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 Corporate governance
 Related party transactions:
 too close for (shareholders')
 comfort 5
 Catherine M. Dalton and
 Dan R. Dalton

Related party transactions were major factors in the demise of Enron, WorldCom and Adelphia Communications. That both the US Congress in the Sarbanes-Oxley Act of 2002 and the major listing exchanges have addressed themselves to related party transactions in recent years suggests a generalized concern with the practice. Given the scrutiny applied to related party transactions, that corporations continue to engage in these dealings is notable – and troubling. A total of 40 percent of S&P 500 firms engaged in related party transactions in 2004 and one might think that executives and directors would take every possible action to eliminate even the appearance of impropriety by barring related party transactions.

Alternative strategies

- Shininess vs usefulness 8
 Patrick Marren

If you charge more for the same commodity your competitors are selling, then you'll lose your shirt fast. If you try to charge the same price for a less attractive or useful product, you'll lose your shirt almost as fast. You have to choose between competing on cost or competing on differentiation. It's an inescapable tradeoff. Now, there are exceptions here and there, and market imperfections that extenuate the tradeoff. But in the vast majority of cases, and over the long term, the market enforces the tradeoff: you can make it for less, or you can make it more attractive to buy, but you have got to choose.

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Feature articles

- How managers generate ideas and why it matters 11
 Betty Vandenberg and Argun Saatcioglu

Good ideas are the result of good management and bad ideas the price paid for bad management. Or maybe not. To develop organizations that foster creativity, it is important to understand the ways that people engage in idea generation and evaluation. The authors interviewed senior executives and found five distinct strategies that all worked to some degree.

- Over 50 and ready to shop: serving the aging consumer 18
 Cabrini Pak and Ajit Kambil

Dramatic demographic changes around the globe and the aging of the baby boomer market mean that by 2008 companies in many sectors will have to focus with ever greater attention on serving the needs of a very different type of consumer: one who is age 50+ or older with shifting biological, psychological, social, and economic characteristics, needs, and expectations.

- Communications and business value: measuring the link 29

Paul A. Argenti

Communications affects business value and outcomes, but that tends to be more of an intuitive statement than a provable one. Attempts at measurement to date have largely failed to produce usable tools. Professor Argenti suggests that statistical analysis (collecting, evaluating, and drawing conclusions from data) of intangible assets can yield evidence of the connection between communications and business outcomes. He describes a pilot model he is developing with colleagues.

- New paradigm for the Asian boardroom – brand equity 41

Marlin Roll

Asian companies and managers do not fully realize the importance of branding. They treat it as an expense and not an investment, preferring to build up tangible assets rather than strategic intangibles such as brand equity. The author analyzes the societal factors that have shaped the Asian management mindset and presents short case studies of some companies that have harnessed branding successfully: Banyan Tree Hotels & Resorts, Fiji Water, and BritishIndia, for example.

- A letter from the president: seduction, charm and obfuscation in French CEO letters 46

Frank Bournois and Sébastien Point

Shareholders, investors and employees all attach special importance to understanding a company through its annual report, prefaced by the president's letter. The authors examine CEO letters from the heads of 28 leading French companies, concluding that the letters reflect several levels of interpretation as well as a varied range of rhetorical embellishments.

- Want to improve strategic execution? Simons says levers 56

Norman T. Sheehan

Four execution levers can improve a firm's strategic implementation capabilities when used in concert. They are diagnostic, boundary, belief, and interactive controls. Managers must persuade employees to buy into the firm's belief system; define those activities that may place the firm in jeopardy; communicate strategy to employees through metrics, setting targets, and aligning incentives; and become personally involved in those decisions which relate to strategic threats and opportunities.

- The strategic farmer: a cheese producer with cold feet? 65

Gerard McElwee, Alistair Anderson and Kari Vesala

No matter how technologically sophisticated the world becomes, there will always be an agricultural sector because people have to eat. But farmers in this new environment need to develop their strategic, marketing and entrepreneurial skills. This requires economic support and greater emphasis on education and training. Through the experience of a Finnish farmer, the authors explore these issues and offer an analysis.

- Integrating strategic management and budgeting 73

Tim Blumentritt

Strategic management gives managers a way to make decisions and guide a firm's actions, while budgeting provides information on funding and accountability. The article maintains that the two processes should be tightly integrated as they serve complementary but distinct purposes. Managers can create a cascading planning process, in which strategic and financial decisions progressively move down through an organization's hierarchy.