is expecting another child later this year."
Since graduating in 1998, **Christina MacHatch** has married **Justin Grogan** (also **MBA '98**) and they have "two beautiful children – Romy aged two and Mikey aged eight months – which means my days are still extremely fulfilling, but not in the corporate world". Justin is investor and media relations manager for Leighton Holdings "and is enjoying this position very much". Contact: **cmachatch@bigpond.com**.

### 1997

**Marco Gabbiani** married Vanessa Clark in March at a ceremony near Rotorua in New Zealand. Marco used his engineering skills to design the ring and had it made by specialists in the US. Contact: **mgabbiani@hotmail.com**.

**Patrick Kok** has returned to and settled down in Sydney, after spending several years overseas. He is now working in the IT industry. Contact: **patrickkokws@yahoo.com.au**, Tel: 0405 080 896.

**Akavit Prayurasiddhi** returned to Thailand at the end of 1996 after completing his MBA at the University of Sydney (and also after having lived, studied and worked in Australia for 20 years). Akavit is currently a director of strategic planning at Aventis. He and his wife Pat recently had their first child, Nik.

## 1996

**Derek Bronk** is now the New South Wales sales manager for CIT Group (Australia), which is part of the US-based asset financier CIT. Derek manages a team of nine people, providing IT&T finance solutions to businesses. He has two children now and is still living in Epping, Sydney. Derek says that when he's not working and spending time with his family (which leaves little other time), he's sailing on Sydney Harbour and occasionally flying. Contact: **derek.bronk@cit.com**, Tel: (02) 9424 1454.

**Roger Kennedy** now works for non-profit organisation Mission Australia as national program manager, employment services. This role requires him to manage programs such as work for the dole, junior and senior counselling and mature clients returning to the workforce. Contact: **kennedyr@mission.com.au**, Tel: (02) 9418 8077.

**Helene Frontin** and husband David are expecting their second child at the end of October. Helene is still manager of market strategy for Alcatel Australia.

## 1995

**Carrie Tsang** recently acquired a CFP (Certified Financial Planner) qualification and leads a small team of financial planners in a securities company in Hong Kong. "You may be acquainted with my husband Eric, who graduated at the University of New South Wales the same year as [our class], but I didn't meet him until 1997. Do we have a child yet? From the view of a financial planner the cash flow of such a project can never break even, however, Eric is interested as he is a project manager. Will keep you informed of the launch date!" Carrie asks classmates travelling to Hong Kong to remember to contact her on Tel: (+852) 9459 6563 or: **carriettk@hotmail.com**.

## 1994

**Edwin Low** has been in Singapore since 1996. He is married to Su Yin whom he met while studying at the AGSM (Su Yin was also a boarder at International House). They have a four-year-old son, Aaron, and are expecting their second child in August. Edwin is still at Credit Suisse First Boston as a director and head of corporate finance for South-East Asia. He travels frequently to Malaysia, the Philippines and Indonesia, and is looking forward to travelling to Sydney in 2004 for the MBA '94 class reunion.

**Michael Larkin** has recently taken up the position of group manager, finance and treasury, reporting to the CFO, for the Rinker Group. Rinker recently listed on the ASX following its de-merger from CSR; it is the seventh-largest construction materials company in the world. Contact: **michael@cloudmaker.com**, Tel: (02) 9235 8115.

## 1993

**Bruce Harries** is head of people and performance for the asset accumulation business of the BT Financial Group. "I was formerly head of people and performance for Westpac Financial Services. Over the past 18 months I have worked on the acquisition and post-merger integration of the Rothschild Australia Asset Management business and the former BT business with Westpac Financial Services – which is now the BT Financial Group." Contact: **bruce.harries@btfinancialgroup.com**, Tel: (02) 9259 9071.

## 1992

**Andre Schoen** has left ALSTOM in France and moved to Siemens Rail Automation in Germany as business director, sales and projects, Mainlines Europe. Contact: **Andre.Schoen@siemens.com**, Tel: (+49 531) 226 6121.

