

BUSINESS POWER

EXCELLENCE

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Thank you for your understanding
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Acknowledgements

I think that this book and the whole idea of this book were started by VIP customer requests. One day a vice-president in SEB Bank interrogated me, “You have the best software?” He then said, “Do you know how to reorganize and restructure an organization to use in effectively? I don’t think so.” He then turned on his heel and I never saw him again.

I then went to Daniel Schwartz at ActionBase and he said, “I don’t think you know anything either. Your company also, for that matter. I think you should read this article on brand structure.” That’s how I started researching and structuring this book on the effective use of marketing automation, business intelligence and business power. This was step one.

When I spoke to my eight-year-old daughter Caroline, she said, “Do you have anything important to say?”

I said, “Yes, I think so.”

And she said, “Then you should write a book and don’t worry. Ninety percent will only look at the cover and read the introduction. And I will help you make a nice looking cover.”

In phase three, I did not start immediately. I told my fourth wife, “I have a dream. It is to write Business-Power Excellence.”

And she said, “You should always make your dreams come true.” That was eight years ago and now here is the book.

I want to thank this unknown vice-president for giving me the idea, my daughter Caroline for giving me the courage and my wife Myriam for supporting me throughout.

Those who really contributed a lot included Rudy Viard, who conceived all the images used in the slides. I am immensely grateful for his highly talented efforts and especially for his fantastic patience.

To Tom Nagel I extend special thanks. He is a man of letters and knows how to express things understandably. The book would not be readable without his talents.

In addition I want to very much thank Daniel Schwartz for sharing his immense knowledge, ideas and business understanding.

I would also like to thank Guy Jacquot, Associate Director of Sorgem Evaluation, who is an expert in financial brand and customer evaluations and for his never-failing support; flow of ideas and business case explanations.

And finally I want to thank Axel Broms, Chairmain of Biotage, who has also shared his immense experience in international high-level top management in different business sectors.

In accepting all of these invaluable contributions, I do take responsibility for all the errors, misconceptions, misquotes and other shortcomings which are entirely my own.

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EXECUTIVE SUMMARY

Business Power Excellence is written for supporting face-to-face communications during management seminars for primarily top management teams and board members. It is based on three years of research and 25 years of working experience in high tech companies.

The first objective of this book is to explain the three fundamental market changes and the management challenges and strategies to meet them. The objective, however, is not to present non-existent universal solutions, as all enterprises are different.

This book is written in a type of management roadmap format and I have tried to focus on the essentials rather than to explain all the details, which anyway must be studied and explained further by high-level experts. The objective is rather to find some kind of common ground for developing a successful enterprise, which can be understood by the entire top management team.

The new management expressions, which are more or less self-explanatory and/or scientifically defined, should obviously only be used within common sense limits. The business management world, however, is full of abbreviations and new expressions such as Supply Chain Management (SCM) and both the Business Power Chain Management (BPCM) and Market Chain Management (MCM) expressions are based on similar concepts. They are far from perfect.

The time has come for implementing a package of fundamental changes, that is, the “Brand & Customer Company”. Cross science learning can help to avoid some mistakes. This is explained in the “Learning from the Army” chapter. But military experts, who understand future battle space concepts, which combine real-time interactive information management with the latest IT and communication technologies, can surely teach us a lot more.

We can also learn from world-class sports, as explained in the “Three Major Challenges” chapter. In addition, quantum physics and quantum dynamic asset management have a lot in common and we can surely also learn from natural sciences as well as many other areas.

Top management teams are now flooded by information about new management strategies and IT platforms. The choice is bewildering. They are, however, primarily trying to answer three main questions that are, How can we:

- 1) Make more business and profits with the new strategies/systems?
- 2) Redesign the enterprise to meet new market and management challenges?
- 3) Manage change processes like training of personnel and integration of new management/IT systems?

This book is only the starting point for answering these three key questions and a support for finding the way forward to success and survival in today’s global and fast moving markets.

With best regards

Tomas-B. Nathhorst.

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THE TRIPLE SHOCK CHALLENGE

STARTING POINTS

DRIVING FOR BUSINESS POWER EXCELLENCE IS BASICALLY A BOOK ABOUT HOW TO RESPOND TO THE TRIPLE SHOCK AND HOW TO CREATE SUCCESSFUL ENTERPRISES IN TODAY'S HIGHLY COMPETITIVE AND FAST MOVING MARKETS.

THERE ARE SURELY NO UNIVERSAL SOLUTIONS IN THIS INFINITELY COMPLEX WORLD, BUT WE CAN USE A VISION AND STRATEGY. THAT IS WHAT I CALL THE BRAND AND CUSTOMER COMPANY TO CREATE A WINNING SOLUTION WITH HIGHER PROFITS FOR YOUR ENTERPRISE.

THE OVERALL OBJECTIVE WITH THIS BOOK IS TO PROVIDE A MANAGEMENT ROADMAP TO SUPPORT THE MANAGEMENT OF THE FUNDAMENTAL CHANGE PROCESSES WHEN CREATING YOUR BRAND AND CUSTOMER COMPANY.

STRUCTURE OF AND RESPONSE TO THE TRIPLE SHOCK

FUNDAMENTAL MARKET CHANGES

CUSTOMER
EMPOWERMENT

GLOBAL COMPETITION

TECHNOLOGY
REVOLUTION

MANAGEMENT CHALLENGES

DYNAMIC ASSET
MANAGEMENT

BUSINESS POWER
CHAIN MANAGEMENT

BUSINESS TIMING AND
CHANGE MANAGEMENT

THE BRAND AND CUSTOMER COMPANY RESPONSE TO THE TRIPLE SHOCK

- 1) CREATE THE BRAND AND CUSTOMER COMPANY WITH A TRANS-ENTERPRISE BUSINESS PROCESS MANAGEMENT STRUCTURE FOR DYNAMIC ASSET MANAGEMENT.
- 2) DEVELOP NEW BUSINESS POWER CHAIN MANAGEMENT, WHICH CONSISTS OF THREE TRADITIONAL MANAGEMENT CHAINS: ADMINISTRATION, SUPPLY AND MARKET.
- 3) INTEGRATE BUSINESS PIPELINE MANAGEMENT: BRAND AND CUSTOMER ASSETS INTO PROFIT CENTER MANAGEMENT.

FACING THE TRIPLE SHOCK CHALLENGE

Business Power Excellence is basically a book about how to respond to what I call the triple shock with new/old management paradigms and how to create a successful enterprise in today's competitive and fast moving markets.

There is no universal solution for all companies but I think we can use a type of vision of the modern enterprise and a management strategy to tailor a winning solution with higher profits for your enterprise. I call this vision and strategy the *Brand & Customer company*.

Let me start by explaining the fundamental market changes which have created the three enterprise shocks and new management challenges.

- 1) Customer empowerment, which is due to an abundance of quality products and services, has created the asset value balance switch. The value of external Brand & Customer assets are now dominating traditional tangible assets (on the balance sheet). This switch has created the need for more powerful dynamic asset management of what I call *action tangible Brand & Customer assets*, which is a new asset class.
- 2) Ruthless global competition has created the need to hang on firmly to the best customer assets and this requires IT supported one-to-one business process management with a new enterprise management structure. I call this *business power chain management*, which not only covers trans-enterprise business processes but also how they interact. This is a very complex challenge, which goes much further than the traditional policy to just focus on customers.
- 3) The technology revolution (IT and communications) has increased the business timing challenge due to the very high market and business paces. Enterprises must simply be capable of moving fast to follow rapid market changes and high business pace. They must now not only be open to change but also have a powerful change management structure to understand, drive and manage change processes effectively in order to benefit from future opportunities. This will change the very way we manage enterprises.

My response to the triple shock and the business power chain management challenge is to create the *Brand & Customer company* with a *trans-enterprise business process management structure*. This is the main subject of this book. Sorry for the long and complex expressions.

These more or less self-explanatory and not fully scientifically defined expressions should be used within common sense limits to better understand modern enterprise management. Basically it is very simple. Business stands for business, power for power and chain for process, as in supply chain and so on.

This book is addressed to the top management team, because you are the leaders of the change process. Members of the top management team, however, come from many backgrounds with very different management perspectives and new management perspectives/paradigms are explained one by one in specialized chapters.

DYNAMIC ASSET MANAGEMENT

STARTING POINTS

TRADITIONAL FINANCE MANAGEMENT AND ACCOUNTING FAILS TO CAPTURE THE TRUE VALUE OF DOMINATING ACTION TANGIBLE BRAND AND CUSTOMER ASSETS, WHICH IN FACT IS A NEW ASSET CLASS.

DYNAMIC FINANCE MANAGEMENT IS BASED ON THE MANAGEMENT OF ENTERPRISE INTERLINKED BUSINESS PROCESSES: BUSINESS POWER CHAIN MANAGEMENT.

THE SIMPLIFIED ASSET STRUCTURE PRESENTED BELOW PRESUMES THAT ALL ASSETS ON THE BALANCE SHEET ARE TANGIBLE, WHICH IS OBVIOUSLY NOT THE CASE. THIS SIMPLIFICATION, HOWEVER, MAKES IT EASIER TO UNDERSTAND THE IMPACT OF DYNAMIC FINANCE MANAGEMENT.

TANGIBILITY SCALE AND NEW ASSET CLASSES

← 100 PERCENT TANGIBLE

0 PERCENT TANGIBLE →

← TANGIBLE ASSETS →

← INTANGIBLE ASSETS/NEW ASSET CLASSES →

TRADITIONAL
TANGIBLE ASSETS
ON BALANCE SHEET??

ACTION - TANGIBLE
ASSETS.
BRAND AND CUSTOMER ASSETS.

NON - TANGIBLE
ASSETS.
OTHER INTANGIBLE ASS

← DYNAMIC FINANCE MANAGEMENT →
(QUANTITATIVE FINANCE MANAGEMENT)

NON - TANGIBLE
ASSETS

← STATIC FINANCE
MANAGEMENT. →
(TRADITIONAL ACCOUNTING)

NEW ASSET
CONCEPTS
(EXTENSION 1)

BUSINESS
MODELING
(EXTENSION 2)

NON - TANGIBLE
ASSETS
(NOT COVERED)

CONCLUSIONS

DYNAMIC FINANCE MANAGEMENT COVERS NOT ONLY TANGIBLE ASSETS BUT ALSO DYNAMIC ACTION TANGIBLE BRAND AND CUSTOMER ASSETS, WHICH REQUIRES NEW ASSET CONCEPTS AND BUSINESS MODELING.

BUSINESS POWER CHAIN MANAGEMENT IS THE KEY DYNAMIC ASSET MANAGEMENT TOOL, WHICH IS USED FOR TRIGGERING THE ACTIONABILITY OF BRAND AND CUSTOMER ASSETS TO MAKE THEM TANGIBLE.

RIISING TO BUSINESS AND PROFIT FORWARD DYNAMIC ASSET MANAGEMENT CHALLENGES

An enterprise is a financial management structure on top of an operational activity. Basic corporate management strategy is to focus on the management of all major assets. This now also includes *intangible Brand & Customer assets*, which in fact are the business pipeline and the very basis for a profitable and tangible business relationship. The money, which is used to create tangible assets, comes mainly from customers.

Traditional static financial management and accounting uses a series of static pictures to capture flows such as payments and cost of production. This works well when managing tangible assets. Traditional accounting, however, fails to capture the true value of the intangible or as I call them *action tangible Brand & Customer assets*, which requires a true *dynamic asset management approach*. Managing business dynamics is all about finding the business action keys to the assets, which makes them tangible, and this is the new dynamic asset management challenge.

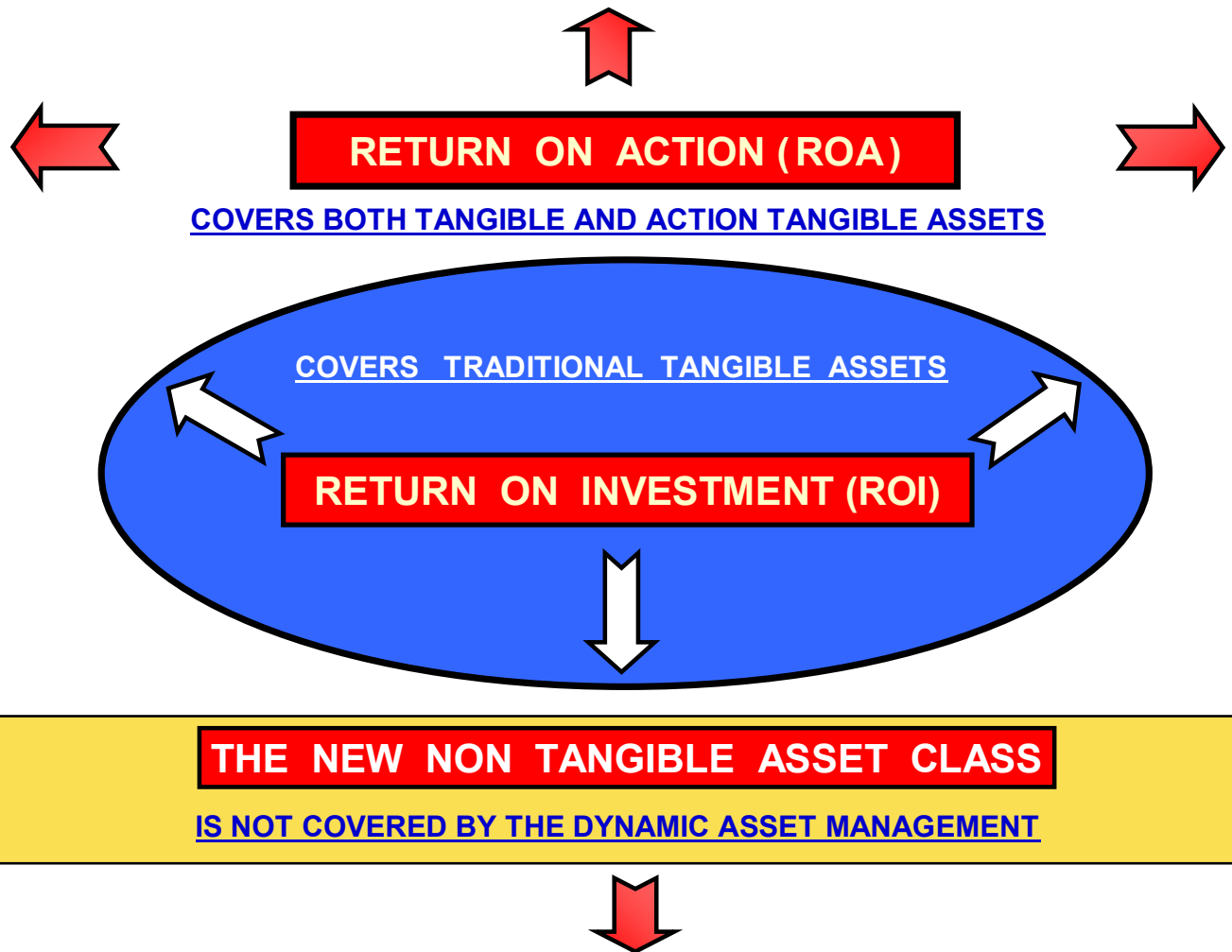
Management of action tangible Brand & Customer assets is based on understanding and managing their dynamic business process context. It is in a way like modern quantum nuclear physics, which can only be understood in its dynamic context. The truth is in the motion. Dynamic asset management includes the management of both traditional tangible assets and the new action tangible Brand & Customer assets. For this we need a closed loop asset management system, which covers all asset classes and all business processes. I will explain the closed loop concepts further in the new dynamic asset management world chapter.

