

INDEX

A

ABB (Asea Brown Boveri), 138
ABN AMRO, 142
Accountability: centralization of
 functional, 136; creating consequences for lack of, 139–141; versus autonomy, 141–142; excuse of, 134–135, 155; wider definition of, 139–140
Acquisitiveness, 27*f*–28, 211. *See also* M&A (merger and acquisition)
Agenda: Cardinal Health's business, 107–108, 109*t*; as management tool, 173*t*; meeting, 108; strategies driven by business, 107–108
Alcan, 56–57, 110, 135, 144
Alignment, 175
“All-under-one-roof” offer, 10, 122
Alternatives, 108–111
American Airlines, 62
Amoco, 104
Annual earnings growth: risk of overinvesting to maintain, 88, 90; risk of stop-start investment to sustain, 87; risk of unsustainable, 85–87; trap of, 84–90, 163*f*
Annual earnings growth trap, 84–90, 163*f*
Annual planning cycle, 94–96, 111–112
AOL, 24, 41
AT&T, 24
Atlantic Richfield, 104
Autonomy: centralization constraining, 135–137; versus accountability, 141–142; matrix solution to balance, 138–139; seesaw

 between centralization and, 137–138; trap of, 133–135, 163*f*
Aventis, 17

B

Back to Basics phase, 3, 4*f*, 160*f*, 161, 162, 194
Bad costs: customer benefit and good costs vs., 32–38; Gillette's experience with managing, 48–52*f*; indicators of, 184*f*; summary of ideas on shrinking, 67, 176*f*; types of, 34. *See also* Costs; **Good costs**
“Balance” school of management, xvii, 25, 29, 127, 164–167, 186–187
Balanced scorecard, 101
Barcap, 60–61
Barclays, 59–60, 61, 99–100, 111–112, 141, 147–148
Barclays Global Investors (BGI), 59–61
Barrett, M., 59, 61, 64–65, 91, 99–100, 135, 141, 142, 147, 148
Batting average: acquisitiveness and, 27*f*–28; avoidable causes of low, 184*f*; concept of, x–xii; in different industries, 16–17, 18*t*; of General Motors (1983–2003), 5–6, 17; Gillette's, 52*f*; link between total shareholder returns (TSR) and, 12–16, 23*f*, 77*f*, 201–210, 226*n.5*; making matter, 167, 168–170; market exposure and, 28–29; Nokia's, Nucor's, and BMW's routes to high, 35–38, 39*t*;

- portfolio diversity and, 25–27, 26*f*, 29; on profitability vs. growth, 7, 14*f*, 18, 21–22, 29*f*; reasonable target for, xvii, 168; three tensions' relationship to, 7; on today vs. tomorrow, 7, 15*f*, 18, 77*f*–78; when slugging average matters more than, 183, 186; on whole vs. parts, 7, 117, 121, 122–127, 229*n*.6. *See also* Objectives
- BBDO, 120
- BBVA, 149
- Benchmarking, 49, 102, 173*t*, 190
- Benefit blindness: described, 45–46; causes of, 47*t*; General Motors' and, 46–48
- Berkshire Hathaway, 86, 94, 155
- Berra, Y., 188
- Blue Circle Industries, 23–24
- BMW, 17, 37–38, 39*t*
- Bobins, N., 100–101
- Boiled frog syndrome, 80
- “Both” approach to management, xvii, 167–187
- Bottom-up business processes, 150
- BP, 57–59, 63–64, 93, 104, 106, 142–143, 149
- Brave New World phase, 3, 4*f*, 160*f*, 161–162, 194
- “Broken record,” 53–54, 169, 173*t*
- Browne, J., 57–58, 59, 93, 104, 136–137, 139, 142–143, 149, 194
- Buffett, W., 86–87, 94, 221*n*.2
- Business agenda, 107–108, 109*t*, 143, 173*t*
- Business processes: autonomy in, 133–139, 163*f*; Lean Manufacturing technique for examining, 62, 63, 65, 153, 223*n*.10; Lean Six Sigma technique for examining, 62, 65; management tools related to, 173*t*; Six Sigma technique for examining, 62, 63, 65, 153, 223*n*.10; top-down and bottom-up, 150
- Business units: autonomy of, 133–135; centralization from, 135–152; decentralization to, 147–150; powers and limitations delegated to, 149
- ## C
- Cadbury Schweppes, 54–56, 103, 143, 145, 146
- Campbell, L., 130, 136, 140, 151, 152, 153
- Cardinal Health, 102, 107–108, 109*t*, 150
- Carroll, L., 91
- Causation, 197–198, 221*n*.3, 230*n*.7
- Centralization: cautions and reservations about, 135–137; decentralizing when using, 147–150, 227*n*.11; seesaw between autonomy and, 137–138; standardization vs., 150–152; trap of, 135–137, 163*f*
- Chewing gum market (U.S.), 54–55
- “Chinese walls,” 122
- Chocolate market (U.K.), 55–56
- “Choices” school of management, 8, 11–12, 162, 164, 165*f*, 166–167, 186–187
- Coca-Cola: comparing performance of PepsiCo and, 73, 224*n*.2; declining batting average of, 101; diversification attempt by, 24; earnings forecasts ceased by, 98; picking a lead tension at, 180–181; shareholder focus of, 145
- Coherence, 174–175
- Colgate-Palmolive, 49
- Common bond:** breaking corporate cycle by strengthening, for each tension, 167, 170–172; customer benefit as, in profitability vs. growth, 30–66, 170–172; diagonal assets as, in whole vs. parts, 128–154, 156, 171; management tools used to strengthen,