## 1991

**Paul Couvret** has joined Jacobs Sverdrup Australia, which provides advanced engineering and management services to clients in Australia and South-East Asia. A principal customer is the Australian Defence Force for which the company provides expertise across the full spectrum of activities associated with the acquisition of new Defence equipment. Paul expects initially to be dividing his time between head office in Canberra and the Royal Australian Air Force's fighter base at Williamtown, just north of Newcastle in New South Wales. Tel: 0409 771 115.

## 1988

**Tak Adachi** reports that after three years in Sydney with Deutsche Bank he became senior investment commissioner for Invest Australia, based in the Australian embassy in Tokyo. Invest Australia is a federal government agency that promotes productive foreign investment into Australia.

## 1983

**Peter Lim** is living in Kuala Lumpur working as industry sales director at Oracle Corporation (Malaysia). Contact: **peterlimct@yahoo.com**, Tel: (+603) 2165 3918.

## 1979

**Ingrid Jackson** embarked on her AGSM studies just after she had a baby boy. "Now he's a graduate too, in multimedia. Both of Ingrid's companies' Web sites were designed by her son: **www.users.bigpond.net.au/ems** and **www.jwmworld.com.au**.

## 1978

**Trevor Armstrong** has relocated to Amsterdam as vice-president and SBU manager, western Europe, industrial packaging and services, Greif Inc. Contact: **Trevor.Armstrong@Greif.com**.

### MBA (EXECUTIVE)

## 2002

**Simon Andrews** retired from the Navy in July 2003. He will commence a new career in Canberra as a senior project manager with APIS Consulting (www.apisgroup.com), a project management professional services firm. Contact: **simon.andrews @apisgroup.com.au**, or Tel: (02) 6295 7230.

**Alethea Murphy** has taken up a new position as business development manager with IBM. Contact: **almurphy@au.ibm.com**, Tel: (02) 9478 8049.

**Ramy Soussou** is now general manager of retail sales for Country Energy in Sydney, but spends about 70 per cent of his time travelling interstate. Ramy says, "It has been a good move career-wise being in charge of $1.5 billion, with a customer base of 800,000." Contact: **ramy.soussou@countryenergy. com.au**, Tel: (02) 9249 3112.

## 2001

**Chris Godfrey** accepted an overseas posting late last year to the UK with ALSTOM, "just in time for the wonderfully warm winter!" Chris is financial controller of a business unit of ALSTOM. Contact: **chris.godfrey@power.alstom.com**.

**Geoff Cope** is now a director at Dunn & Bradstreet Australia. Contact: **copeg@dnb.com.au**, Tel: 0411 114 426.

## 2000

**Peter Mill** has moved from the role of dealer group review manager with AXA Australia to national sales manager with Integratec (Aust). Contact: **peter.mill@integratec.com.au**, Tel: (02) 9909 0256.

## 1999

**Glenn Cogar** has taken up a new position as principal consultant with Oakton. Contact: **glenn.cogar@charterwilson. com.au**, Tel: (02) 9923 9779.

**Colin Kwan** is working in London in the consulting sector. "I find London a challenging place – it has a less friendly atmosphere than Australia's cities, but it is abuzz with different cultures and there is so much to do. Where to next? Maybe Spain. I miss seeing the sun." Contact: **colinkwan@yahoo.com**.

## 1998

**Eugene Losew** reports that following on from his role as CEO/director of Trans-Pacific International, he has been appointed director/general manager and dealer principal of Sydney's Stillwell Trucks and The Truck Centre – both divisions of the publicly-listed Adtrans Group of companies. Contact: **elosew@optusnet.com.au**, Tel: (02) 9771 5500.

**Annette Clayfield-Hoskin** has moved from the role of manager, corporate development to commercialisation strategy with Unisearch. Contact: **a.hoskin@unisearch.com.au**, Tel: (02) 9385 7772.