Dynamic asset management is consequently also based on the management of interlinked trans-enterprise business processes. This is what I call *business power chain management*, which covers both business processes and their interactions. Brand & Customer assets must also be structured. This is because we can only see and manage what we can understand. New asset structures are explained in the “Brand & Customer” chapters.

Business power chain management, which is focused on the vital business pipeline, is used to transform action tangible Brand & Customer assets into tangible business results. The business power chain can be divided into three major processes: 1) administration and control, 2) supply with purchasing and manufacturing and 3) marketing and sales. However, it can also include other specialized management processes such as risk management and quality control. There are simply no universal solutions or formats, which will fit all enterprises. The business power chain management concept must be tailored for each enterprise.

Trans-enterprise dynamic asset management also requires joint knowhow and operational collaboration from different departments. We must now, for example, close the divide between the finance and marketing departments in order to fully understand and manage the true value of an enterprise’s action tangible Brand & Customer assets. We must in fact introduce a new *jointness team management strategy* throughout the enterprise with the objective of sharing knowhow and operational responsibilities in the new interactive business process focused organization.

RIISING TO DYNAMIC PROFIT - FORWARD - MANAGEMENT



SUMMARY

DYNAMIC PROFIT CENTER MANAGEMENT REQUIRES WIDER RETURN ON ACTION PERSPECTIVE (ROA) FOR MANAGING THE ENTIRE RETURN ON INVESTMENT PROCESS FROM START TO FINISH.

BASIC BUSINESS MANAGEMENT OBJECTIVES ARE TO MANAGE VOLUME, DURABILITY AND QUALITY OF THE BUSINESS AND ALL THREE ARE BASED ON BRAND AND CUSTOMER ASSET MANAGEMENT.

BUSINESS QUALITY CAN BE SUBDIVIDED INTO PROFITABILITY, RISK, ROBUSTNESS/PREDICTABILITY AND BRAND IMPACT. BRAND IMPACT CORRESPONDS TO IF THE BUSINESS PROCESSES BUILDS UP OR DESTROYS THE BRAND.

ENTERPRISE AND BUSINESS PILOTING ALSO REQUIRE WIDER RETURN ON ACTION VIEWPOINT TO BOTH DEFINE AND SHOW THE WAY IN TODAY'S FAST MOVING AND HIGHLY COMPETITIVE MARKET SPACES.

BUSINESS AND PROFIT CENTER MANAGEMENT

The main objectives and advantages of dynamic profit center management in comparison to traditional profit center management are:

- 1) **Business and profit forward management** not only analyzes and manages present but also future profits through the business pipeline perspective (Brand & Customer assets). Brand & Customer assets correspond to future profits, which evidently cannot be estimated without effective profit center management, which incorporates business and market dynamics.
- 2) **Joint return on action and investment management** through the wider *return on action* (ROA) perspective, which also covers the impact of actions on action tangible assets in the business pipeline. This is explained further in the “New Dynamic Asset Management World” chapter.

Business and profit forward management is the ability to manage capitalization of markets and Brand & Customer assets effectively in order to achieve long term stable growth. This is becoming increasingly difficult and critical to success in today’s fast moving markets. I recommend reading, “Managing on the Edge” in *Fortune*, October 2, 2006, which explains this major challenges for today’s top management.

Since 1985 there has been a sharp increase in the number of companies that Standard and Poor’s calls high risk and the trend seems to be accelerating. In 1985 35% were classified as high risk and 41% as low risk. In 2006 73%, more than the double, were in the high-risk segment and only 13% in the low risk segment. These figures speak for themselves.

Joint return on action and investment management is indispensable for basic business management, which now covers the interlinked volume, timing and quality of the business. All three are directly liaised with dynamic brand & customer asset management concepts, which I am explaining in this book.

Business quality can be subdivided into profitability, risk, and predictability / robustness and brand impact. Profitability is straight forward, but hard to calculate. Risk management is interesting, as pushing business volume and/or profits has a tendency to increase risk. Predictability is at the heart of business dynamics, as it depends on pricing, customer relationships and competition.

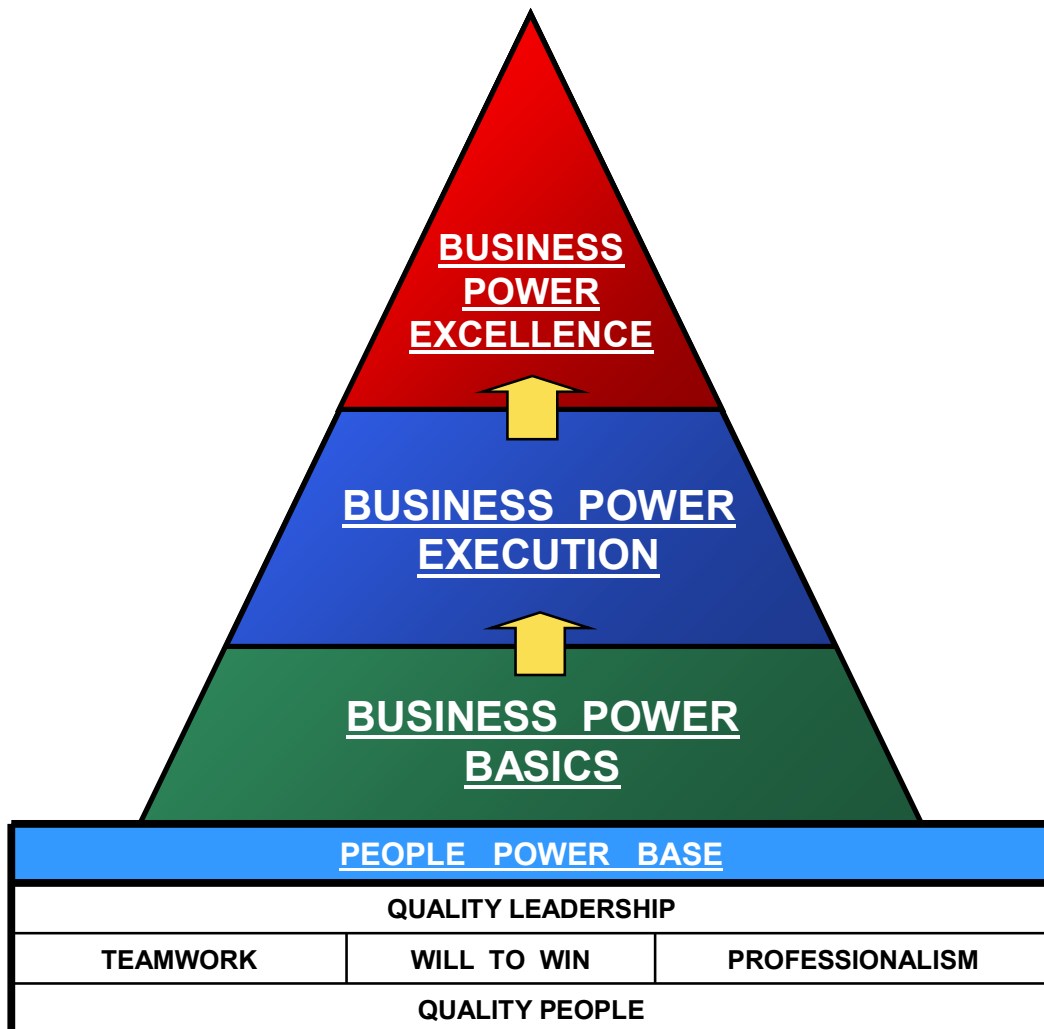
Brand impact is a vital quality component and I like Bain and Company’s explanation of good and bad dollars, as presented in the *Financial Times*. Good dollars stands for when we serve customers and build up the brand. Bad dollars corresponds to destroying the customer’s image of the enterprise through bank penalties for example.

Business and enterprise piloting also requires dynamic, wider and deeper return on action management perspectives to see the market structure and business dynamics in order to be effective in today’s maelstrom of changing markets. Management must simply be able to see and evaluate possible roads to success short and long term.

Dynamic profit center management requires a new enterprise team focus and the biggest challenge is to change the mindset. Yes, we also require new management methods, organizational structure and additional training but this is the easy part.

BUSINESS POWER IS ALL ABOUT WINNING BUSINESS

BUSINESS POWER LEVELS



BUSINESS POWER MANAGEMENT

REQUIRES TRANS-ENTERPRISE TEAMWORK. ALL EMPLOYEES FROM ALL DEPARTMENTS ARE BUSINESS POWER CONTRIBUTORS. POWER MANAGEMENT INVOLVES FINANCE, ADMINISTRATION, SUPPLY (PURCHASING + MANUFACTURING + LOGISTICS), MARKETING AND SALES.

- 1) THE BUSINESS POWER BASICS LEVEL IS USED TO SET A SOLID BASE FOR FUTURE OPERATIONS.
- 2) THE BUSINESS POWER EXECUTION LEVEL IS USED TO CREATE A POWERFUL BUSINESS MACHINE FOR HIGH PERFORMANCE EXECUTION.
- 3) THE BUSINESS POWER EXCELLENCE LEVEL IS USED TO CREATE A BUSINESS POWER HOUSE TO WIN THE BEST CUSTOMERS AND THE BEST BUSINESS.

NEW BUSINESS POWER MANAGEMENT

BUSINESS IS ALL ABOUT WINNING AND TO WIN WE NEED BUSINESS POWER.

Enterprise business power corresponds to its total capability to win (to make business and profits happen). The over-all objective of business power management is to build and manage both 1) the more or less intangible Brand & Customer assets and 2) traditional tangible assets. I will explain this further in the “New Asset Management World” chapter. Operational business power management is a type of trans-enterprise business power chain management.

To win with business power is a trans-enterprise business operations management process that is to develop, finance, administer, supply (purchase and manufacture), market (sell) and deliver its products and services to customers. This business power win process is based on trans-enterprise teamwork, as the whole enterprise team must work effectively together to make business power happen.

Strategic & operational business power management goes much further than the more limited marketing power management. Marketing power, which is also a fundamental part of business power, is limited to the capability of the enterprise to market and sell its products plus to manage Brand & Customer assets. Business power management, however, goes one step further and covers management of all enterprise resources in order to maximize all assets, tangible or not.

The business power concept is complex and I have therefore chosen to divide it into three major business power levels in order to make it easier to understand and more tangible, as we can only see and work with what we can understand. The three business power levels will be discussed in further detail in the “Payback” chapter.