- 172–173*t*, 174; measuring performance on, 171; sustainable earnings as, in today vs. tomorrow, 78–112, 171
- Compensation and rewards, 103, 140, 173*t*
- Confectionery market, 54–56
- Connectedness: building, 141–144; removing resistance to, 144–145
- Consecutive earnings growth myth, 74–75*f*
- Control matrix for investment, 106
- Cornered phase, 2, 4*f*, 160*f*, 161–162
- Corporate culture. *See* **Culture and people**
- Corporate cycle**: alignment as cause of, 175; Back to Basics phase of, 3, 4*f*, 160*f*, 161, 194; Brave New World phase of, 3, 4*f*, 160*f*, 161–162, 194; breaking the, 17, 19, 167–187; Cornered phase of, 2, 4*f*, 160*f*, 161–162; described, 2–3; diagram of, 4*f*, 160*f*; economic and political forces driving the, 8, 10–12; General Motors example of, 3–6, 8; making batting average matter to break, 167, 168–170; picking a lead tension to break, 167, 178–186; prevalence of, 6, 8; Stranded phase of, 1, 4*f*, 161, 160*f*; strengthening the common bond within tensions to break, 167, 170–178; three imperatives for breaking the, 167–184. *See also* Traps
- Correlation, 221*n.3*
- Cosslett, A., 55–56, 145, 146
- Costs: applying operating and structural perspectives to, 65–66; dangers of fixed-variable definition of, 44; “discretionary,” 87; excess investment due to mismanagement of, 83; Gillette’s experience with managing, 48–52*f*; ideas for shrinking bad, 67, 176*f*; mapping, to customers’ willingness to pay, 63–64; “ring-fenced” blocks of, 62, 63; segmentation of, 64–65; tying-costs-to-earnings trap, 42–46, 47*f*. *See also* **Bad costs**; **Good costs**
- Crop rotation farming, 189
- Cross-selling, 41, 122
- Culture and people**: and autonomy, 133–135; behavioral norms of, 142–143; and changing the people when necessary, 144–145; connectedness as part of, 141–144; as focus of whole vs. parts tension, 179; impact on achieving performance objectives, 11; management tools related to, 173*t*; and pay, rewards, and recognition, 103, 140; stories to build, 145–147; “two hats,” 139–141.
- Customer benefit**: avoiding traps affecting, 52–66; creating sense of purpose about, 146–147; described, 30–32; and good costs vs. bad costs, 32–38; as higher-order purpose, 227*n.10*; indicators of too little, 184*f*; litmus test for, 222–223*n.8*; losing sight of, 38–52; as profitability vs. growth common bond, 30–66, 171; summary on ideas for growing, 67; telling your story on, 145–147
- Customer focus trap, 39–42, 47*f*, 163*f*
- Customer pipeline, 102
- Customers: definition of, 31; growing benefit for your customer’s, 56–57; mapping costs to willingness to pay by, 63–64