**Ken Rosebery** has been appointed CEO of Fastway Couriers, "the only franchised transport organisation in Australia". He was formerly managing director of Australian Geographic. He is based in Sydney, and writes: "Fastway is celebrating its 20th year and is listed by *BRW* magazine as one of Australia's fastest growing private organisations, operating in 13 countries and 82 cities worldwide". Contact: **ceo@fastway.com.au**, Tel: (02) 9264 4911.

**Catherine Rusby** reports that she has bought a house in Wellington, New Zealand, "as I think I'll be staying a couple more years". Catherine writes that it has been a great challenge working in a CIO role but that she misses the great Sydney weather.

**Marco Tapia** has left the IT director's post at P&O to establish his own company, PicNet, a business technology consulting and project management practice. The company is Sydney- and Melbourne-based and specialises in managing large business technology projects, software development and strategic IT consulting. It has a focus on the pharmaceutical and logistics sectors. Contact: **marco.tapia@picnet.com.au**, Tel. 0411 123 001.

## 1997

**Brendan Mason** is now account director at Lucent Technologies, responsible for the Telstra account. He and his wife Juliet and children Rory and Mia have "relocated south to sunny Melbourne and have settled in Albert Park". Brendan is very keen to connect with alumni within Telstra for "alumni bonding sessions". His new mobile is: 0428 265 466. "If you happen to visit Melbourne drop me a line for a game of chess, a shandy, or both. Contact: **blmason@lucent.com**, Tel: (03) 8413 9032.

## 1995

**Karen van Druten** writes: "I have moved out of a general manager HR position in 'corporate land' to run my own consultancy, complemented by adjunct teaching at the AGSM and Macquarie Graduate School of Management, as well as part-time PhD studies at the University of Queensland under professor Susan Ellis." Contact: **karenvd@bigpond.com**, Tel: (02) 9300 8505.

## 1994

**Mark Compton** was appointed CEO and managing director of SciGen in September 2001 with the task of recapitalising and listing on the ASX. SciGen listed on 15 November 2002 with a $30 million equity injection. It is a biopharmaceutical company engaged in co-developing, licensing and selling a range of biotech-derived pharmaceutical products, such as the hepatitis B vaccine, human insulin and human growth hormone. "We have business now in about seven different countries in South-East Asia and business partners in the US and Europe. For more on the company go to: **www.scigen.com.au**." Contact: **markcompton@scigen.com.au**, Tel: (02) 9234 1700.

### GDM

## 1999

**Paul Lam Han** is on an assignment with the office of BNP Paribas in Tokyo until mid-October this year. He reports: "While in Tokyo I have had the opportunity to enjoy the cherry blossom season (in April), and I have also experienced several earthquakes (fortunately not strong ones!); my regards to all my classmates".

**Kevin Said** has been promoted from national manager, strategic alliances, to general manager, corporate cards and merchant services, at Diners Club Australia. Contact: **kevin.said@ dinersclub.com.au**, Tel: (03) 9805 4648.

## 1994

**Alan Graham** has left Boeing Australia to join Raytheon Australia as program capture manager. Tel: (02) 8870 6585.

### GCM/GMQ

## 2000

**Jean-Marc Bauquin** has moved from the role of senior consultant with Deloitte Consulting to business partnerships manager with CityLink Melbourne. Contact: **jbauquin@transurban.com.au**, Tel: (03) 9920 8513.

## 1998

**Peter Wassell** has joined Weir Warman as state manager, Western Australia. Tel: (08) 9479 9613.

**Malcolm Chilman** has started up a new accounting consultancy, called Bottom Line Control, on Queensland's Sunshine Coast. Contact: **bottomlinecontrol @ozemail.com.au**, Tel: (07) 5473 9909.

## 1996

**Paresh Pandya** has left Clear Laboratories to join Concept Health Australasia as director. Contact: **paresh @concepthealth.com.au**, Tel: (02) 9225 7855.