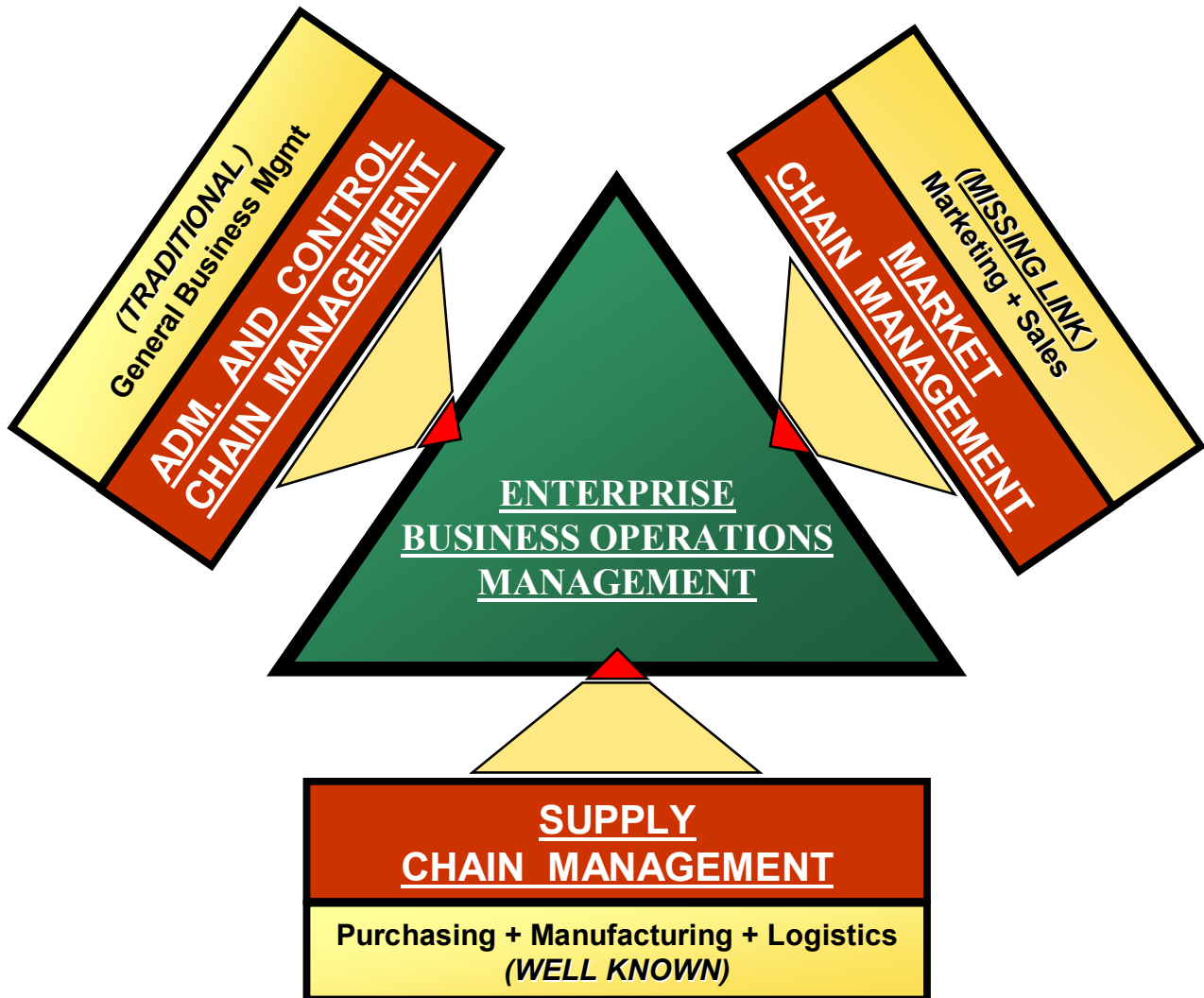
The President and the top management team (together with the Board of Directors) primarily manage the enterprise’s strategic and operational business power. All enterprise employees at all levels are business power contributors. Business power is ultimately built on people power as shown in the picture on the left. Again, this is trans-enterprise teamwork, which confirms the vital importance of human resource management.

The people power base concept shown on the left is very general but I have no intention to explain it further in this book, which is focused on the more technical business power management side. There is clearly no future without quality leadership and quality people with the will to conquer new business.

Business power management is also very important from the external investor’s point of view, as it is used to maximize Brand & Customer assets and profit in order to improve the price/earnings ratio, which is essentially what the investor purchases. Brand & Customer assets, however, are not fully defined and the exact impact of business power is difficult to communicate to external analysts. Still, I am sure that improved value management of intangible Brand & Customer assets and the enterprise’s new business power management capability will be vital for establishing a favorable price/earnings ratio.

THE NEW BASIC ENTERPRISE BUSINESS OPERATIONS MANAGEMENT STRUCTURE

SIMPLIFIED SCHEMATIC OVERVIEW



NEW CORE COMPETENCES FOR BUSINESS MANAGEMENT

STATISTICS

MODELLING

MATHEMATICS

PSYCHOLOGY

COMMUNICATIONS

Etc..

ALL MAJOR BUSINESS CONSULTANCY AND IT COMPANIES ARE PRESENTLY WORKING ON NEW MANAGEMENT CONCEPTS AND IT PLATFORM STRUCTURES WITH THE OBJECTIVE TO INTEGRATE AT LEAST THE THREE BASIC PROCESS MANAGEMENT FUNCTIONS.

THE OBJECTIVE OF THIS SCHEMATIC PICTURE IS TO GIVE YOU A FIRST GLIMPSE OF WHAT MODERN BUSINESS OPERATIONS PROCESS MANAGEMENT SYSTEMS LOOK LIKE AND TO POSITION THE NEW MARKET CHAIN MANAGEMENT PROCESS.

NEW BUSINESS PROCESS MANAGEMENT STRUCTURE

The objective of showing you this diagram on the left is to give you an idea of what a modern business operations process management system looks like at the business power basics level and how to position the new market chain management, which is one of the main subjects of this book. Somehow, I am trying to give you a perspective on the new business power chain process management concept in order to make it easier to understand this book and follow my reasoning.

The pragmatic and gradual introduction of the different business process management chains started 50 years ago with the introduction of IT-supported administration and control process management. The chain management expression was to my knowledge not used until after the introduction of supply chain management in the 1990's.

In this book we are now moving forward and introducing the missing link: Brand & Customer asset management in the market-chain, which is the cutting edge of business power management.

The different chain process management concepts shown in the picture on the left will be explained further in the "Business Management Disciplines" chapter but the basics are easy to understand. When speaking about administration & control, we refer to the function. When using the chain expression, we refer to the management process that is the administration and control chain management process.

The fundamental mission of the enterprise business power management system is to support trans-enterprise management of Brand & Customer assets (the vital business pipeline), which represents the enterprise's expected business and profit in coming years. I will explain all this further in the "Brand & Customer Asset Management" chapters.

The minimum business operations process management system, as shown in the picture on the left, is the backbone of the business power management system. It can be divided into three major chains: 1) administration and control chain, 2) supply chain and 3) market chain.

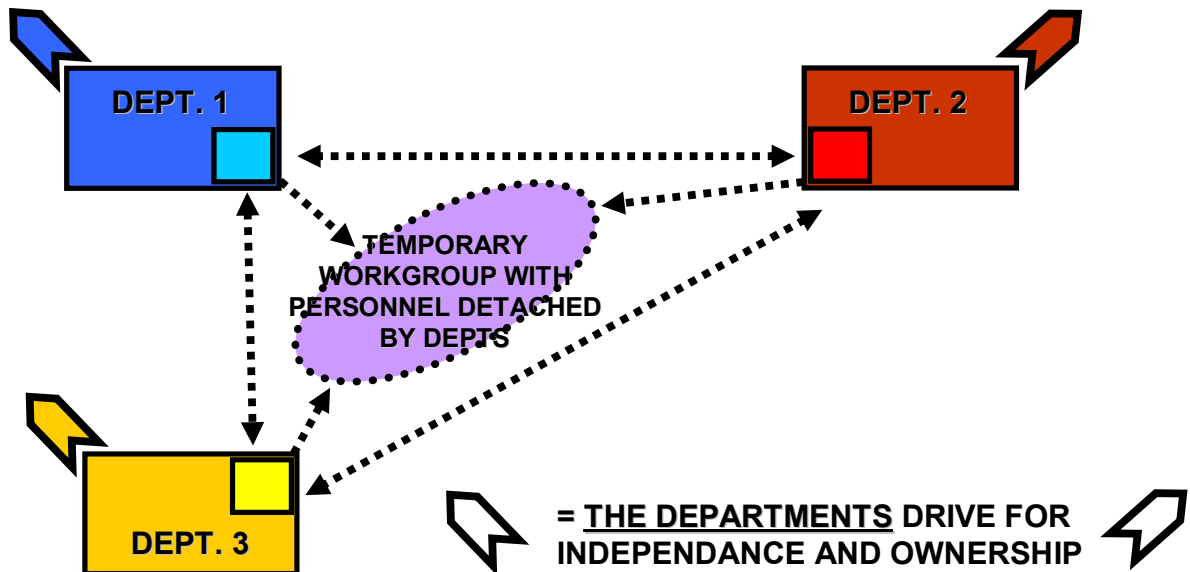
There are, however, also several other specialized process management systems, such as quality control (with or without ISO Certification) and risk management.

The enterprise process management system will clearly also have to be upgraded and supported by specialized process-management systems as we go upwards in the business power levels. This implies that the enterprise must develop a number of new core competencies in modeling, statistics and strategic marketing. It is a totally new management game and this is fundamentally what this book is about.

All major business consultancy companies and IT companies are presently working on new management concepts and IT platform structures with the objective of integrating at least the big three process management functions. So we will surely see a lot of developments in the coming months and years. My objective with this book and the seminars is to support this development and I hope that some of my ideas can be incorporated into these new process management systems.

BUSINESS PROCESS MANAGEMENT INTEGRATION AND THE ORGANIZATION RETHINK

TRADITIONAL DEPARTMENTAL STRUCTURE



METHOD

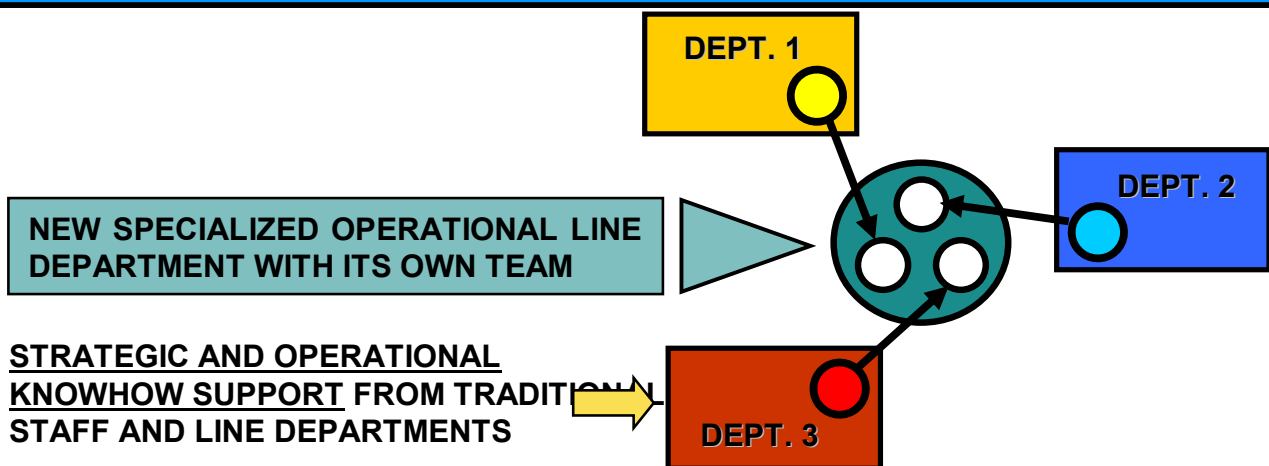
SYSTEMATIC COLLABORATION COMMITTEES BETWEEN DEPARTMENTS TO MANAGE TRANS ENTERPRISE PROCESSES.

ADVANTAGE

EFFECTIVE FOR LOW FREQUENCY AND NON INTERACTIVE BUSINESS PROCESS MANAGEMENT.

DISADVANTAGE : 80% FAILURE RATE WHEN INTEGRATING CRM SYSTEMS

MODERN OPERATIONAL STRUCTURE



METHOD

A NEW OPERATIONAL DEPARTMENT IS CREATED TO MANAGE THE OPERATIONAL PROCESS IN THE NEW OPERATIONAL STRUCTURE.

ADVANTAGE

CAN HANDLE REAL-TIME INTERACTIVE BUSINESS MANAGEMENT, WHICH IS IMPOSSIBLE IN A TRADITIONAL MANAGEMENT STRUCTURE (DEPARTMENT).

DISADVANTAGE : MAJOR INVESTMENT AND REORGANIZATION

THE NEW ORGANIZATIONAL STRUCTURE

The integration of new business power management and real-time interactive IT systems requires a radically new organizational structure, as it is close to impossible to integrate real-time interactive business process management into traditional organizations.

This is proven by the fact that more than three out of four customer relationship management system installations fail and CRM is only the starting point for the trans-enterprise Brand & Customer asset management process. I will explain all this further in the “Brand & Customer Company” chapters.

Traditional business management is focused on managing, driving, supporting and coordinating functional/departmental motors. The traditional organization is simply focused on managing tasks with teams of people. The functional motors simply own the functional tasks and departmental management processes. This is also part of the enterprise management power game. Process sharing is not on the agenda. More or less permanent task forces and/or committees are mainly used to coordinate departments and to manage the trans-enterprise processes (see on the left).

Modern IT-supported business power management is in addition focused on managing vital trans-departmental and trans-enterprise business processes, which are the backbone of the business power management system. The functional motors have now also become some kind of functional support partners with reduced line functions and this is a very different game.

Enterprise business process management is simply a new management dimension as we must now also be able to handle real-time interactive business processes, which is close to impossible in a traditional departmental structure. An important part of the solution is to redesign the enterprise as explained on the left and in the “Brand & Customer Company” chapters but this is only a part of the challenge.

Business power management in a modern enterprise is also focused on maximizing all assets and especially to expand return from the so-called action tangible Brand & Customer assets. But we can only understand and quantify what we can see. So the first challenge is to make them visible. This process is explained further in the “New Asset Management World” and “Brand & Customer Asset Management” chapters.

The first main challenge is to break away from traditional accountancy standards’ reduced asset visions and to find new operational standards to calculate their business value. The core profession of a modern enterprise is now clearly to manage its Brand & Customer assets: mainly the customer base, as this is the most effective way to ensure future revenues and profits.

Modern business power management requires new management vision and strategy, new operational structures and new management styles and it is a major effort to bring this about in an enterprise. Fast learners learn from others and the question is simply from where in order to avoid making too many mistakes. Now, business management is about winning in ruthlessly competitive markets and that is what we share with both world-class sports and military battle management.