D

- Daihatsu, 17
- Danaher, 28
- DDB, 120
- Decentralization, 133–135, 147–150, 227*n.11*

Diagonal assets: approaches to maintaining, 138–154; described, 131–132; how companies lose sight of, 132–139; ideas for strengthening, 156, 176*f*; as type of organizational asset or capability, 133*f*; as whole vs. parts common bond, 128–154, 156. *See also* **Horizontal value and assets; Vertical value and assets**

Diller, B., 98

Discretionary spending, 94–95

Diversification. *See* Focus vs. diversification; Portfolio diversity

Diversified Agency Services (DAS), 120

Donne, J., 115

Drucker, P., 63, 68, 113, 190, 195–196

Dryden, J., 1

E

Earnings: generation of unsustainable, 80–81; and myth of price-to-earnings (P/E) ratio, 72–73; post-earnings review of, 102, 172; pressure for short-term, 70–72*t*; sustainable, 78–114, 176*f*; three types of corporate, 81

Earnings guidance, 98

Earnings per share. *See* EPS (earnings per share)

Earnings-based costs trap, 42–45, 47*f*, 163*f*

East India Company, 190

Eastman Kodak, 24

eBay, 101

Economic profit: defined, 4, 203; link between batting average and, 207, 209–210; link between economic value and, 204–206; the three tensions as alternative expressions of, 206–207, 208*f*

Economic value: defined, 203; link between economic profit and, 204–206; link between market

value and, 204, 206*f*; the three tensions as alternative expressions of, 178, 206–207, 208*f* “Economist, The” (Xenophon), 190
Economist Intelligence Unit, 107, 212

Emerson Electric, 84–85, 94, 224*n.5*

Employees. *See* **Culture and people**
Enantiodromia (swing between opposites), 190

Engen, T., 65, 110, 135, 144

EPS (earnings per share): no value to consecutive growth of, 74–75, 75*f*; prevalence of targets for, 74; risk of growing unsustainable, 85–87; versus batting average, 168

Excess investment: definition of, 83; ideas on how to minimize, 114, 176*f*; increasing batting average by minimizing, 84; indicators of, 184*f*; link between sustainable earnings and, 82–84; risk of, 92–93

Exemplars, xvi–xvii, 197–198, 230*n.7*

Exxon Mobil Corporation, 57

F

Fashion in management, 189–195

Focus vs. diversification: Blue Circle Industries’ experience with, 23–24; dilemma of, 24–25; profitability vs. growth tension and, 22. *See also* Portfolio diversity

G

GEICO, 90

General Electric (GE), 144, 155

General Motors (GM): batting average (1983–2003) of, 5–6, 17; corporate cycle (1983–2003) experience of, 3–6, 8; profitability vs. growth tension at, 46–48

Gillette Co., 48–52*f*, 98, 99, 140

Glocer, T., 44, 154, 183

Goals, 99–100, 169, 173*t*. *See also*

Objectives; Targets

Goirigolzarri, J. I., 149

Goizueta, R., 145

Good costs: consequences of too high, 222*n*.4; bad costs vs., 32–38; definition of, 33; Gillette's experience with managing, 48–52*f*. *See also* **Bad costs**; Costs

Google, 41, 101

Groenink, R., 142

Growth: impact of profitability on, 2–3; organic, 22, 24–25, 222*n*.1; productivity, 62–63; profit, 169; three tensions affecting, 3. *See also* **Profitability vs. growth tension**

H

Heraclitus, 190

“Hockey stick” forecasts, 90–91, 160

Horizontal value and assets: alternative hypothesis on, 127–128; definition of, 121; disentangling vertical value and assets from, 125–128; impact of portfolio diversity on, 126*f*; indicators of too little, 184*f*; Omnicom Group and WPP examples of, 119–121; overview of, 117–119*f*; perceived as negative, 125–126, 226*n*.7; trade-offs between vertical and, 122; as type of organizational asset or capability, 133*f*; vertical assets creating, 130; vertical value created by, 128, 130. *See also* **Vertical value and assets**; **Diagonal assets**; Value