## 1994

**Chris Joannidis** has joined National Australia Bank as district credit manager. Contact: **Chris_Joannidis@national.com.au**, Tel: (02) 9237 1194. **Branko Panich** has taken up a new position as head of IT strategy with Westpac Banking Corporation. Contact: **bpanich@westpac.com.au**, Tel: (02) 9226 0522.

**GCCM**

## 2002

**Kate Wilson** has moved from the role of director, Kate Wilson Workplace Consulting to director, Smarter Workplaces. Contact: **kate@smarterworkplaces.com.au**, Tel: 0403 397 886. **Nadine De Villa-Le** has taken up a new position as director, financial strategy, with the NSW Department of Ageing, Disability and Home Care. Contact: **nadine.devilla-le@dadhc.nsw.gov.au**, Tel: (02) 8270 2317.

## 1999

**John Meyer** has been appointed director of Land Information and Building Services in Planning and Land Management (ACT government). The organisation recently became a statutory authority and John reports that he used many of the skills he gained in the GCCM to lead the transition team.

**DPM/SMDP**

## 2002

**Sandra Christians** has taken long-service leave from the Department of Defence and is currently travelling around Australia with her partner in a Winnebago RV. She intends to move back to her home town of Melbourne in 2004 and will be looking for new opportunities. She can be contacted at: **sandra.liz@bigpond.com** (no jpegs as mobile access only).

## 2001

**Mark Loney** was promoted to the position of executive manager of the Radiofrequency Planning Group at the Australian Communications Authority in May. Mark joined the ACA in 1996 and had been manager of the Space Systems Team in the group since May 1999. At the time of writing, Mark was looking forward to travelling to Geneva as deputy head of the Australian delegation to the World Radiocommunication Conference – a treaty-level meeting that considers changes to the international arrangements that regulate use of the radio-frequency spectrum. Contact:**mark.loney@aca.gov.au**.

## 2000

**Carole Sweatman** writes: "I am currently working as a volunteer in Cambodia, providing environmental advice to new local governments in this country, as part of a government decentralisation process". Contact: **carolesweatman@yahoo.com**.

## 1986

**Peter Ford** is the first assistant secretary, information and security law division of the Australian Attorney-General's Department. The division was formed in February 1997 and is responsible for policy relating to privacy, freedom of information, intellectual property, legal aspects of electronic commerce and support to the attorney-general on national security and electronic surveillance aspects of law enforcement policy. Between 2000 and 2003 Peter chaired the OECD working party on information security and privacy and he is vice-chair of the APEC electronic commerce steering group, with responsibilities for confidence and trust-building measures. Contact: **Peter.Ford@ag.gov.au**. ✪

**CAN'T FIND YOUR NEWS?**

Some contributions to bush telegraph missed our copy deadline and will be included in the next issue (November) of the magazine. If your news missed out and you would like to update it further, e-mail: **bushtelegraph@agsm.edu.au**

# faculty news

## Green ideas

Professor **Bob Marks** is a member of a successful team to win $21.8 million in Cooperative Research Centre (CRC) funding, over seven years, for research into carbon dioxide capture and storage to reduce emissions from industry in an environmentally sustainable and economically effective manner.

The CRC for Greenhouse Gas Technologies commenced on 1 July this year. It involves researchers from around Australia and the world (including Canada, Japan, the Netherlands, New Zealand, the UK and the US). Participating Australian universities include the University of New South Wales (Sydney), Curtin University of Technology (Perth), Monash University (Melbourne), University of Adelaide and University of Melbourne. Researchers are also participating from Geoscience Australia, the CSIRO, URS Australia, CANSYD Australia and the Australian Research Council (ARC).

Marks' interest in this area follows his longstanding expertise in energy markets, which led to work in the early 1990s with professor Peter Swan (then of the AGSM) and others into the costs of greenhouse gas abatement. An early research program sought cost-effective means of reducing carbon dioxide emissions, and examined the macroeconomic consequences of large-scale emissions reduction in Australia.