I very much prefer to learn from world-class sports, as explained in the “Business Power Level” chapter, but the new “Real-Time Interactive Military Battle Management” section is very interesting and I think you will like reading the “Learning from the Army” chapter.

THREE OF THE MAJOR CHALLENGES FOR BUSINESS-TO-CONSUMER ENTERPRISES

CUSTOMER EMPOWERMENT IS AT THE HEART OF THE THREE MAJOR MANAGEMENT CHALLENGES

NEW TECHNOLOGIES AND GLOBAL MARKETS HAVE CREATED A NEW MARKET SITUATION WITH AN ABUNDANCE OF QUALITY PRODUCTS AND SERVICES, WHICH ENABLES CUSTOMERS TO PICK AND CHOOSE FREELY WHAT TO BUY PLUS TO DRIVE THE MARKET.

ALL ENTERPRISES ARE DIFFERENT AND THERE IS NO MAGIC FORMULA OR UNIVERSAL SOLUTION

MANAGEMENT TEAMS AT ALL LEVELS SHOULD SIMPLY USE BRAND AND CUSTOMER STRATEGY AS A STARTING POINT TO TAILOR THE BEST SOLUTION FOR THEIR ENTERPRISE.

TNEW MANAGEMENT CONCEPTS

BUSINESS POWER, EXTERNAL ASSETS (IBM), OUT INTEGRATION, CUSTOMER ASSET PYRAMIDS ETC. WHICH ARE MORE OR LESS SELF EXPLANATORY AND/OR SCIENTIFICALLY DEFINED, SHOULD BE USED WITHIN COMMON SENSE LIMITS TO BETTER UNDERSTAND ENTERPRISE OPERATIONS MANAGEMENT. THESE NEW CONCEPTS ARE FAR FROM PERFECT.

INTERLINKED BRAND AND CUSTOMER ASSETS

BRAND AND CUSTOMER ASSETS CORRESPOND TO THE EXPECTED FUTURE PROFIT FROM THE ENTERPRISE'S ACTUAL AND POTENTIAL CUSTOMERS.

CUSTOMER ASSETS CORRESPOND TO EXPECTED FUTURE PROFIT FROM THE ACTUAL CUSTOMER BASE ONLY.

EXACT THEORETICAL BRAND AND CUSTOMER ASSETS ARE VERY COMPLEX TO CALCULATE AND WE ARE FORCED TO WORK WITH REDUCED AND SIMPLIFIED OPERATIONAL ASSET CONCEPTS. BRAND AND CUSTOMER ASSETS WILL BE EXPLAINED IN FURTHER DETAIL IN SEVERAL OF THE FOLLOWING CHAPTERS.

THREE MAJOR CHALLENGES OF THE FUTURE

IN THE BRAND & CUSTOMER ASSET MANAGEMENT COMPANY

Good morning Dr. Change. – How can you manage business-to-consumer companies?

Both markets and management methods have changed radically during the last few years and we need a new modified top management strategy to face these new management challenges. Now, I would like to know what you think about managing business-to-consumer companies in today's ruthlessly competitive business environment?

Good morning Mr. President. – You should focus on searching for the best solution in your company, as all companies are different!

Let us go directly to the heart of the management challenge that is the customer and the market place. Globalization and technology driven customer empowerment, which took speed in the beginning of the 1970's, has as you say resulted in a number of fundamental market changes, which in turn have created at least three more or less new major management challenges.

Customer empowerment or, as I like to call it, customer revolution, is due basically to an abundance of good products and services, which enable customers to pick and chose more freely what to buy. Both globalization and the phenomenal technical development of IT and communication systems have further accelerated the change process and increased competition.

There is for sure no magic formula or universal solution in the shape of a strategy, project or IT system, which will solve all management problems for all companies and make them successful. In fact, it is the right people with the right leadership, and not plans or strategies, which can find and make the most powerful solutions work.

The purpose of this book is simply to give you some new ideas on how to better understand and start this search for the best solution process.

Many of the processes described in this book already exist in your enterprise and the purpose is in no way to criticize the way you are running the enterprise today. But these fundamental market changes will require new management approaches.

New management expressions such as external assets (already used by IBM) are more or less self explanatory and not fully definable. These new concepts should be used, in spite of their limitations, within common sense limits in order to understand new management perspectives better.

External assets, which in this book mainly stand for Brand & Customer assets, are simply outside the physical limits of the enterprise. There are also other external assets not covered in this book such as supply chain systems and product development systems, for example.

Customer assets correspond to the business value of the customers' future business potential and are a measurable down to earth money asset. Brand assets are interlinked with customer assets and correspond to business value of brand marketing power, which I agree is not so easy to calculate. This will be explained further in the "Brand & Customer Asset Management" chapters but there are clearly several ways to calculate Brand & Customer assets.

THE FIRST MAJOR CHALLENGE
IS TO UNDERSTAND AND MANAGE ENTERPRISE NEW
BUSINESS AND ASSET STRUCTURES

THE BUSINESS OPERATIONS MANAGEMENT STRUCTURE

MANAGEMENT STRUCTURE HAS CHANGED RADICALLY BOTH ON THE MANUFACTURING SIDE AND ON THE MARKETING AND SALES SIDE.

SUPPLY CHAIN MANAGEMENT (SCM) HAS NOW REPLACED BOTH THE MANUFACTURING COMPANY AND SUBCONTRACTORS.

MARKET CHAIN MANAGEMENT (MCM) WHICH IS FOCUSED ON MANAGING THE VITAL BRAND AND CUSTOMER ASSETS HAS NOW REPLACED THE MARKETING AND SALES COMPANY.

VALUES IN THE ENTERPRISE'S ASSET STRUCTURE

HAVE ALSO CHANGED RADICALLY AND THE BALANCE BETWEEN INTERNAL AND EXTERNAL ASSETS HAVE BEEN INVERTED FROM 80/20 TO 20/80 OR WHATEVER. ALL ENTERPRISES MUST NOW EXCEL IN BOTH EXTERNAL AND INTERNAL ASSET MANAGEMENT.

THE KERNEL OF BOTH THE BUSINESS AND ASSET
MANAGEMENT CHALLENGES

ARE IN BRAND AND CUSTOMER ASSET MANAGEMENT AND IN THE MANAGEMENT OF THE BRAND AND CUSTOMER COMPANY'S OPERATIONAL PLATFORM (STRUCTURE).

BRAND AND CUSTOMER ASSET MANAGEMENT REQUIRES

- 1) ONE-2-ONE MARKETING CAPABILITY.**
- 2) BRAND AND CUSTOMER ASSET MANAGEMENT AND SUPPORT STRUCTURE.**
- 3) TOP MANAGEMENT FOCUS AND SUPPORT.**

THE FIRST MAJOR CHALLENGE IS TO MANAGE NEW BUSINESS AND ASSET STRUCTURES IN A TRULY CUSTOMER AND MARKET FOCUSED ENTERPRISE

Enterprise asset structure has changed radically both on the manufacturing and marketing sides which will require a new top management approach. Automobile manufacturing companies are for example outsourcing the major part of their production to equipment companies and only assemble the cars in their factories.

The main challenge has now become to optimize the market-driven supply chain management (SCM) system instead of the internal manufacturing processes. This improved manufacturing strategy enables enterprises to adapt their products to the market faster, better and cheaper. SCM is already well understood and integrated into most big manufacturing companies.

The enterprise's manufacturing and subcontractors have now become a market-driven supply chain system and mainly an external enterprise asset. The (business process) outsourcing and off-shoring together with the SCM system is also a strategic asset management strategy to optimize investments, assets and risk exposure. This is explained further in the "Enterprise Asset Design" chapter.

Marketing and sales have also gone through similar major changes. The brand was traditionally only perceived as a way of attracting some type of average consumer for products and services in product dominated markets. However, due to the increased importance of Brand & Customer assets in our customer/market-driven economies, experts are now looking for other methods to manage and evaluate more precisely Brand & Customer assets.

External Brand & Customer market assets can often represent about 4/5 of the company's total assets and the main challenge is now to create a more effective Brand & Customer asset management system to replace the traditional marketing/sales approach. **Stock market experts** are also working at finding new evaluation methods to complement price/earnings ratios.

Brand & Customer asset management will require top management focus and new asset management strategies, organizational structures and management methods. In fact, I recommend you break away from the traditional marketing/sales management approach and create the Brand & Customer asset management company, which is also specialized in strategic and operational management of these two external assets. For short, I prefer to call it the Brand & Customer company (B&C Co.).

My recommendations to create the Brand & Customer Company are fundamentally based on three major considerations, which will be explained further in this book.

- 1) **Brand & Customer asset management** (just like value management of traditional tangible assets) requires an integrated and sophisticated marketing and business control system with modeling, tracking and tracing (similar to traditional accounting but with a new dynamic design), which is in my experience beyond the capabilities of traditional marketing and sales departments. In fact, the enterprise has to be redesigned to support this new control and tracking system.
- 2) **Marketing and sales operations** will need top management driven coordinated support from other functions/departments in an integrated way, which is not possible in a traditional departmental enterprise management structure.

THE SECOND MAJOR CHALLENGE

IS TO MANAGE CUSTOMERS AS INDIVIDUALS AND NOT AS AVERAGES AND / OR AS PARTS OF A GROUP.

THE ONE COMPANY TO ONE CUSTOMER POLICY

THE BUSINESS RELATIONSHIP IS A TWO-WAY STREET. THE ENTERPRISE MUST RESPECT (LIKE) THE CUSTOMER IN ORDER TO MAKE THE CUSTOMER RESPECT (CHOOSE) THE ENTERPRISE. BECAUSE, CUSTOMERS MOSTLY CHOOSE TO DO BUSINESS WITH PEOPLE AND COMPANIES THEY LIKE.

WE ARE ALL THE SAME IN A DIFFERENT WAY. THE AVERAGE CUSTOMER AND THE AVERAGE BUSINESS REALTIONSHIP SIMPLY DOES NOT EXIST AND THE ONLY MARKET SEGMENT, WHICH MAKES SENSE TO THE CUSTOMER IS THE ONE MAN SEGMENT.

THE KEY ONE-TO-ONE MANAGEMENT STRATEGIES WHICH WILL BE EXPLAINED FURTHER IN THIS BOOK.

FOCUS ON MANAGING THE BEST CUSTOMERS WITH THE BEST BUSINESS.

ENTERPRISE JOINT CUSTOMER VISION AND THE BEST PRACTICE PROCEDURES TO DRIVE AND COORDINATE THE BUSINESS.

CLOSE OPERATIONAL TOP MANAGEMENT SUPPORT.

THE KERNEL AND HEART OF THE CUSTOMER RELATIONSHIP MANAGEMENT CHALLENGE

IS IN INTERACTIVE ONE-TO-ONE CUSTOMER BUSINESS MANAGEMENT.

ONE-TO-ONE CUSTOMER BUSINESS MANAGEMENT REQUIRES

- 1) NEW ORGANIZATIONAL STRUCTURES TO SUPPORT THE ENTERPRISE'S ONE-TO-ONE CUSTOMER BUSINESS AND ASSET MANAGEMENT PROCESSES.
- 2) HIGH LEVEL SPECIALIST SUPPORT IN MARKETING, STATISTICS AND MODELLING, ETC.
- 3) NEW CUSTOMER JOINT VISION MANAGEMENT STRATEGIES (ENTERPRISE WIDE).
- 4) CLOSE OPERATIONAL TOP MANAGEMENT SUPPORT.

3) The Brand & Customer Company is designed to manage a defined market space strategically with the objective of optimizing and coordinating the use of the enterprise's resources in order to maximize the profitable business with selected customers this year and in the future, as brand and customers are long term assets. I will explain all this very thoroughly in great detail as we go along.

Top management must now drive for excellence in both external and internal asset management and this requires a totally new enterprise design.

THE SECOND MAJOR CHALLENGE IS TO MANAGE CUSTOMERS **AS INDIVIDUALS AND NOT AS AN AVERAGE MAN+WIFE+3.2CHILDREN**

The average customer and the average business relationship do not exist. The only market segment which makes sense to the customer is the one man segment. All customers are somehow unique or as the Corsican's say: "We are all the same in a different way."

The customer expects the enterprise, irrespective of whom he is dealing with, to manage him consistently. This requires an enterprise-wide coordinated joint customer vision to manage the one-to-one relationships and coordinated business processes with customers.

Competitive pressure has created the need for an even closer relationship between customers and the enterprise: the one company to one customer policy. The customer simply expects the enterprise to respect his uniqueness in order to value the uniqueness of the enterprise.

To improve customer asset value the enterprise has to value the customer in order to make the customer value the enterprise. It is a two way street. This is fundamental to effective Brand & Customer asset management.

The use of best practice procedures for customer management is effective but these procedures must not be immobile and inflexible as customers expect the enterprise to develop and upgrade its position during a dialogue. Some years ago Scandinavian Airline Systems (SAS) very successfully decided to let front end personnel resolve all immediate small issues by simply using their common sense.

Front-end personnel should simply be in charge, within best practice limits, when serving customers. Symbol Technologies (a computer company) introduced the "Let Us Put The Best Foot Forward Policy" when resolving customer issues in order to avoid going back to who was right or wrong.

The objective is to create happy customers in order to move forward to new business and to focus on the business and not on the issues. The atmosphere in SAS and Symbol improved with more happy customers plus more business with the best customers. Unresolved issues are always an emotional burden to the customer and the first to leave, as a result of poor customer management, are the best customers.

Enterprises must be capable of managing all the customers' individual business potential and business relationship processes one-to-one, which includes managing closely the customer's expectations, preferences and other emotions. One-to-one branding, CRM and business process management are vital to Brand & Customer asset value management.

The average customer and average relationship simply do not exist and cannot be used for driving the business in competitive market places.