Humer, F., 92, 152

I

IBM, 25–26

Industries: batting average differences between and within, 16–17, 18*t*; profitability vs. growth batting average (1983–2003) by, 29*f*;

Standard Industry Classification (SIC) codes for, 26

Institutional imperative, 221*n*.2

InterContinental Hotels Group, 55, 145, 146

Investment: “control matrix” to manage, 106; at long-term oil prices, 104–105*f*, 106–107; relationship between TSR and reinvestment, 92–93, 93*f*, 225*n*.10; and risk of overinvesting, 88, 90; risk of stop-start, 87; *See also*

Excess investment

Investor relations (IR): approach to, 96–98; CEO time spent on, 98; earnings growth standards used in, 94; National Investor Relations Institute definition of, 97, 225*n*.11; sharing costs of, 128

ITT Industries, 65

J

J Walter Thompson (now JWT), 53, 119

Jason, 229*n*.1

Jones, C., 53, 119, 222*n*.8

K

Kann, P., 135, 144

Kaplan, R., 101

Kilts, J., 48, 49, 50, 51–52, 86, 99, 140, 223–224*n*.1

Kohlberg, Kravis, Roberts (KKR), 155

Klein, P., 50

Knight, C., 84–85, 94, 224*n*.5

Kraft USA, 48

L

LaSalle Bank, 100

Lead tension: breaking the corporate cycle by picking a, 167, 178–186; challenge of correct diagnosis in picking, 179–181; Coca-Cola case example of, 180–181; determining the right,

for your company, 181–182, 184*f*;
when not to pick a, 182, 183

Leaders: avoiding profitability vs.
growth traps, 53–66; avoiding
today vs. tomorrow traps, 96–108;
avoiding whole vs. parts traps,
139–156; “balance” approach to
management used by, 25, 29, 127,
164–167, 187; breaking the cor-
porate cycle, 167–187; “choices”
approach to management used
by, 8, 11–12, 162, 164, 165*f*,
166–167, 186–187; pressures felt
by, 157–159; dilemmas continu-
ally faced by, 188–189; making
batting average matter, 167,
168–170; management tools avail-
able to, 172–173*t*, 174–176*f*, 178;
managing common bonds
between each tension, 167,
170–175; picking a lead tension,
167, 178–183; summary of ideas
for managing tensions for, 176*f*.
See also Management; Questions
by leader

Lean Manufacturing technique, 62,
63, 65, 153, 223*n.10*

Lean Six Sigma technique, 62, 65

Levitt, T., 20, 38

M

M&A (merger and acquisition):
using customer benefit to guide,
54; dilemmas presented by chal-
lenges of, 24–25; low success rates
of, 24; organic growth vs. growth
by, 22; Porter’s findings on acqui-
sitions that turn into disposals,
226*n.6*; using diagonal assets to
guide your, 152–154. *See also*
Acquisitiveness

Management: “balance” approach
to, 25, 29, 127, 164–167; “both”
approach to, x, 167–183;
“choices” approach to, 8, 11–12,

162, 164, 165*f*, 166–167, 186;
cycle of ideas on, 197, 192–193*f*,
194–195; lack of agreement as to
purpose within, 195–196; lack of
consensus on method within,
197–198; mismatch of scope
between ideas and practice
within, 196–197; phenomenon of
fashion in, 189–191; popularity of
specific ideas in, 229*n.4*; strength-
ening common bonds within
each tension as imperative for,
167, 170–175; as young disci-
pline, 195–198

Management tools: benchmarking,
173*t*, 190; categories and uses of,
173*t*; cautions regarding effective
use of, 178; coherence as organiz-
ing concept for, 175; new ways of
using old, 172, 173, 186–187;
summary of ideas for use of, 176*f*

Marakon Associates, 107, 221*n.1*,
237

Market: market share vs. growing
your, 54–56; preference for
strength over attractiveness in,
59–62. *See also* Stock market