"This research project is important to Australia if we wish to demonstrate that our coal reserves can be used in a sustainable way without significantly adding to concentrations of atmospheric greenhouse gases," says Marks.

## New book

Dr **James Carlopio** has published a new book, *Changing Gears: The Strategic Implementation of New Technology* (Palgrave Macmillan, London, 2003). The book is about the implementation of new technology, strategy, business models and new innovations. It takes a social-psychological perspective on the management of change and technology/strategy implementation, and crosses the boundaries of change management, technology implementation and organisational strategy.

## Promoted

Dr **Garry Twite** has been promoted from senior lecturer to associate professor at the AGSM. His research interests include corporate financial decisions and the impact of taxes, corporate investment decision-making, mergers and acquisitions and pricing of futures and options. He teaches corporate finance and corporate financial management in the school's MBA programs.

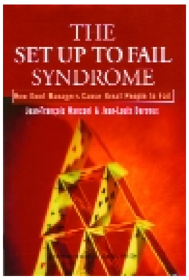
## On leave

In March 2003, **professor Robert Kohn** commenced a year's leave of absence to work at the University of New South Wales' faculty of commerce. Kohn has been a senior faculty member of the AGSM since the mid-1980s. During that time he has pursued an outstanding path of research work – which was paid tribute to last year by his election to the fellowship of the Institute of Mathematical Statistics.

## Collaborative work

**Professor Samprit Chatterjee**, who holds a chair in statistics at the Stern School of Business at New York University, has spent two months at the AGSM this year. His work has been widely published in journal articles and books. During his stay he collaborated with the AGSM's professor Simon Sheather to create the content for a new course in statistics for the MBA (Executive) program. ✪

# books REVIEWS AND NEWS OF BUSINESS BOOKS




**THE SET-UP-TO-FAIL SYNDROME: HOW GOOD MANAGERS CAUSE GREAT PEOPLE TO FAIL**
*by Jean-François Manzoni and Jean-Louis Barsoux (Harvard Business School Press, 2002)*

**Reviewed by Alan Valvasori**

The set-up-to-fail syndrome is the opposite of the phenomenon commonly known as the Pygmalion effect, where individuals live up to great expectations.

The syndrome describes a dynamic in which employees perceived to be mediocre or weak performers live down to the low expectations of their managers. The result is that they often end up leaving the organisation – either of their own choice or otherwise.

While this phenomenon is as old as human nature itself, what the authors do in this book is remind us of the devastating human cost the syndrome has in organisations and remedial action that can be taken to arrest it.

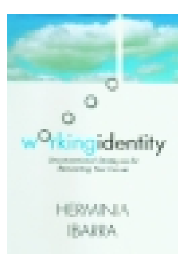
Manzoni and Barsoux – both academics at INSEAD, France – acknowledge prejudgment as a human frailty hard-wired into the human condition, particularly in managers under increasing pressures to perform.

The phenomenon of negative Pygmalion effects (also known as Golem effects) has proved difficult to test due to constraints with ethical and operational challenges. However, the authors use knowledge gained from their own and others' research to examine the downward spiral that bosses and employees can fall into once a worker is judged – often wrongly – as a poor performer.

Based on an article in *Harvard Business Review* in 1998, the book gives some lucid insights into human exchange theories that explain how and why some manager-subordinate relationships can deteriorate irretrievably.

The authors also devote two chapters to concrete, practical ways to prevent the syndrome happening and how relationships can be recovered once damage has occurred.

While performance management is more art than science, this book is a valuable resource for all managers who want to avoid what the authors describe as "an escalating spiral of malaise and underperformance". Some managers may think they don't have time for this stuff, but they ignore it at their peril.