THE THIRD MAJOR CHALLENGE

IS BUSINESS TIMING IN THE HIGH MARKET & BUSINESS PACE

THE BUSINESS TIMING MANAGEMENT CHALLENGE

- 1) **BUSINESS TIMING MANAGEMENT** CAN BE DIVIDED INTO THE STRATEGIC SIDE; MARKET PACE MANAGEMENT AND THE OPERATIONAL SIDE; BUSINESS PACE MANAGEMENT.
- 2) **JOINT MARKET AND BUSINESS PACE MANAGEMENT** IS CALLED ON-TIME BUSINESS MANAGEMENT. THE OBJECTIVE IS TO MEET THE MARKET PROCESS AND BUSINESS PROCESS TIME WINDOWS.
- 3) **TRADITIONAL ENTERPRISES** WERE DESIGNED TO BE POWERFUL BUT NOT FLEXIBLE AND SHOULD BE REDESIGNED TO BE BOTH FLEXIBLE AND POWERFUL TO MEET BUSINESS TIME WINDOWS.
- 4) **BUSINESS TIMING MANAGEMENT** IN TURBULENT MARKETS REQUIRES A FUNDAMENTALLY DIFFERENT AND NEW IT-SUPPORTED ENTERPRISE STRUCTURE, WHICH IN FACT CORRESPONDS TO THE BRAND AND CUSTOMER COMPANY STRATEGY.

MARKET PACE MANAGEMENT

- 1) **REDESIGN STRATEGIES AND OPERATIONS** SYSTEMATICALLY TO FOLLOW THE MARKET PACE.
- 2) **IMPLEMENT CHANGE AND MOVE FORWARD** WITH A MINIMUM OF INERTIA.
- 3) **REDUCE MANAGEMENT OVERHEAD** IN ORDER TO MOVE FAST WITH THE MARKETS.

HIGH MARKET PACE MANAGEMENT REQUIRES

- 1) **EFFECTIVE RESEARCH** ABOUT FUTURE MARKETS AND OPERATIONS.
- 2) **AGGRESSIVE CHANGE MANAGEMENT** IN ORDER TO DRIVE AND MANAGE CHANGE PROCESSES.
- 3) **SPECIALIZED CHANGE MANAGEMENT** FUNCTIONS ATTACHED DIRECTLY TO TOP MANAGEMENT.
- 4) **STRATEGIC KNOWHOW MANAGEMENT** IN ORDER TO ACCUMULATE AND MANAGE THE KNOWLEDGE NEEDED TO FUNCTION EFFECTIVELY IN EVER CHANGING MARKETS.

The detailed customer insight/knowledge needed for the management of the enterprise's complex Brand & Customer assets will require:

- 1) **A new integrated organizational structure** to support one-to-one Brand & Customer asset management,
- 2) **High-level specialists** in marketing, statistics, modeling and advanced IT systems to understand, manage and support complex external asset management,
- 3) **New management strategies** and methods such as one-to-one marketing, scorecards,
- 4) **Close operational support** (COS) by top management of real time interactive communication and IT systems to make business happen.

THE THIRD MAJOR CHALLENGE IS BUSINESS TIMING MANAGEMENT IN THE RAPID MARKET AND BUSINESS PACE IMPOSED BY RUTHLESS GLOBAL COMPETITION AND NEW TECHNOLOGIES

I understand the business timing challenge as follows:

- 1) **Strategic management** of market pace and operational management of business pace are two separate challenges and I will explain them separately.
- 2) **Joint market and business pace management** or on-time business management has been made possible through the progress of IT and real-time communication systems. Technology is driving the change processes.
- 3) **The traditional enterprise** (just like the traditional Armed Forces) was designed to be statically powerful but not flexible and it has to be redesigned to become both flexible and powerful.
- 4) **On-time business management requirements** in turbulent markets are the major reasons for implementing the new Brand & Customer company strategy.

Strategic market pace management implies:

- 1) **Enterprises must be capable** of redesigning strategies plus operations in order to follow the high market pace.
- 2) **Enterprises must be designed** to implement changes effectively plus to maneuver and move forward with a minimum of inertia, which is difficult in traditional organizational structures due to their massive, powerful and specialized departments, which are like heavy army divisions.
- 3) **The best operational solution** is to use smaller, tailored, highly competent and flexible multi-purpose front end operational departments, which are specialized in following a specific market space or set of customers.

Managing high market pace requires:

- 1) **Research on future markets** to see, understand and evaluate future operational solutions.
- 2) Aggressive change management to implement and drive change processes throughout the enterprise.
- 3) **The specialized change management function** has now become an ongoing strategic mission in charge of the change processes instead of today's project teams going from project to project.

BUSINESS PACE MANAGEMENT

THE OBJECTIVE OF BUSINESS PACE MANAGEMENT IS TO MANAGE AND CONTROL MARKET DRIVEN REAL-TIME INTERACTIVE BUSINESS PROCESSES IN ORDER TO MEET OPERATIONAL BUSINESS TIME WINDOWS.

OPERATIONAL BUSINESS PACE MANAGEMENT IMPLIES THAT ENTERPRISES MUST CHANGE THEIR

- 1) MANAGEMENT MODE FROM REACTIVE TO PROACTIVE WITH PRE-DESIGNED BUSINESS ACTION MODELS.**
- 2) OPERATIONAL MODE FROM BATCH (ONCE A DAY/MONTH ETC.) TO REAL-TIME INTERACTIVE.**
- 3) ORGANIZATIONAL STRUCTURE TO SUPPORT THE REAL-TIME BUSINESS DECISION AND ACTION PROCESSES. B&C Co.**

TRANSFORM ACTIVE BUSINESS MANAGEMENT

THE ULTIMATE OBJECTIVE OF ALL BUSINESS MANAGEMENT IS TO CREATE BUSINESS WINNERS: THE FASTEST LEARNERS AND THE MOST EFFECTIVE USERS OF KNOWHOW.

THE TRANSFORM ACTIVE MANAGEMENT MODE IS SIMPLY USED TO UPGRADE THE ENTERPRISE'S MANAGEMENT SYSTEM SYSTEMATICALLY.

ALL BUSINESS CHAMPIONS MUST EXCEL IN TRANSFORM ACTIVE BUSINESS MANAGEMENT IN ORDER TO REACH AND STAY AT THE TOP. THE HUMAN RACE IS NATURALLY TRANSFORM ACTIVE, WHICH IS WHY WE HAVE REACHED THE TOP POSITION ON EARTH.

THE KERNEL OF THE BUSINESS TIMING CHALLENGE

IS IN STRATEGIC AND OPERATIONAL CHANGE MANAGEMENT AND IN REAL-TIME INTERACTIVE CUSTOMER BUSINESS MANAGEMENT.

TRANSFORM ACTIVE ON-TIME BUSINESS MANAGEMENT WILL CHANGE THE VERY WAY WE MANAGE ENTERPRISES AND HOW THEY WORK.

- 4) The new change management strategy will also enable the enterprise to accumulate and manage its knowhow capital more effectively when moving forward into new markets.

Business pace management or operational business timing management

The objective of business pace management is not only the management of business events but also the management and control of market driven operational business processes or business pace.

Enterprise management must meet a number of business time windows or loose out to the competition. What is right now is often wrong later and outdated tomorrow.

Business pace management implies that enterprises must change:

- 1) Its management mode from reactive to proactive with appropriate pre-designed action models in order to prepare for future actions.
- 2) Its operational mode from batch (once a day, week or month) to real-time interactive in order to be able to react fast in real-time to business opportunities and other challenges.
- 3) The organizational structure must also be redesigned to define, coordinate and support real-time business decision and action process. One popular expression to characterize this new type of enterprise is the agile company.

The Brand & Customer company's more complete front end operational teams are also more knowledgeable about how to design, integrate and support the new proactive and partly automated business processes. I doubt that it is possible to integrate mood changes in a traditional enterprise.

The on-time business management concept, which includes joint management of business and market processes, will change the very nature of how we manage companies and how they will function, as we now need to change both the management and operational moods.

Management and operational mood changes are a major challenge, which is similar to when the computer industry switched from batch to real-time processing and to when the US Armed Forces switched to real-time interactive battle management ("Learning from the Army"). I think we should profit from both experiences to avoid repeating the same errors and to find the best solutions faster and cheaper.

Transform active management mode is required to support high speed change management. The transform active management mode is simply used to upgrade the enterprise management functions systematically.

The ultimate objective of all business management modes is to create business winners. And for this we use the transform active management mode in parallel to the proactive management modes. We must now manage both the quality and speed of the reactivity of the enterprise management system.

Business champions must excel in transform active business management to make the business happen and the objective of the transform active management mode is:

- 1) To coordinate, drive and control parallel learning and change processes,
- 2) To systematically upgrade enterprise management systems to follow rapid market and business paces.

PAYBACK LEVELS

THE FUNDAMENTAL PAYBACK STARTING POINT!

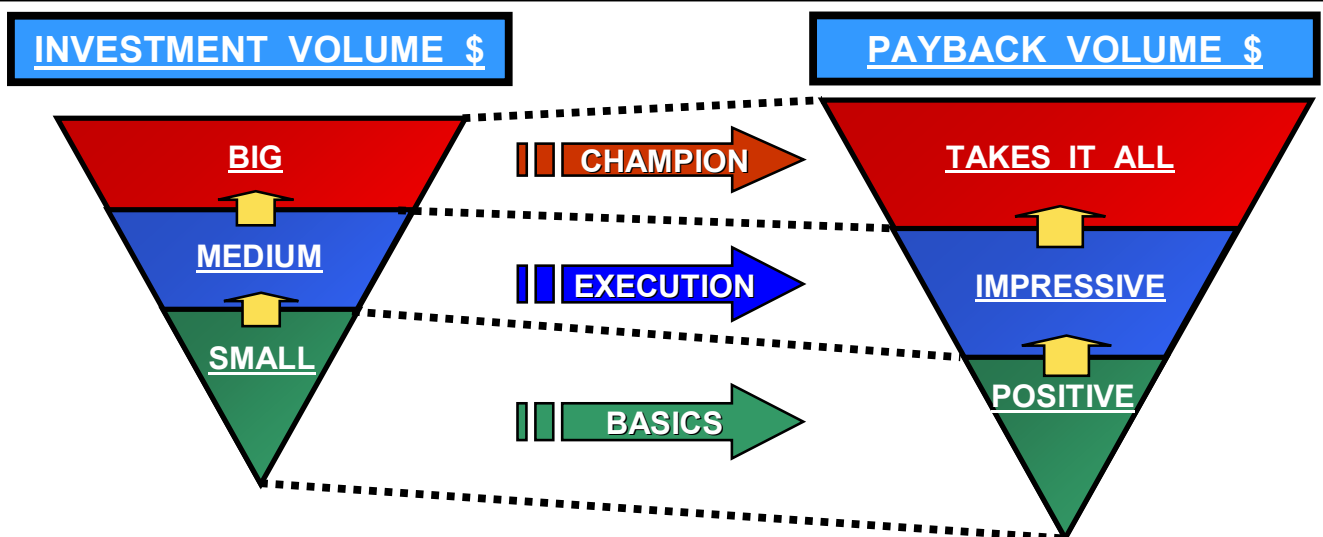
THE FUNDAMENTAL PAYBACK MOTOR IS IN THE MANAGEMENT TEAMS' "WILL TO WIN", NO REVOLUTIONARY STRATEGY, BIG PROJECT OR MEGA IT SOFTWARE WILL BY ITSELF CONQUER NEW BUSINESS.

THE FUNDAMENTAL OBJECTIVE IS TO INCREASE BRAND AND CUSTOMER ASSETS IN ORDER TO INCREASE PROFITS AND SALES.

FUNDAMENTAL MANAGEMENT STRATEGY IS TO IMPROVE ENTERPRISE BUSINESS POWER: ITS CAPABILITY TO MAKE THE RIGHT BUSINESS HAPPEN IN THE RIGHT WAY. BUSINESS POWER LEVEL MANAGEMENT IS A TOP MANAGEMENT DRIVEN STEP-BY-STEP LEARNING AND IMPLEMENTATION PROCESS.

THE PAYBACK PROCESS STRUCTURE

THE EXACT PAYBACK PROCESS DEPENDS ON THE BUSINESS POWER LEVEL AND THE BIGGEST CHALLENGE IS TO MAKE NEW HIGH PERFORMANCE SOLUTIONS WORK ON THE THREE BUSINESS POWER LEVELS: BUSINESS POWER BASICS, EXECUTION AND CHAMPION LEVELS IN ORDER TO CREATE ADDITIONAL BUSINESS POWER.



BUSINESS POWER MANAGEMENT IS A TOP MANAGEMENT TEAM MISSION WITH THE OBJECTIVE OF SYSTEMATICALLY UPGRADING BUSINESS OPERATIONS IN ORDER TO REACH THE CHAMPION LEVEL.

KEEP IT SIMPLE – THE PAYBACK STRUCTURE

OK, Dr Change. - Payback strategies and action processes?

How should we proceed to identify and develop further business potential and other key advantages, which correspond to focusing on business power and Brand & Customer asset management in the market chain and which are the key management strategies and step-by-step action processes to get the payback?

Yes Mr. President – You will find payback in mainly three areas!

Business power level management is a top management team mission with the objective to create a trans-formative management system, which systematically upgrades operations to reach the champion level with maximum payback.

The starting point is that no mega strategy, project or IT software can in itself resolve anything. The right strategy, project and IT software, however, can support personnel to get the job done more effectively and the Brand & Customer company strategy is no different. Real world payback structures are complex. The biggest challenge is to find and implement the right operational solutions.