Market exposure, 28–29

Marriott, B., Sr., 140–141

Marriott Corp., 140

Measures: earnings per share (EPS),
75*f*, 85–87; myth of price-to-earn-
ings (P/E) ratio, 72–73; total
shareholder returns (TSR),
12–17, 75–78, 145, 225*n.10*,
229*n.5*. *See also* **Batting average**;
Earnings; **Standards**

Microsoft Network (MSN), 41

Miller Brewing, 24

Mises, L. von, 86

Motorola, 35, 223*n.10*,
226–227*n.10*

Mulcahy, A., 62–63, 91, 98, 144

MultiCo (fictional), 117–119*f*

Munger, C., 86

N

Nabisco, 48
 National Investor Relations Institute, 97, 225*n.11*
 Needham Harper Worldwide, 120
 “Networked enterprise” approach, 151–152
 Next plc, 64
 Nokia, 25, 35–36, 37, 39*t*, 222*n.5*
 Nordstrom, B., 103
 Nordstrom, 103
 Norms and values, 142–143; *See also* **Culture and people**
 Norton, D., 101
 Nucor Steel, 16–17, 36–37, 39*t*, 80

O

Objectives: impact of culture and people on performance, 11; managing the relationship between, 170; prioritization of, 162, 165*f*, 228–229*n.4*; probabilities of achieving competing, 9*f*, 129*f*; selection of performance, 162. *See also* **Batting average**; Goals; Targets
 Odysseus, 188, 229*n.1*
 Oil industry, 57–59, 88, 89*f*, 104
 Oil prices: capital expenditure and, 88, 89*f*; investing at long-term, 104–105*f*, 106–107
 Omnicom Group, 119–121, 122, 127
 Organic growth: definition of, 222*n.1*; dilemmas and challenges of, 24–25; and profitability vs. growth tension, 22
 Organizational assets and capabilities: diagonal assets as, 128, 131–154, 133*f*, 156; horizontal assets as, 117–130, 133*f*; vertical assets as, 117, 119–130, 133*f*

P

“Parenting bias,” 155, 227*n.13*
 Pay. *See* Compensation and rewards

Payback, 69, 94–95
 PepsiCo, 73, 180, 224*n.2*
 Philip Morris, 24
 Pitman, Sir B., 64, 134, 228*n.1*
 Portfolio diversity: batting average and, 25–27, 26*f*, 29; impact on vertical and horizontal values, 126*f*; using diagonal assets to guide, 152–154. *See also* Focus vs. diversification
 Post-earnings review, 102, 172
 Present value standard, 90–93
 Present value trap, 90–96, 163*f*
 Price-to-earnings (P/E) ratio, 72–73, 168
 Pricing, 42–43, 63–64
 Prioritization: in “choices” approach to management, 162, 164, 165*f*; criterion for, 228–229*n.4*; of objectives, 164, 165*f*; of tensions as solution to corporate cycle, 186
Process and routines: examples of, for managing costs, 46–52*f*; as focus of today vs. tomorrow tension, 179; investment, 82–84, 87, 88, 90, 104–107, 114; Lean Manufacturing technique for examining, 62, 63, 65, 153, 223*n.10*; management tools related to, 173*t*; Lean Six Sigma technique for examining, 62, 65; Six Sigma technique for examining, 62, 63, 65, 153, 223*n.10*. *See also* Management
 Procter & Gamble (P&G), 48, 49
 Productivity growth, 62–63
 Products: cross-selling, 41; stock keeping units (SKUs), 49; threat of substitution of, 58–59; “trade loading,” 49
Profitability vs. growth tension: batting average on, 7, 23*f*; batting averages by industry on, 18*t*, 29*f*; customer benefit as common

bond of, 30–66, 171; executives evaluating their company on, 10*f*; link between TSR and batting average on, 14*f*; Nokia, Nucor, and BMW routes to high batting average on, 35–38, 39*t*; prioritizing objectives related to, 165*f*; probabilities of achieving both of, 9*f*, 129*f*; questions to consider for your company, 67