**WORKING IDENTITY**
*by Herminia Ibarra (Harvard Business School Press, 2003)*

**Reviewed by Anne Fitzsimmons, Centre for Corporate Change**

So you want a career change at 40! Simple! Just identify all your skills, work out what your ultimate job is, do a bit of networking and then just find the job that best matches your skills and fulfils your needs. Eternal happiness, obscene wealth and great sex won't be far behind … It's a familiar mantra of many forgettable books on career change. Thankfully, Herminia Ibarra's *Working Identity* brings a fresh and more realistic perspective.

Her research shows that career change is an iterative process that involves trial and error, a process of elimination and dealing with the uncertainty that accompanies change. This book challenges the usual 'ten point plan' that assumes you have worked out what you want to do for the rest of your working life and it is now a simple matter of implementing your dream. Ibarra interviewed 39 individuals (some over several years) about their own career change stories. They illustrate the processes you can go through as you contemplate a career change, how you often do not have a clear idea of what you want to do, and how doubts can cause you to either abandon the process or make poor choices.

Ibarra suggests that the process of career change is one of 'test and learn'. You start by identifying skills, passions, personality style, values and needs, all of which you have developed and accumulated over time. Using these factors, you identify the various working possibilities you can imagine for yourself. Then you test them out – and that's the key. If you do a scuba diving instructor's course to find it isn't actually what it's cracked up to be, you can then discard it from your career change list. So the process of testing can also be a process of elimination. And that's okay.


**RATIONAL RITUAL: CULTURE, COORDINATION AND COMMON KNOWLEDGE**
*by Michael Suk-Young Chwe (Princeton University Press, 2001)*

**Reviewed by Robert Marks, professor of economics**

There's an emergency. You send an SMS to your beloved. Has she received it? She knows that you'll be worried sick until you know, so she confirms receipt by SMS. But she won't be happy until she knows you know. And you don't want her to worry. What you both want is *common knowledge*.

You may have come across the idea of common knowledge in game theory – it's often required in order for a group to solve a task at hand. The concept was invented in 1969 and formalised in 1976. Chwe's book argues that common knowledge is crucial to the successful coordination of group actions in society as well as in business.

His book makes compelling reading because he questions the classic dichotomy between rationality and culture: he argues that ideas of rationality and culture are not disjointed but, instead, are connected by the generation of the common knowledge that the logic of rationality requires. He observes that public events, ceremonies or rituals are – quite apart from their emotional or symbolic contexts – good at generating common knowledge.

In business, many companies are already familiar with the use of mass-market advertising to generate the common knowledge necessary to 'coordinate' consumer purchasing towards their particular brands or products – think of the famous Superbowl TV advertisements.

Yet, Chwe's *Rational Ritual* does not hold the answers to companies' problems; it is not another management book or fad. It is important because it encourages us to think more deeply about the role that common knowledge plays within organisations, and what ceremonies or rituals companies might use to generate common knowledge among employees or shareholders. It helps solve the coordination problems all organisations face. ✪

# publications & papers

PUBLISHED WORK AND RESEARCH PRESENTATIONS

## BOOKS

Dr **James Carlopio**, *Changing Gears: The Strategic Implementation of New Technology*, Palgrave Macmillan, UK/New York, February 2003 (see also faculty news, page 29).

PhD candidate **Catriona Wallace** and Johanna Hetherington, *The Complete Guide to Call and Contact Centre Management*, Pearson Prentice Hall, Sydney, June 2003.

## BOOK CHAPTERS

Professor **Lex Donaldson**, 'Organisation theory as a positive science' in Haridimos Tsoukas and Christian Knudsen (eds.), *The Oxford Handbook of Organization Theory*, Oxford University Press, New York, 2003; and 'Position statement for positivism' in Westwood, Robet, Clegg and Stewart (eds.), *Debating Organization: Point-Counterpoint in Organization Studies*, Blackwell Publishing, Madden, US, 2003.

Professor **Murray Kemp**, 'On a misconception concerning the classical gains from trade' in Rudiger Pethig and Michael Rauscher (eds.), *Challenges to the World Economy – Festschrift for Host Siebert*, Springer-Verlag, Berlin, 2003.

