



2 0 0 0 2 5 4 9

Table of contents

Volume 27 Number 5 2006

Departments

Access this journal online 2

Editor's note 3

Corporate governance

Board member contingent compensation: watch your back 4

Catherine M. Dalton and Dan R. Dalton

The US Securities and Exchange Commission (SEC) recently distributed for comment its proposed guidelines for the reporting of "Executive Compensation and Related Party Disclosure." These guidelines, when adopted, will apply to all US public companies and will likely be required for 2007 proxies. One of the more controversial elements of the proposed guidelines is that the number of officers for whom such reports must be made has been increased. Our columnists discuss the implications of this provision.

Alternative strategies

Fish or starve 7

Patrick Marren

Our columnist opines upon Jared Diamond's Collapse: How Societies Choose to Succeed or Fail, which contains parallels to the world of business strategy. Diamond predicts the survivability of any society through a five-part explanatory model. IBM, for example, seemed to be on the verge of collapse in 1993, but the company was willing to face reality, make hard, fundamental changes, and abandon cherished old values that could not be maintained.

Feature articles

Bundles with sharp teeth: effective product combinations 10

Rob Docters, Bert Scheffers, Christine Durman and Martijn Gieskes

Businesses need to assemble multiple products combined into a single offer, a practice known as bundling. Technology and cost-cutting are creating a world where many customers now prefer such integrated solutions. The science of bundling is not widely known or practiced and, when applied, judgment and ad hoc initiatives often predominate. Understanding the taxonomy of a bundle, and the value elements, allows more diverse and effective product and service combinations.

Investment in marketing: the allocation conundrum 17

Mike Bradbury and Neal Kissel

Ever-rising marketing budgets are becoming a contentious issue. In this article, the authors explore the limitations of current approaches to setting marketing budgets and then outline five factors that should drive how companies allocate their marketing budgets. The paper offers a new, simpler approach to thinking about marketing allocation that helps big companies shift their marketing budget debate from "how many dollars to spend altogether?" to "where to spend those dollars?"

Entering low-end markets: a new strategy for Swiss companies 23

Heiko Gebauer

Swiss manufacturing companies have learned to their chagrin that customers in emerging markets such as China, India or Eastern Europe do not require or want the same technological level as those in Western Europe or North America. But, compared to the overall exponential growth of markets in China, India or Eastern Europe, the high-end market segment has been growing slowly over the last couple of years. The authors of this paper have worked over the past several years with more than 30 Swiss manufacturing companies to understand why they often do not succeed in low-end markets.

Is your strategy a duck? 32

Jeanne Liedtka

In an effort to appear "strategic," many companies have inadvertently created strategy ducks - strategies that function as symbols, not roadmaps, that remain an abstraction and a mystery to the people in the organization who must make them work. As with architecture's ducks, the connection between symbol and day-to-day practice is missing. What organizations need instead are strategies that feel real. Feeling real, however, is a subjective perception, a personal judgement that each individual makes. It is at the level of individual action that grand strategies get translated into their practical implications.

Does innovation drive profitable growth? New metrics for a complete picture 38

Jane C. Linder

Organizations intent on driving profitable growth recognize they need innovation. However, most measures of innovation are incomplete, focusing only on R&D or new product development. This paper suggests an alternative, enterprise-level measure that reflects the broadest definition of innovation and focuses on impact or value. It uses publicly-available financial data for companies in a variety of industries to create a profitable growth scale, ranking companies relative to their peers. The resulting rankings correspond well to executives' self-reported information about how innovative their organizations are.

Resonant leadership: a new kind of leadership for the digital age 45

Annie McKee and Dick Massimilian

The authors contend that the current, intensive emphasis on short-term results in much of corporate America undercuts the ability of companies to achieve long-term financial success. Given the "always on" nature of life for senior executives in the Digital Age, leaders find themselves subject to tremendous, ever-increasing pressures and a perceived and/or real need to work harder and longer. Through recognizing what the authors refer to as the Cycle of Sacrifice and Renewal, executives can renew themselves using Mindfulness, Hope and Compassion.

Framing brand management for marketing ecosystems 50

John G. Singer

The author maintains that the advertising industry is becoming increasingly irrelevant to business strategy. The marketing industry is collapsing into ruinous commoditization, and "marketing" - the way it is defined, conceptualized, sold, purchased, practiced, and measured - is radically out of sync with the new dynamics of competition and complexity. Perhaps most fundamentally, this paper argues that instead of a "customer-centric" model, a "network-centric" approach is the more logical frame to launch a fundamental reorientation of the marketing domain.