The payback objectives are to increase the Brand & Customer asset values in order to increase sales and profits short and long-term. Basically, you will find the payback in:

- 1) **More profitable sales** of present or future products to both customer and prospect bases.
- 2) **Higher profit due to smarter** and more effective business management.
- 3) **Both more profits and more sales** due to a stronger position in the market place or, if you like, the brand's marketing power. These three strategies are explained in the “Brand & Customer Asset Management” chapters.

The payback strategy is to improve enterprise business power: the enterprise's capacity to make the right business happen on-time. We will use a combination of interlinked management, marketing and operational strategies. The implementation process for the entire payback strategy is too complex for big-bang integrations and we will use a level-by-level implementation and learning process as explained further below.

The ultimate objective is to create a powerful market leader with high performance solutions for Brand & Customer asset management and this is a complex challenge. The payback strategy presented below is just one of several possible scenarios.

The structure of the payback process depends on what I call business power levels, which are divided into three consecutive power levels. The ultimate objective is to reach joint strategic and operational excellence with the maximum payback.

- 1) **Business power basics level** is used to get the basics right and to set a solid base for future business operations that is start point excellence.
- 2) **Business power execution level** is used to create a powerful business machine for high performance execution that is operational excellence.
- 3) **Business power champion level** is used to create a business power house, which can dominate the market and systematically win the best customers and best business: which gives us joint strategic and operational excellence.

THE BUSINESS BASICS POWER LEVEL

BUSINESS BASICS POWER LEVEL MANAGEMENT

THE TOP MANAGEMENT TEAM MUST FIRST DEFINE THE BUSINESS STRATEGIES AND THEIR IMPLICATIONS OVER TIME BEFORE DESIGNING AND BUILDING THE OPERATIONAL PLATFORM ETC.

- 1) EXACTLY IN WHICH BUSINESS SPACE SHOULD WE OPERATE AND BECOME THE CHAMPION? WHAT ARE OUR OBJECTIVES?
- 2) WHAT IS THE ROAD AND ROADMAP (DESCRIPTION) TO GET THERE?
- 3) WHAT CAN I DO EXACTLY NOW TO MOVE FORWARD? THE OBJECTIVE IS TO REACH THE CHAMPION LEVEL BUT THIS IS ALSO THE START OF A LONG AND COMPLEX LEARNING EXPERIENCE?

PAYBACK ACTIONS AND STRUCTURE

THE FIRST SECRET TO RAPID PAYBACK IS TO USE THE FOCUS AND DE-FOCUS PROCESS ON PRIMARILY THE CUSTOMER BASE TO OPTIMIZE THE USE OF ENTERPRISE SCARCE RESOURCES, AS EXPLAINED FURTHER IN THE CUSTOMER ASSET MANAGEMENT CHAPTER.

OPERATIONAL OBJECTIVES

- 1) FOCUS THE BUSINESS AND ENTERPRISE SCARCE RESOURCES ON THE MOST PROFITABLE TARGETS AND DE-FOCUS RESOURCES AWAY FROM LESS INTERESTING TARGETS.
- 2) START THE “INFORMATION DOMINANCE STRATEGY”.
THE COLLECTED INFORMATION IS USED TO:
 - A) MANAGE BRAND AND CUSTOMER ASSETS
 - B) DESIGN BUSINESS AND MARKET ROAD MAPS
 - C) START BUSINESS AND MARKETING CONTROL AND BUSINESS AND MARKETING INTELLIGENCE DEPARTMENTS.
- 1) DESIGN AND START BUILDING THE OPERATIONAL PLATFORM FOR HIGH PERFORMANCE EXECUTION. THIS IS THE STARTING POINT FOR INTEGRATION OF BRAND AND CUSTOMER COMPANY STRATEGY.

THE BUSINESS POWER BASICS LEVEL: More profitable business from the customer base due to improved business targeting and use of scarce resources.

Business power level management is fundamentally a top management team mission and the basic level is no exception, as we have to get the business and management strategies right before building the high performance platform for execution. The key questions to be answered are:

- 1) In which business space do we want to be the business champion?
- 2) What is the road (direction) and roadmap (description) to get there?
- 3) Which action can we take just now to start reaching for the objectives, as this is the start of a long learning experience?

The business power basics level is used to build a solid and powerful base for future operations and we are now driving for what I call start point excellence.

The first secret, to a rapid payback in the basics power level is to use what I call the business focus and de-focus process on the customer base. The Brand & Customer company's management strategy and operational action platform are used.

- A) To identify, prioritize and develop the customer's further positive business potential, of selected profitable or potentially profitable customers.
- B) To identify and minimize investments in non-profitable customers and this is explained further in the "Brand & Customer Asset Management" chapters.

The operational objectives are to:

- 1) Focus the business and enterprise scarce resources on the right targets, that is the focus and de-focus strategy.
- 2) Start the information dominance strategy, which covers all relevant information related to markets, customers and operations. The information collected is used both to manage Brand & Customer assets and to design the market and business roadmaps.
- 3) Data collection and analysis will require a marketing and business control system with a central database and extensive marketing and business intelligence by high level specialists in marketing, statistics and modeling.
- 4) Design and build the base platform for future business, which is the starting point for the integration of the Brand & Customer Company strategy. This is the main strategic excellence starting point.

The management of vital Brand & Customer assets and the operational business and marketing processes are a top management team driven effort, which involves all the internal and external operational asset management teams.

Business power level management is a never-ending top management team driven by the transform active management process, which is used for driving the different business activities upwards one-by-one and level-by-level, as we go forward in the learning and integration process.

New activities have to start at a low level that is at the basic level and scaled up to the champion level as we learn and upgrade strategies and operations in order to use effectively enterprise business power potential towards customer targets.

THE BUSINESS EXECUTION POWER LEVEL

BUSINESS EXECUTION POWER LEVEL MANAGEMENT

INFORMATION DOMINANCE STRATEGY WILL GRADUALLY ENABLE THE TOP MANAGEMENT TEAM TO:

- 1) IMPROVE CUSTOMER AND MARKET INSIGHT IN ORDER TO LEVERAGE IN REAL-TIME ENTERPRISE BUSINESS POWER TOWARDS THE BEST CUSTOMERS AND THE BEST BUSINESS.
- 2) STREAMLINE OPERATIONS IN ORDER TO REACH THE BUSINESS OBJECTIVES MORE EFFECTIVELY.
- 3) DRIVE FOR OPERATIONAL EXCELLENCE, WHICH IMPLIES THAT WE ARE WORKING IN A TRULY REAL-TIME INTERACTIVE BUSINESS MANAGEMENT ENVIRONMENT.

PAYBACK ACTION STRUCTURE

THE DRIVE FOR OPERATIONAL EXCELLENCE TOGETHER WITH REAL-TIME INFORMATION DOMINANCE STRATEGY WILL SUPPORT SYSTEMATIC ENHANCEMENT OF BUSINESS ACTION MODELS. THE PAYBACK PROCESS WILL START SLOWLY AND ACCELERATE OVER TIME AS WE GO FORWARD IN THE LEARNING AND CHANGE PROCESSES.

OPERATIONAL OBJECTIVES

- 1) DRIVE FOR REAL-TIME INFORMATION DOMINANCE IN ORDER TO ENABLE MANAGEMENT TO MAKE INFORMED DECISIONS.
- 2) SYSTEMATIC REAL-TIME INTEGRATION OF THE INFORMATION COLLECTED INTO BUSINESS ACTION MODELS.
- 3) REDESIGN, UPGRADE AND TEST BUSINESS ACTION MODELS IN REAL-TIME.

FURTHER COMMENTS AND CONCLUSIONS

IT IS SIMPLY IMPOSSIBLE TO INTEGRATE A REAL-TIME INTERACTIVE BUSINESS EXECUTION MACHINE WITH ITS MARKET CHAIN MANAGEMENT SYSTEM INTO A TRADITIONALLY STRUCTURED ENTERPRISE, AS ALREADY EXPLAINED IN THE STARTING POINTS. THIS IS ONE OF THE FUNDAMENTAL REASONS FOR USING THE BRAND AND CUSTOMER COMPANY STRATEGY.

AT THE BUSINESS POWER EXECUTION LEVEL we can assure higher profit through systematic integration and effective use of information on operations, customers and markets.

The information dominance strategy, the systematic collection and integration of relevant information will gradually enable the top management team to:

- 1) **Improve customer and market insight** (understand customers and markets) in order to build more profits and sales.
- 2) **Streamline operations** (optimal use of scarce resources) in order to reach the business goals more effectively.

We are now driving for operational excellence which implies that we are working in a truly real-time interactive business management environment.

Information systematically collected and integrated into business action models will over time greatly enhance not only the business volume and durability but also the quality. The business execution level payback process will start slowly and accelerate as we go forward in the learning experience due to improved business action models and strategies.

The operational objectives are to:

- 1) **Reach the state of real-time information dominance** through the systematic collection of relevant data in order to enable management to make informed decisions in real-time.
- 2) **Systematically integrate information** into the business decision and action models in order to drive operations more effectively because this is where the profit is.
- 3) **Systematically re-design, test and upgrade** the business action models to streamline operations in order to continue the profit improvement process.

Further profits will obviously only become a reality after the effective integration of relevant information into the new real-time interactive business execution machine and its market chain management system (explained further in the “Market Chain Management” chapter), which should now also be capable of handling the trans-enterprise decision and action processes.

Real-time interactive management processes are hardly possible in a traditional enterprise due to its divided departmental management structure, which is the most important reason for using the Brand & Customer company’s new enterprise structure.

The US Armed Forces had similar problems when conducting real-time interactive battle management as explained further in the “Learning from the Army” chapter and we can profit from their experience.

The level of information dominance will improve over time through the systematic collection and analysis of all relevant business and marketing information. Top management support is vital for driving these strategic trans-enterprise learning and change processes. The fastest learner wins.

In the Brand & Customer company, we have gone one step further, as the change management function is an integrated part of the top management team. This will be explained further in the “Brand & Customer Company” chapters.

THE BUSINESS CHAMPION POWER LEVEL

BUSINESS CHAMPION POWER LEVEL MANAGEMENT

THE COMBINED IMPACT OF INFORMATION DOMINANCE STRATEGY AND OPERATIONAL EXCELLENCE WILL GRADUALLY ENABLE TOP MANAGEMENT TO:

- 1) PREPARE EFFECTIVE BUSINESS AND MARKET ROADMAPS THROUGH SYSTEMATIC INTEGRATION OF FIELD INFORMATION.
- 2) DESIGN EFFECTIVE BUSINESS AND MARKETING ACTION MODELS, PLUS INTEGRATE THEM INTO THE IT SYSTEM.
- 3) DRIVE FOR MARKET LEADERSHIP IN A SELECTIVE WAY AS TOTAL MARKET LEADERSHIP CAN BE MORE OR LESS PROFITABLE.

PAYBACK ACTION STRUCTURE

POWERFUL STRATEGIC AND OPERATION BUSINESS BATTLE MANAGEMENT GIVES THE ENTERPRISE A STRONG COMPETITIVE ADVANTAGE AND THE VALUE OF THIS ADVANTAGE IS FUNDAMENTAL AS “THE WINNER TAKES ALL”: THE BEST CUSTOMERS WITH THE BEST BUSINESS.

OPERATIONAL OBJECTIVES

- 1) UPGRADE BOTH BUSINESS AND MARKETING STRATEGIES TOGETHER WITH BUSINESS ACTION MODELS IN ORDER TO FULLY EXPLOIT INFORMATION DOMINANCE STRATEGY.
- 2) DRIVE FOR MARKET LEADERSHIP IN SELECTED BUSINESS SPACES.

FURTHER COMMENTS AND CONCLUSIONS

TRUE CHAMPIONS DRIVE FOR EXCELLENCE ALL THE TIME ALL THE WAY, AS THERE IS NO CHAMPIONSHIP GAME OVER STATUS IN STRATEGIC AND OPERATIONAL BUSINESS POWER GAMES. ENTERPRISE CHAMPIONS MUST CLEARLY DO THE SAME.

CHAMPIONS KNOW HOW TO IDENTIFY THE ESSENTIALS PLUS HOW TO LEARN AND IMPLEMENT THEM FASTER THAN THE COMPETITION. IT ALSO TAKES A LOT OF LEADERSHIP TALENT TO BE A CHAMPION.

AT THE BUSINESS POWER CHAMPION LEVEL higher profit and more business through combined strategic and operational business battle management.

The enterprise is finally moving forward with the market in a controlled way.

- 1) **The business and market roadmaps** (explained further in the “Market Chain Management” chapter) are getting clearer through the systematic integration of marketing and business information, which is collected by business and marketing control plus the business and marketing intelligence functions/departments.
- 2) **We are starting to see how to act** and consequently how to re-design the new improved generations of more or less automated business and marketing action models. Step-by-step the enterprise is starting to reach the stage of systematically integrated real-time information dominance.
- 3) **We are now driving for market leadership** to secure enterprise primacy and to drive profits further. The overall strategy in this stage is to transform the business execution machine into a business power house champion, which fights to win the best customers and the best business.

We are now driving for combined strategic and operational excellence, which implies that we have reached the objectives on the basic and execution power levels.

Powerful strategic and operational business battle management gives the enterprise a strong competitive advantage, which is often transformed into market leadership and an improved capability to survive in ruthlessly competitive global markets. The value of competitive advantage is often superior to the increased profits and business volumes, as the winner sets the rules and the winner takes all. These maxims enforce the race for the best customers with the best business.

The operational objectives are to use:

- 1) **Information dominance** to upgrade not only business action models but also marketing strategies in order to reach market leadership in a defined and selected business space.
- 2) **Market leadership** to upgrade business quality (profitability, risk reduction, robustness and positive brand impact) in our target business spaces.

The business champion level is a type of eternal strategic and operational business power game with the objective not only to reach for but also to defend business champion status and market leadership. The business power game is simply eternal and there is no champion game-over status.