## JOURNAL PUBLICATIONS

Professor **Eddie Anderson** and A.B. Philpott, 'Estimation of electricity market distribution functions', *Annals of Operations Research*, vol. 121, pp. 21–32, 2003.

Dr **Prithviraj Chattopadhyay**, 'Can dissimilarity lead to positive outcomes? The influence of open versus closed minds', *Journal of Organizational Behavior*, vol. 24, pp. 295–312, May 2003.

Dr **Chongwoo Choe**, 'Leverage, volatility and executive stock options', *Journal of Corporate Finance*, published online, November 2002.

Dr **Shayne Gary**, 'Exploring the impact of organisational growth via diversification', *Simulation Modelling Practice and Theory*, vol. 10, pp. 369–386, 2002.

Professor **Murray Kemp** and Masatoshi Yamada, 'Dynamic stability, paradoxical comparative statics, and factor-market distortions in an economy with three production sectors', *Review of International Economics*, vol. 11, no. 1, pp. 28–37, 2003.

R. Westwood and Dr **Peter Lok**, 'The meaning of work in Chinese contexts – a comparative study', *International Journal of Cross Cultural Management*, vol. 3, no. 2, pp. 139–164, 2003.

Dr **Marc Orlitzky** and J.D. Benjamin, 'The effects of sex composition on small-group performance in a business school case competition', *Academy of Management Learning and Education*, June 2003; and with F.L. Schmidt and S.L. Rynes, 'Corporate social and financial performance: a meta-analysis', *Organization Studies*, vol. 24, no. 3, pp. 403–441, March 2003.

Associate professor **Baljit Sidhu** and professor Greg Whittred, 'The role of political costs in the deferred tax policy choice', *Australian Journal of Management*, vol. 28, no. 1, June 2003.

## CONFERENCE PRESENTATIONS

PhD candidate **Catherine Collins** and associate professor **Sharon Parker**, 'Designing project teams to enhance their collective efficacy', presented at the Australian Industrial and Organisational Psychology Symposium, 'Creating effective teams through closer attention to cognitive and motivational outcomes', 27–29 June 2003. (The symposium was co-chaired by Collins and Parker.)

Dr **Giana Eckhardt**, 'Building a local brand in a foreign product category in India: the role of cultural interpretation', presented at the Association for Consumer Research Conference, Dublin, 4–8 June 2003.

Dr **Anna Gunnthorsdottir** and Amnon Rapoport, 'Egalitarian versus proportional profit-sharing rules in multi-level collective action problems', presented at the Group Decision and Negotiation Conference, Perth, WA, 26–29 August 2002; and Economic Science Association Conference, Strasbourg, France, 27–29 September 2002.

PhD candidate **Doan Hoang Cau Thai** and professor **Eddie Anderson**, 'Collusive behaviour of generators in electricity markets: a co-evolutionary analysis', presented at the PhD Conference in Economics and Business, Australian National University, Canberra, 6–8 November 2002.

Professor **Michael Vitale** and David Sparling, 'Australian biotechnology – do perceptions and reality meet?', presented at Alchemy of Change – The Company Directors Conference 2003, Canberra, 14–16 May.

## CONFERENCE PROCEEDINGS

E. Larsen, C.C. Markides and Dr **Shayne Gary**, 'Imitation and the sustainability of competitive advantage', in Academy of Management Proceedings OMT Best Conference Papers, Denver, Colorado, August 2002.

Dr **Julie Cogin**, 'The prevalence and predictors of sexual harassment among women', in Proceedings of the 7th International Human Resource Management Conference, Limerick, Ireland, June 2003. ✪

# STRATEGIC RECRUITMENT

Boral is one of the few Australian companies investing in a structured MBA recruitment program. **CEO Rod Pearse*** explains why.

