



# STRATEGY | LEADERSHIP | ORGANIZATION

**Association for Strategy & Leadership Professionals**

**E-Journal Issue 7 Nov-Dec 2011**



## **Editors Note:**

Welcome to the second issue of our new e-journal. In this issue you will find short practical insights on contemporary management issues relating to digital branding, marketing ROI, competing through innovation and some interesting knowledge bites that will help you better manage your people.

## **Contents**

- Consistent branding and the use of digital media
- Cool Concepts:- “Marketing ROI”
- Competing through Innovation
- Knowledge bites :- People Management
  - Power of triangulation
  - Reporting on human capital
  - Matrix management
  - Remote leadership
  - 3 Steps to effective rewards programs
  - Executive compensation “clawbacks”

## **Consistent branding and the use of digital media**

Brands are critical intangible assets that enable differentiation in crowded markets. Products are made in factories while brands are made in the mind. A brand is a promise and all the hype around branding is because powerful brands bring with it many benefits to a business. The benefits of powerful brands include, lower marketing costs due to word of mouth and customer advocates, superior earnings stability, the ability to charge a premium price and customer forgiveness on areas where the business

may not be too strong in. With the explosion of digital media, branding efforts need to leverage this new media.

Digital branding is about building a brand through the use of digital channels. So much communication is facilitated through digital media and organizations need to leverage the multiple digital media channels to support brand building efforts. Brands create customer expectations and define the customer experience and engagement.

An essential principle is that branding efforts need to be managed so that they are consistent online and offline. Some of the issues to consider for consistency include:

- Colours used on the website need to be in line with other offline materials. When choosing colours the implications of those colours need to be considered.
- Links to social media sites need to connect with the same target group of publics / stakeholders critical to the organization.
- Online tools need to be developed help deepen the overall experience and engagement with customers. For example:
  - Conducting a fun online survey that ask visitors: "If XYZ company was an animal what would it be?"
  - "Vote for the best product"
- Develop communities of practice using online tools. These contacts may be used for other off line branding activities and programs.
- Improve customer service and understand customer perspective and experiences through online surveys and feedback tools.
- Create some hype around the product by launching some fun videos of your products.
- Provide membership with benefits attached to it to build a loyal following and word of mouth promotion.

Having an online store becomes a new channel and this has an impact on your brand. When having an on-line store the organization need to consider broad issues such as the amount of information on products to provide, product viewing capabilities, ease of ordering, allowing suggestions, finding help and allowing customers or visitors to share information and experiences upon and post purchase, allow them to choose packaging, delivery, payments and return options.

## **Cool concept section → Marketing ROI**

Return on Investment (ROI) is common terminology for the finance community and their associated responsibility to safeguard the assets of

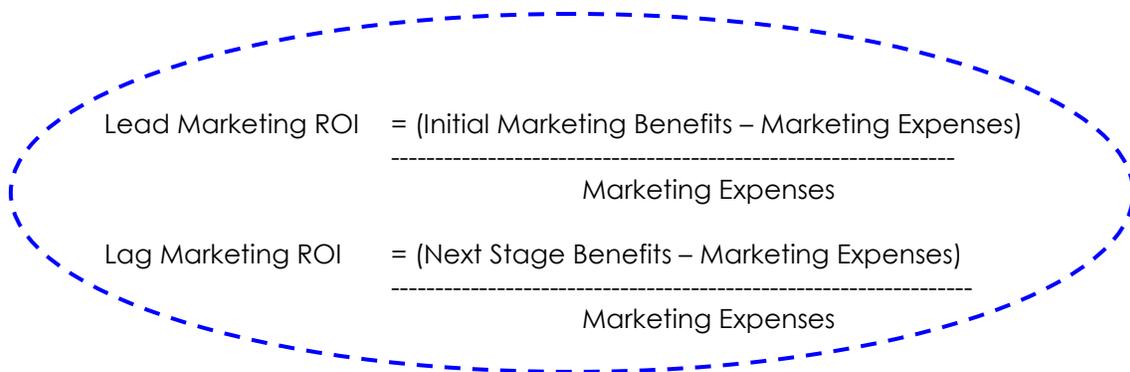
the organization. However the concept of ROI is not something you so often hear marketers talk about. The general formula to compute ROI is benefits received less expenses incurred to provide those benefits divided by the expenses incurred. Some replace the word expenses with investment.

$$\text{ROI} = (\text{Benefit} - \text{Expense}) / \text{Expense}$$

Or

$$\text{ROI} = (\text{Benefits} - \text{Investment}) / \text{Investment}$$

Applied in a Marketing context, ROI has equal relevance and may be expressed at 2 levels. First is the "Lead ROI" measure which aims to identify initial results from the costs (expenses or investment) of a marketing program. For example if the organization aims to secure new contacts from an exhibition believing that this is key to their ability to develop new accounts then, the number of new qualified customer leads generated from an exhibition will be an example of a ROI lead measure. The second is the "Lag ROI" measure. This takes the computation one step further. Using the same example, suppose that a total of 25 new qualified leads were identified from the exhibition and these were subsequently converted into buying customers generating an estimated annual sales of \$3 million dollars. This would be an example of a ROI lag measure.