To be a champion is a profession and true business champions drive for excellence all the time, all the way, as explained by Jack Welch in *Winning*, which I recommend you read. Managing business power excellence obviously requires a lot of management talent and years of field experience to understand the essentials.

Last but not least, integration of the customer experience. We can only see what we can understand and customers can help us to see the essential value in our products and services. Business champions know how to benefit from customer interaction and to integrate the customer experience into their products and services. The Brand & Customer company’s powerful real-time interactive operational structure supports these vital learning and integration processes.

THESE ARE MY BUSINESS CONCLUSIONS

THE PAYBACK VOLUME, STRUCTURE AND ADVANTAGE

PAYBACK POTENTIAL IS SOLID AND PARTLY WELL KNOWN FROM CUSTOMER RELATIONSHIP MANAGEMENT PROGRAMS.

POWER LEVEL STRUCTURE ENABLES US NOT ONLY TO MEASURE PAYBACK IN DOLLARS BUT ALSO HOW TO DEVELOP FURTHER POWER LEVEL BY POWER LEVEL.

A POWERFUL ENTERPRISE MUST KNOW HOW TO INCREASE NOT ONLY PROFITS AND VOLUMES BUT ALSO THE QUALITY OF THE BUSINESS IN ORDER TO STAY ALIVE IN COMPETITIVE MARKETS.

DID WE WIN A STAR OR A DOG?

MOST BUSINESS-2-CONSUMER COMPANIES HAVE A LARGE PROPORTION (35 - 50%) OF NEW CUSTOMERS, WHO ARE EITHER NOT YET PROFITABLE OR NEVER PROFITABLE AND IT IS VITAL TO MANAGE THEM ACCORDINGLY.

PROJECT TEAM MISSIONS

THIS IS CLEARLY A TOP MANAGEMENT TEAM MISSION, WHICH MUST BE LED BY ONE OF OUR VICE PRESIDENTS, WHICH WILL BE OUR OWN DR. CHANGE.

THIS PROJECT ALSO REQUIRES MAJOR FIELD TESTING IN ORDER TO GET COMPLETE ANSWERS ON HOW TO TAILOR STRATEGY AND MAKE IT WORK IN OUR ENTERPRISE.

OUR DR CHANGE TOGETHER WITH THE PROJECT TEAM MUST SUPPLY SOLID ANSWERS TO THE THREE MAIN QUESTIONS BELOW.

MY MAIN CONCERNS AT THIS POINTS ARE:

- 1) HOW TO EXPLAIN THIS NEW STRATEGY TO THE PERSONNEL IN A POSITIVE AND COMPREHENSIVE WAY.
- 2) REDESIGN OF THE ENTERPRISE AND OPERATIONAL POLICIES.
- 3) MANAGEMENT OF THE VITAL LEARNING AND IMPLEMENTATION PROCESSES NEEDED TO MAKE IT WORK.

Ok Dr. Change, these are my business conclusions at this point:

The three major market and management challenges are real and I see the situation as follows:

- 1) **Dynamic value and profit center management** are vital for all enterprises that manage aggressively their major assets, but the exact solutions must be tailored for each enterprise, as there are no universal solutions.
- 2) **The asset focused dynamic Brand & Customer management strategy** looks like both an effective base strategy and action platform for management of Brand & Customer assets/equities in competitive markets.
- 3) **The power level structure** is very interesting, as it helps enterprises to increase the volume, durability and quality of their business, which is vital for all enterprises in highly competitive and fast moving markets.
- 4) **Individual customer business management** alone is a major challenge for all companies, that wish to increase profits and reduce the volume of non-profitable customers and a sufficient motivation for upgrading their customer management.

Now to some further comments on payback:

- 1) **The total payback potential** is solid and I have no doubt that business power chain management is a profitable investment if implemented correctly. This is partly a traditional CRM system with known benefits and integration problems.
- 2) **The payback structure** depends on the level of integration and how the management systems are used, which are both liaised through power level management.
- 3) **The power level and payback structures** will not only enable us to measure the payback in money but also to understand how to develop it further, power level by level, which is vital for real life effectiveness of the payback strategy.

Business-to-consumer companies must address the following management challenges:

- 1) **35-50% of the enterprise's customers** are not-yet-profitable or non-profitable and the business potential of all customers has to be identified and managed accordingly. The potential stars and dogs have to be separated, as explained further in the "Brand & Customer Asset Management" chapters.
- 2) **Not-yet-profitable customers** are partly due to the customer rotation process (time to repay the initial investment) and partly due to poor development of customer business potential, which consequently has to be improved.
- 3) **All new customers** have to be selected carefully to avoid a large proportion of never-profitable customers, which are difficult and expensive to exclude. The business potential of all new and old customers must consequently be identified and managed effectively.

We will now have to nominate our own Dr. Change, who should provide a solid and field-tested response to the key questions below before we can make a decision:

- 1) **How to explain** these new management concepts to all employees in a positive and comprehensive way to avoid confusion, corporate warfare and business losses?
 - 2) **The detailed re-design** of our enterprise and its operational policies?
 - 3) **How to manage** the vital implementation, learning and change processes?
-

LEARNING FROM THE ARMY

THE ARMY'S STRATEGIC RE-THINK POINT

THE VIETNAM WAR FAILURE WAS THE TRIGGERING POINT FOR THE FUNDAMENTAL RE-THINK IN THE US ARMED FORCES.

FAILURE IS AS ALWAYS A POWERFUL MOTOR FOR RE-LEARNING AND CHANGE TOGETHER WITH THE "TRY HARDER" PROCESS, AS WE CANNOT LEARN WITHOUT TRYING.

THE MILITARY WORLD IS VERY DIFFERENT FROM BUSINESS BUT WE ARE BOTH ENCOUNTERING SIMILAR MANAGEMENT CHALLENGES SUCH AS REAL-TIME INTERACTIVE BATTLE MANAGEMENT WHEN THE MILITARY EXPERIENCE CAN BE USED.

THE ARMY'S STRATEGIC PACKAGE SOLUTION

THE OVER ALL OPERATIONAL PACKAGE STRATEGY IS TO POWER UP THE FRONT LINE IN ORDER TO WIN BATTLES AND THE FIVE KEY STRATEGIES SHOULD BE USED JOINTLY IN ORDER TO BE EFFECTIVE.

1) JOINTNESS STRATEGY

TO CREATE A SINGLE JOINT TEAM, WHICH CAN FULLY UNDERSTAND THE CHALLENGES FROM ALL SIDES AND MAKE ALL RESOURCES AVAILABLE IN REAL-TIME TO WIN FRONT LINE BATTLES.

THE RATIONAL IS TWO FOLD, AS WE NEED BOTH JOINT KNOWHOW AND JOINT CONTROL AND COMMAND STRUCTURE FOR EFFECTIVE REAL-TIME INTERACTIVE BATTLE MANAGEMENT.

2) JOINT VISION STRATEGY

TO MAKE EVERYBODY SEE THE SAME PICTURE IN ORDER TO IMPROVE BOTH COMMUNICATIONS AND ACTION COORDINATION.

THE RATIONAL IS TWO FOLD, AS WE NEED JOINT VISION BOTH FOR UNDERSTANDING SHARED INFORMATION AND TO COORDINATE BEST PRACTICE LIKE ACTIONS IN RESPONSE TO THE SHARED INFORMATION.

LEARNING FROM NEW ARMY BASICS

Hello Dr. Change. – Cross science learning (from the Army)?

There are fundamental differences between running a war and a business, but we can surely still learn from the military real-time interactive battle management systems. My first question is how would you propose to use military experience in business environments?

Hello Mr. President. – This is not the first time.

OK, why not? Other management methods like operations research and quantitative decision methods were first used during the Second World War when fighting German U-boats in the North Atlantic before being used in business enterprises. Finally, we must learn from all areas with ruthless competition and this is a standard cross-science learning and integration management challenge.

Major countries use new military strategies to change their military organizations and operations. The leader and the most well known example is the US Armed Forces and I will now explain what I know about five key strategic military concepts, which can be used, with some modifications, in the business sector. I am far from a military expert but I will try to explain the reorganization strategy of the US Armed Forces, which was triggered by Vietnam War experiences. For more information about the Military, I recommend you read, *Every Man is a Tiger*, by Tom Clancy and General Chuck Horner. There are also other military concepts and strategies, not mentioned here, which could be used in businesses.

JOINTNESS TEAM STRATEGY unites our forces in order to fully understand the challenges and to be stronger.

Jointness team-focused organizational strategy is used to join and integrate all services into combat command centers and tailored combat units with all services/specialties working closely together. The rationale is twofold as we need both joint knowhow and real-time interactive battle management which are impossible in organizations without a joint control and command structure. The traditional military organization was based on dividing the armed forces into services: Army, Navy (plus Marines), Air Force and Space Systems.

Enterprises are also looking for new organizational structures, which support enterprise wide jointness team strategies for real-time interactive trans-enterprise business process management and it will be very interesting to follow this evolution.

JOINT VISION STRATEGY makes everybody see the same picture in order to improve both communications and action coordination.

The joint vision strategy is used to share and to make information understandable to all team members from the different services plus finally to coordinate actions. This is what the message means and this is what I should do in this situation. The jointness enterprise team platform would simply not work effectively without a common understanding of missions, objectives, ways of working and information in heterogeneous combat teams. Joint vision is fundamental for making the whole action system function in a specified way.

3) INFORMATION DOMINANCE STRATEGY

TO MAKE EFFECTIVE INFORMED DECISIONS THROUGHOUT THE ENTIRE ORGANIZATION TO MAXIMIZE THE IMPACT OF SCARCE BATTLE RESOURCES

THE RATIONAL IS SIMPLY THAT INFORMATION IS POWER: BATTLE, BUSINESS OR WHATEVER POWER BUT STILL POWER.

4) CLOSE OPERATIONAL SUPPORT STRATEGY

TO MANAGE BATTLES JOINTLY WITH THE FIELD AND TO MAKE OPTIMIZED SUPPORT IN REAL-TIME.

THE RATIONAL IS THAT WE NEED A NEW ORGANIZATIONAL STRUCTURE BOTH FOR REAL-TIME INTERACTIVE BATTLE MANAGEMENT AND FOR FOCUSING BATTLE RESOURCES ON PRIORITY TARGETS.

5) PUSH CLOSE OPERATIONAL SUPPORT STRATEGY

THIS IS A TYPE OF PROACTIVE CLOSE OPERATIONAL SUPPORT TO PUSH FORWARD READY TO USE FIREPOWER TOWARDS THE FRONT LINE. THE US AIR FORCE CALLS THIS PUSH CLOSE AIR SUPPORT.

THE RATIONAL IS TO REDUCE TIME TO ACTION AND TO MAXIMIZE TOTAL FIREPOWER, AS THERE IS LESS WAITING TIME.

THE ARMY'S STRATEGIC PACKAGE SUMMARY

JOINTNESS WILL TRANSFORM A CLAN APPROACH INTO TEAM APPROACH AND MAXIMIZE THE ENTERPRISE'S TOTAL RESOURCES.

JOINT VISION WILL MAKE IT POSSIBLE TO COORDINATE THE USE OF TOTAL RESOURCES.

INFORMATION DOMINANCE WILL UPGRADE BOTH THE DECISION PROCESSES AND THE IMPACT OF FIREPOWER.

CLOSE OPERATIONAL SUPPORT WILL UPGRADE BATTLE MANAGEMENT AND OPTIMIZE THE IMPACT OF FIREPOWER.

PUSH CLOSE OPERATIONAL SUPPORT WILL MAXIMIZE THE TOTAL FIREPOWER AVAILABLE TO FRONT LINE TEAMS.

The US Armed Forces have invested a lot of work and years of training to get away from “I am in the Navy and do not speak to the Army” syndrome in order to support jointness and joint vision strategies. Business enterprises will surely have to do the same to make for example marketing and accounting understand each other.

INFORMATION DOMINANCE STRATEGY creates and uses information power effectively.

Instant information is instant power and information dominance strategy is based on real-time interactive data collection, communication and management systems so that all information can be collected, shared and used effectively in real-time. The objective is clearly to make informed decisions in real-time in order to know how to fight and when to run.

Enterprises also need information dominance plus the capability to access and share information in a distributed fashion. Real-time data access however is a major problem in most companies as departments tend to block the distribution of important data for a number of technical and other reasons. Information is power.

CLOSE OPERATIONAL SUPPORT STRATEGY powers up the front line through effective and coordinated use of resources.

The fundamental objective is to use total resources effectively that is to leverage firepower towards priority targets and this requires battle management centers, which can manage real-time interactive battle management and the close operational support (COS) in different forms (close air support, artillery). We need a new organization. The traditional military organization would simply be overloaded by all the front line support requests. It would not be able to contact directly other battle resources such as Air Force and artillery.

Fundamentally different real-time interactive war and battle management requires a different organizational approach and businesses will have to face the same challenge and adjust their organizations accordingly.

PUSH CLOSE AIR SUPPORT STRATEGY moves support resources closer to the front line in order to reduce time to action.

Support aircraft are sent in on successive waves of push missions to hit non-time-sensitive targets such as buildings or non-priority targets, which are ideally as close as possible to the combat zones. These waves of aircraft can be redirected on very short notice by the operational battle management centers and pushed in towards the new priority support targets as requested by ground troops. The push close air support system is an integrated part of new real-time interactive battle management, which also uses other support resources such as artillery.

Traditionally, ground troops called in pull air support from aircraft, which were waiting in the air or on the ground for support calls. The push support system has three major advantages: 1) increased total firepower, as no aircraft are idle and waiting for possible missions, 2) reduced response time, as the aircraft are pushed in on other missions closer to combat zones, 3) wider choice of support aircraft, as there is no waiting time in the air (aircraft can be stationed further away from combat zones). The push close air support strategy has dramatically improved the effectiveness of close operational support.