Profitability vs. growth tension avoidance: applying both operating and structural perspectives to costs, 65–66; defining business boundaries by customer benefit, 57–59; focusing on growing your market, 54–56; focusing on market strength over market attractiveness, 59–62; growing benefit for your customer's customer, 56–57; growing productivity in good and bad times, 62–63; making “grow customer benefit” your broken record, 53–54; mapping costs to customer willingness to pay, 63–64; tracking performance in market subsegments, 64–65

Q

Quaker Oats, 24

Questions by leader: on profitability vs. growth tension, 67; on today vs. tomorrow tension, 113–114; on whole vs. parts tension, 156. *See also* Leaders

R

Reuters, 44, 154, 157–158, 182–183

Risk: of excess investment, 92–93; from annual earnings growth target, 94–96; of overinvesting during good times, 88, 90; from prioritizing objectives, 164; of stop-start investment, 87; of unsustainable annual earnings growth, 85–87

Roche, 92, 152

S

Saatchi & Saatchi, 120

Sarbanes-Oxley Act, 157

Segmenting revenues and costs, 64–65

Share price: myth that multiple (price-to-earnings ratio) determines, 72–73; *See also* Total shareholder returns (TSR)

Short-term earnings pressure, 70–72*t*

Singapore Airlines, 80

Six Sigma technique, 62, 63, 65, 153, 223*n*.10

Sloan, A., 195, 227*n*.11

Slugging average: correlation with total shareholder returns (TSR), 207, definition of, 168; when, matters more than batting average, 183, 186

Snapple, 24

Sorrell, M., 120

Stakeholders, 186

Standard Industry Classification (SIC) codes, 26

Standards: annual earnings growth, 85–90, 94–96; benchmarking, 173*t*, 190; “broken records,” 53–54, 173*t*; centralization vs. using, 150–152; management tools related to, 173*t*; present value, 90–93; prioritization, 162–165*f*, 228–229*n*.4; questions asked by leaders about, 67, 113–114, 156. *See also* Measures

Sterling Drug, 24

Stitzer, T., 54, 103, 145

Stock market: and myth that price-to-earnings (P/E) ratio determines share price, 72–73; undervaluation by the, 96–98; what is really valued by, 76*f*–78. *See also* Market; Total shareholder returns (TSR)

- Stop-start investment risk, 87
- Stoppard, T., 188
- Story, customer benefit of, 145–147
- Straits of Messina metaphor, 188, 229*n.1*
- Stranded phase, 1, 4*f*, 160*f*, 161
- Strategies:** developing alternative paths and destinations for, 108, 110–111; driven by business agenda, 107–108; failed approach to, 69–70; as focus of profitability vs. growth tension, 179–180; management tools related to, 176*f*; merger and acquisition (M&A), 22, 24–25, 54, 152–154; on portfolio diversity, 25–27, 29, 126*f*, 152–154; pricing, 63–64; segmentation, 64–65
- Structure:** accountabilities built into, 136, 139–140; business unit, 115–116, 133–152; as focus of whole vs. parts tension, 179–180; management tools related to, 176*f*
- Sunderland, Sir J., 143, 144, 169
- Supply chain management, 153
- Sustainable earnings:** approaches to maintaining, 96–112; definition of, 81; ideas on how to grow, 114, 176*f*; indicators of too few, 184*f*; losing sight of, 84–96; overview of, 79–82; questions on, to consider for your company, 113–114; as today vs. tomorrow common bond, 78–112, 171
- Synergy: alternative approach to, 152–154; definition of, 225*n.2*; overestimating potential for, 228*n.3*; “parenting bias” in capturing, 155, 227*n.13*
- T**
- Targets: approaches to setting, 99–100; “gap allocation” in establishing performance, 95. *See also* Goals; Objectives
- TeleCommunications Inc., 24
- Textron, 130, 136, 140; acquisitions guided by diagonal assets of, 153; diversification by, 150–151; “networked enterprise” approach used by, 152
- Three tensions. *See* Profitability vs. growth tension; Today vs. tomorrow tension; Whole vs. parts tension
- Three-timeframe approach to planning, 111–112
- Through the Looking Glass* (Carroll), 91
- Time Warner, 24
- Today vs. tomorrow tension:** batting average on, 7; batting averages by industry on, 18*t*; executives evaluating their company on, 10*f*; link between TSR and batting average on, 15*f*; prioritizing objectives related to, 165*f*; probabilities of overcoming, 9*f*, 129*f*; questions to consider for your company, 113–114; sustainable earnings as common bond of, 78–112, 170–171; value of hitting a high batting average on, 77*f*–78
- Today vs. tomorrow tension avoidance: allocating management time based on sustainable earnings at stake, 107–108; holding post-earnings review, 102; investing at your long-term “oil price,” 104–107; managing how short-term earnings are produced, 100–102; paying for tomorrow’s performance, 103; setting goals for sustainable earnings, 99–100; striving to be correctly valued, 96–98
- Top-down processes, 150
- Total shareholder returns (TSR): average (1983–1998), 76*f*; definition of, 12, 203; differences within automotive sector, 17;