$$\begin{aligned} \text{Lead Marketing ROI} &= \frac{(\text{Initial Marketing Benefits} - \text{Marketing Expenses})}{\text{Marketing Expenses}} \\ \text{Lag Marketing ROI} &= \frac{(\text{Next Stage Benefits} - \text{Marketing Expenses})}{\text{Marketing Expenses}} \end{aligned}$$

*Examples of marketing benefits: Number of responses; Number of new customer leads; Number of new customers; Number of enquiries; Number of participants, visitors to the booth; etc.*

*Examples of marketing investment / expenses: Costs of exhibition; Costs of advertisement; Costs of website; Costs of online system; etc.*

ROI measures need to be developed keeping the entire process from opportunity identification to sales conversion in mind. As a process

marketing ROI effort combine lead and lag ROI measures to form an integrated accountability measure showing how investments in marketing move from lead to lag eventually displaying their impact on business revenue and profit. An example of a flow of lead and lag measures is shown below:-

*Stage 1 benefit- New leads generated → Stage 2 - Proposals → Stage 3 – Conversion into sales wins → Stage 4 - Annual Revenue → Stage 5- YOY Growth Potential → Stage 6 - Adjacent Revenue Growth*

It is important to note that a lead benefit at one stage of the process may be a lag benefit at another point of the process. Planning and managing marketing program investments using an ROI concept improves the functions accountability and helps leadership know where they get the biggest bang for their dollar.

## **Competing** *through* **Innovation** - Competition

through innovation is essential because the boom times of the 1990's are gone ("Once a century aberration" Gary Hamel). Innovation is driven by conscious efforts to seek imperfections in products and services and to put resources behind efforts to solve them. Innovation opportunities may come from:

- Unmet customer needs
- Things that customers do not like about your or competitors products
- Customers seeking something novel / new
- Changing customer priorities and values
- Changing reference points on performance and product functional expectations

Innovation success requires both thinkers and doers. Thinkers are those that are willing to experiment, change and constantly question the way things are while the doers are those that are able to get things done. These two groups with two sets of values need to work in sync and be strategically co-ordinated through effective leadership that is able to lead, develop, motivate and manage two very different groups for ultimate innovation success. Leaders can help spark innovation by:

- Getting people to question more:
  - Asking pointed questions such as: How might we make\_\_\_\_ more \_\_\_\_

- Asking fundamental questions to get insight: Why don't they use more \_\_\_\_ ? Why do they need to \_\_\_\_ ?
- Questioning status quo by considering: What features to offer more of? What to offer less of? What new factors to invent? What to stop doing?
- Get people to think out of the norm. Example: How would XYZ company run this business if they got to do it?
- Walking through a customer's experience / interaction with your product or total offering. Experiencing what a customer would going from recognizing a need all the way to post consumption.
- Getting people out of their normal work environment to think creatively
- Spending adequate time actually really defining problems
- Using metaphors
- Letting people feel and interact with the product

These are just a few of the things that can help leaders get their teams onto the path of innovation for competitiveness.

### **Knowledge bites:-**

## **People Management**

- **Power of Triangulation** - When selecting candidates for a role / job use multiple data points from multiple assessment methods. Use for points of consistency to form a profile of the candidate.
- **Reporting on Human Capital** - Information in annual reports should contain hard indicators of workforce performance e.g. % of pay that is variable, Total investment in training, training coverage; employee engagement scores, succession management effectiveness, and talent turnover rates.
- **Matrix Management** – For a matrix structure to work the following leadership efforts are required:
  - Clearly communicate the logic behind choosing a matrix structure
  - Set clear objectives and performance measures for the matrix
  - Define expected leadership behaviours and monitor
  - Provide open access to information required by all parties
  - Performance management systems need to allow for dual input and performance rating
  - Clear accountability needs to be defined.

- **Remote Leadership**
  - Invest upfront time for remote employees to get to know you, trust and understand your goals. Keep your commitments
  - Create a process to keep in touch
  - Establish a system that enables you to evaluate your employees performance from multiple dimensions
  - Leverage technology
  - Share organizational knowledge and news to keep them connected
  - Get them to share their knowledge and experience with others.
  
- **Three Steps to design effective reward programs**
  - Step 1 – Define what results are expected
  - Step 2 – Identify behaviours that are critical for achievement
  - Step 3 – Design and deliver rewards in a timely manner when those behaviours are displayed.
  
- **Executive Compensation Clawbacks–** When designing executive compensation consider if you want to include a “Clawback” provision. This mechanism allows the company to recover payments made through performance based incentives under certain circumstances. For example if performance results are found later to have been achieved through unethical means. *Check your local laws in relation to such actions.*

**- End of Issue -**

Editor: Dr Fernando Kevin Vince, President & founder of Association for Strategy & Leadership Professionals. *PhD (Strategic Management, Bulacan) DPhil (IMCA UK), DBA (Strategic HRM, Gibaran), DBA (Strategic Management, European University) MBus (Professional Accounting, Victoria University), MBA (Leicester), MM (University of Southern Queensland. Author of 6 books, published multiple articles, more than 20 years of industrial experience and regular speaker at conferences.*