It is an interesting phenomenon that while relatively few Australian companies actively recruit MBA graduates, Boral has been able to put in place a proactive MBA recruitment and development program and continues to realise the benefits year-in, year-out.

ROD PEARSE

"My MBA armed me with the tools I needed to make the step from being a line manager … to a more strategic thinker."

At Boral we are moving into the 10th year of our MBA recruitment program. We've adopted a model of MBA recruitment that works effectively for the organisation and for MBA graduates. While it is not the only way we bring talented, strategic thinkers into the organisation, it has become an integral part of our recruitment and succession planning processes and effectively complements our strong operational management capabilities.

There are a few key drivers that you need to get right for an effective MBA recruitment program; the absence of one or two of these drivers may explain why many companies do not implement or continue active programs.

Commitment at the top is necessary. In Boral's case, as CEO I have a clear understanding of the value that a good MBA qualification can bring. My MBA armed me with the tools I needed to make the step from being a line manager with a financial background to a more strategic thinker. I have a clear appreciation of the accelerated learning that an MBA gave me, and I am a strong believer that others will also benefit given the appropriate opportunities (and if they have the requisite inherent potential).

Of course, that doesn't mean that you must have an MBA to go places. Less than half of Boral's management committee has an MBA. It is essential that the value of an MBA is not overplayed and that there is a balanced view of its role. While a business school qualification certainly helps people progress in their careers, it would be a mistake to create a culture at Boral where executives or upcoming managers without an MBA are made to feel less valuable.

For Boral, a good business school is a 'happy hunting ground' for us to target a pool of people who want to be the business leaders of the future and who are prepared to 'put in' to 'make it happen'.

Over the past 10 years we have actively recruited 41 MBA graduates, two-thirds of whom are still at Boral today. I am delighted with that 'stickiness'; it says to me that we are getting it right. In addition, there are others within the company who have undertaken MBA programs over the past decade. Currently about 10 per cent of our 400 middle and senior managers have an MBA qualification.

So, appreciating an MBA's value and creating a balanced culture is important.

Another key driver is creating the right entry point for MBA recruits. We have an entry model that works well for MBA graduates and for Boral. In the mid-1990s we introduced a formal strategic planning function within each division, which has become an integral part of our business model. While all Boral managers are involved in the planning cycle, there are divisional roles where the coordinating and analytical responsibilities lie. More often than not we have been able to use these planning roles as an entry point and then find opportunities for MBA graduates in line management.

However, in order to do this well it is important to manage expectations and to identify the right fit for the organisation. In addition to a rigorous interview process, in recent years we have tended to use our summer internship program, particularly for AGSM students, as a practical way for both the students and the organisation to assess compatibility and future opportunities.

But it doesn't always work out perfectly. The right fit for the individual and organisation isn't always there, and sometimes it can take a year or two to realise. Managing expectations and accepting that some MBA recruits will be with the organisation for a long time, while others may not, is another key to success.

So, if this is all working well for Boral, why aren't other Australian companies actively meeting with students to pick off the top MBA graduates?

Some say that MBA graduate expectations and starting salaries are too high and well beyond their real value to the organisation. While this is arguably so, you need to look beyond a graduate's early years and look at what they may be capable of. Of course, this implies that the values and loyalty of your recruits must be right so that there is a win-win for the company and the recruit.

Some say Australia is too small to support the number of MBA graduates. I don't agree. I think it's more to do with organisations not understanding what an MBA graduate has to offer. For many organisations it can be difficult to identify the right entry point. It is not about recruiting MBA graduates and putting them straight into a senior line role; rather it is about fostering the MBA qualification, developing the person and creating a fit between the organisation and the individual. It is about understanding the value of an MBA – what it is and what it is not. ✪

** After joining Boral as managing director of its construction materials group in 1994, Rod Pearse became CEO of Boral Limited in January 2000. He has an MBA from Harvard Business School and a Bachelor of Commerce (Honours) from the University of New South Wales.*