impact of consecutive years of EPS growth on, 75; link between batting average and, 12–16; prediction of long-term, 229*n.5*; slugging average and, 168, 207; and performance on profitability vs. growth tension, 14*f*, 23*f*, 196–209; and performance on today vs. tomorrow tension, 15*f*, 76*f*–78, 121–122, 127, 196–209.
See also Stock market

“Trade loading,” 49

Traps: annual earnings growth, 84–90, 163*f*; autonomy, 133–135, 163*f*; centralization, 135–137, 163*f*; customer focus, 39–42, 47*f*, 163*f*; earnings-based costs, 42–45, 47*f*, 163*f*; present value, 90–96, 163*f*; summary of, 163*f*. *See also* **Corporate cycle**

“Two hats” culture, 139–141

2G mobile phone technology, 80

Tying-costs-to-earnings trap, 42–45, 47*f*, 163*f*

U

Undermanagement bargain, 152, 153

Undervaluation, 96–98

Unsustainable earnings, 80–81

USA Networks, 98

V

Value: of batting average on profitability vs. growth, 7, 23*f*; of batting average on today vs. tomorrow, 77*f*–78; calculating economic, 224*n.4*; capital market, and today vs. tomorrow performance, 76*f*–78; of MultiCo. (fictional), 117–119*f*; present value standard and creating, 90–93; sum-of-the-parts analysis based on market, 226*n.5*; sustainable earnings linked to accurate, 96–97; of total shareholder

returns (TSR) and today vs. tomorrow performance, 76*f*–78.
See also Economic value; **Horizontal value and assets**; **Vertical value and assets**

Values and norms, 142–143; *See also* **Culture and people**

Varley, J., 61, 93, 111, 146, 170

Vertical value and assets: alternative hypothesis on, 127–128; definition of, 121; desire to have both horizontal and, 121–122; disentangling horizontal value and assets from, 125–128; horizontal assets creating, 128, 130; horizontal value created from, 130; impact of portfolio diversity on, 126*f*; indicators of too little, 184*f*; measuring, 122–125; Omnicom Group and WPP examples of adding, 119–121; overview of, 117–119*f*; perceived as negative, 126–127; trade-offs between horizontal and, 122; as type of organizational asset or capability, 133*f*. *See also* **Diagonal assets**; **Horizontal assets**; Value

Voice over Internet Protocol (VoIP), 80

W

Wall Street Journal Asia, The, 144

Walter, B., 102, 107, 135

Whole vs. parts tension: batting average on, 7, 121; diagonal assets as common bond of, 128–154, 156, 171; executives evaluating their company on, 10*f*; management survey on, 123; prioritizing objectives related to, 165*f*; probabilities of overcoming, 129*f*; questions to consider for your company, 156

Whole vs. parts tension avoidance: centralizing when decentralizing, 147–150; changing the people, 144–145; creating

- consequences for not “wearing two hats,” 139–141; using diagonal assets to guide acquisitions and portfolio diversity, 152–154; using standardization instead of centralization when appropriate, 150–152; summary of, 156; telling your customer benefit story, 145–147; using top-down and bottom-up processes, 150; working to build connectedness, 141–144
- WPP, 119–121, 122, 127
- Wren, J. D., 120
- X**
- Xenophon, 190
- Xerox, 91, 144
- Y**
- Yahoo!, 41, 101
- Z**
- Zannino, R., 92