THE BUSINESSES STRATEGIC RE - THINK POINT

THE TWO MAJOR SYSTEM FAILURES, WHICH SHOULD TRIGGER STRATEGIC RE-THINK IN BUSINESSES ARE:

- 1) THE HIGH FAILURE RATE WHEN INTEGRATING IT-SUPPORTED BUSINESS PROCESS MANAGEMENT SYSTEMS. THE FAILURE RATE WHEN INTEGRATING CRM IT SYSTEMS IS ABOUT 75% AND THERE IS ALWAYS SOMEONE, WHO SHOULD HAVE DONE IT BETTER, ETC.
- 2) THE NEW MANAGEMENT REQUIREMENTS FOR ACTION TANGIBLE BRAND AND CUSTOMER ASSETS, WHICH IN FACT REQUIRE A NEW BUSINESS POWER MANAGEMENT STRATEGY.

THE BUSINESS CHANGE MOTORS (NEW TECHNOLOGIES AND MANAGEMENT STRATEGIES), WHICH GLOBALIZE COMPETITION, WILL FURTHER ACCELERATE THE NEED FOR THIS MANAGEMENT RE-THINK PROCESS.

THE STRATEGIC BUSINESS PACKAGE SOLUTION

THE US ARMED FORCES HAVE USED A COMBINATION OF STRATEGIES TO MEET THE NEW CHALLENGES. BUSINESSES WILL ALSO HAVE TO DESIGN A PACKAGE SOLUTION IN ORDER TO MEET A NUMBER OF MORE OR LESS INTERLINKED NEW MANAGEMENT REQUIREMENTS.

THIS NEW BUSINESS PACKAGE SOLUTION, LEARNING FROM THE ARMY, WILL HAVE TO COVER NEW MANAGEMENT VISIONS AND STRATEGIES, ENTERPRISE DESIGN AND STRUCTURE AND CORE COMPETENCES.

THE FOUR KEY AREAS WHERE WE CAN LEARN FROM THE ARMY SUMMARY

- 1) THERE IS ALWAYS A LIMIT TO JAM IT IN TACTICS WHEN WE MUST RE-THINK THE BASIC STRATEGIES INSTEAD OF BLAMING INDIVIDUALS, AS SYSTEMATIC SYSTEM FAILURES REQUIRE NEW SYSTEM SOLUTIONS.
- 2) BUSINESSES, JUST LIKE THE ARMY, WILL HAVE TO DEVELOP AND TEST A PACKAGE OF NEW INTERLINKED STRATEGIES (THE BRAND AND CUSTOMER COMPANY), AS EXPLAINED FURTHER IN THIS BOOK.
- 3) AGILE MORE FLEXIBLE ENTERPRISE DESIGN IN ORDER TO FOLLOW THE HIGH MARKET AND BUSINESS PACE.
- 4) THE MAIN CHALLENGE WILL BE HOW TO PREPARE PERSONNEL AND THIS WILL TAKE TIME IN ORDER TO MAKE THE FUNDAMENTALLY NEW SOLUTIONS EFFECTIVE.

BUSINESS CHANGE MOTORS AND THE RE-THINK POINT

New technologies and management strategies globalize competition and this will drive change faster and faster in all businesses worldwide. The very way we manage business will change and enterprises will have to find the best way to make full use of new management strategies to drive business and fight global competition.

Future winners will in addition have to integrate real-time interactive IT platforms to support trans-enterprise business process management.

BUSINESS MANAGEMENT VISIONS AND STRATEGIES

New battle management strategies and concepts: the jointness organization, joint vision, 3D battle space (not 2D battleground), rapid push close air support were developed to fit the new military real-time interactive battle management systems. Tom Clancy together with General Chuck Horner have explained all this very well in *Every Man is a Tiger*. We will surely have to develop similar new management concepts for business and this is a very interesting challenge.

BUSINESS ORGANIZATIONAL STRUCTURES

Traditional organizational structures must be changed when integrating the jointness and joint vision strategies, as interactive real-time process management is impossible in traditional organizations with divided command, knowledge and control structures.

The new organizational structure must support trans-enterprise process management and very few enterprises have so far faced this new challenge and upgraded their organizations to integrate new business management strategies and real-time interactive IT systems.

CHANGE MANAGEMENT IN BUSINESS ENTERPRISES

The very way we manage business enterprises and how they work will change as in the US Armed Forces, which used years of testing and training to develop both personnel and systems. The advantages of new management systems as such are simply very interesting but not sufficient to make the users accept them. It will take powerful change management, extensive testing and training plus finally time to make new management strategies and systems function.

Yes Dr. Change. We can learn a lot from the military side.

The US Armed Forces came to a point when they had to re-think global strategy and not just ram through a few changes. Businesses will have to face the same fundamental challenges, when integrating high performance real-time interactive business battle management.

Military battle management was improved through the combined effect of several new key strategies and high tech systems.

Businesses will also have to develop and test a package of new key strategies such as jointness and joint vision in order to function effectively in new management and market environments.

The main challenge will be to prepare personnel to work and function effectively in the Brand & Customer company's new management and operational structure.

FORWARD TO BASICS – BACK TO THE FUTURE

THE BASICS ARE THE BASIS FOR UNDERSTANDING

THE KERNEL TOP MANAGEMENT MISSION REMAINS TO DEFINE CORPORATE OBJECTIVES AND STRATEGIES TO REACH THEM, PLUS TO PROVIDE OPERATIONAL SUPPORT IN ORDER TO MAKE IT ALL HAPPEN.

THE CORPORATE BASE MANAGEMENT STRATEGY IS STILL TO FOCUS ON STRATEGIC AND OPERATIONAL ASSET MANAGEMENT. HOWEVER, MARKET DRIVEN BUSINESS MANAGEMENT HAS CHANGED THE GAME.

1) THE FUTURE

IS IN THE MARKET AND ONLY IN THE MARKET AND
BUSINESS BACK SEAT DRIVING IS OVER

THE FUTURE OF BUSINESS IS IN THE MARKET AND IN THE MANAGEMENT OF EXTERNAL AND ACTION TANGIBLE BRAND AND CUSTOMER ASSETS, WHICH HAVE NOW BECOME THE TRUE MAJOR ASSETS OF THE ENTERPRISE.

THE NEW CORPORATE MANAGEMENT STRATEGY MUST NOW CLEARLY INCORPORATE THE MANAGEMENT OF BOTH EXTERNAL ACTION TANGIBLE AND INTERNAL TANGIBLE ASSETS, WHICH IS THE FIRST REASON FOR IMPLEMENTING NEW BRAND AND CUSTOMER COMPANY STRATEGY.

MANAGEMENT OF EXTERNAL AND INTERNAL ASSETS MUST BE COORDINATED AND MARKETING AND SALES OPERATIONS ARE THE VITAL BRIDGE FUNCTIONS BETWEEN THE TWO ASSET CATEGORIES.



BRAND AND CUSTOMER ASSETS ARE A TYPE OF BUSINESS PIPELINE, FEEDING THE SALES PROCESS LONG AND SHORT TERM.

MARKETING AND SALES INVESTMENTS SHOULD SIMPLY CORRESPOND TO AN INCREASE OF BRAND AND CUSTOMER ASSETS.

FORWARD TO BASICS – BACK TO THE FUTURE

The new basics are the basis for understanding this new management approach and I will try to explain some of the major changes. The main difficulty in understanding this new approach is that a part of the new basics are backwards. The new alphabet is simply A-B-C-F-E-D-G-H-I.

In the future, we do not only propose to redesign the enterprise, but also a new operational structure, where the departments will function differently to meet new requirements in market driven economies.

Brand & Customer asset management is for example far beyond traditional marketing and sales, which are only the tip of the asset management iceberg. Please keep your minds open to these fundamental changes, which I will try to explain further below.

The kernel leadership mission of top management in all enterprises is still to define objectives and strategies, to reach them plus to provide operational support to make it all happen. An enterprise can only be tuned and guided to go somewhere if you know exactly where to go and how to operate in the market. All major operational management decisions are in fact closely related to reaching corporate objectives.

Basic corporate management strategy is still to focus on the strategic and operational management of major assets, as they are the proof of both the status and evolution of the enterprise. We are traditionally using the balance sheet and the profit and loss statement for this purpose, as major traditional assets are internal.

Traditional excellence in internal tangible asset management is not sufficient for new market driven business management and we will now have to excel in external intangible Brand & Customer asset management. Consequently, we will also have to upgrade management systems and enterprise resource management (ERM) to meet this new challenge.

We will now look into the three major basics of the future.

1) THE FUTURE OF THE BUSINESS IS IN THE MARKET AND ONLY IN THE MARKET. WE MUST NOW CREATE A NEW BRAND & CUSTOMER ASSET MANAGEMENT STRATEGY AND OPERATIONAL STRUCTURE/PLATFORM TO FIT THIS NEW BUSINESS REALITY.

The principle assets of the enterprise are external (in the market): intangible Brand & Customer assets. Yes, the true principle assets of the enterprise never show up on the balance sheet. Many top management teams try to navigate in the market minefields without even trying to manage them.

This is not a simple sales department problem, as the size, structure and development of external assets will together with market characteristics determine the future business volume, profit and strategic direction of enterprises.

The new corporate business management strategy has to integrate management of both external and internal assets and this is why we should implement the Brand & Customer company strategy.

BRAND AND CUSTOMER ASSET MANAGEMENT BASICS

TO MANAGE INVESTMENTS IN BRAND AND CUSTOMER ASSETS, WE NEED TO TRACE THE RETURN ON MARKETING ACTIONS (ROA) IN ORDER TO CALCULATE THE RETURN ON INVESTMENT (ROI).

THE TRADITIONAL COMPANY IS POORLY EQUIPPED TO TRACK AND QUANTIFY THE IMPACT ON OR OFF THESE PARTLY INTANGIBLE ASSETS (BRAND IMAGES AND CUSTOMER EXPECTATIONS).

MAJOR CHANGES

- 1) OPERATIONALLY, WE WILL HAVE TO CHANGE FROM “HANG ON TO YOUR BEST CUSTOMERS” TO “BUILD UP AND MANAGE YOUR KEY BRAND AND CUSTOMER ASSETS” AS SALES ARE THE CAPITALIZATION PROCESS OF BRAND AND CUSTOMER ASSETS.
- 2) THE ENTERPRISE’S CAPABILITY TO DESIGN A WELL POSITIONED AND POWERFUL BRAND, TO MANAGE EFFECTIVELY THE BRANDING PROCESSES (CRM) AND TO BRING VALUE TO THEIR CUSTOMERS IS THE VERY BASIS FOR BUILDING ENTERPRISE BRAND AND CUSTOMER ASSETS.
- 3) TO MANAGE THE BRAND, WE MUST MANAGE THE BRANDING PROCESSES (CRM) WITH WELL EXECUTED BEST PRACTICE BRAND MANNERS, WHICH ARE BASED ON CLEAR, JOINT AND CONSISTENT PICTURES: THE JOINT VISION AS EXPLAINED IN LEARNING FROM THE ARMY.
- 4) TO MANAGE CUSTOMER ASSETS, WE MUST MANAGE THE BUSINESS VALUE PROCESS AND ITS MAJOR COMPONENT (CUSTOMER LIFETIME VALUE). THE BASIC CHALLENGE IS TO MAXIMIZE CUSTOMER VALUE WITH OPTIMIZED INVESTMENTS.

THE BUSINESS - TO - BUSINESS BRAND AND CUSTOMER ASSET MANAGEMENT EXPERIENCE

IBM HAS BEEN USING BRAND AND CUSTOMER ASSET MANAGEMENT STRATEGIES TO MANAGE THEIR LARGE STRATEGIC ACCOUNTS WITH GREAT SUCCESS DURING THE LAST 50 YEARS. BUSINESS TO CONSUMER COMPANIES, HOWEVER, DID NOT KNOW HOW TO TRANSLATE THIS STRATEGY INTO THEIR BUSINESS AREA BEFORE THE ONE-TO-ONE MARKETING REVOLUTION.

THIS STRATEGY IS VERY POWERFUL IN THE HIGH TECH SWINGING MARKETS AND IT HELPED IBM TO STAY ON TOP FOR MANY YEARS BEFORE THE FUNDAMENTAL PC MARKET CHANGES ARRIVED.

The management of external and internal assets must also be coordinated as marketing/sales operations are the vital bridge functions between external and internal assets. Marketing and sales investments should normally correspond to an increase in the Brand & Customer assets and/or directly in sales.

Marketing is used to build up plus manage Brand & Customer assets. Customer assets are a type of business pipeline, which feeds the sales process. The brand asset is the bridge between the enterprise and the customer. Sales are the management of the capitalization process of Brand & Customer assets.

To manage investments and operations in the Brand & Customer company, we need return on marketing actions to be able to calculate the return on investment (ROI). Traditional enterprises are, however, poorly equipped to track and quantify the business impact on or off these intangible assets based on brand image and customer expectations.

Traditional management systems are mainly focused on managing the impact and relationships between tangible assets such as products, cost of production or sales. In the future we must also effectively manage the business impact of these non-directly measurable assets such as brand image, and customer expectations and customer satisfaction with company products and services.

We simply need new management knowledge and organizational structure in the enterprise with the capability to meet this challenge. This new management structure, which includes the marketing/business control function, is a very important part of the Brand & Customer company strategy and operational action platform.

Operationally we will have to change from hang on to our best customers to a more complex effort to build up and manage our key Brand & Customer assets. A powerful brand is a major competitive advantage. Sales are the capitalization process of Brand & Customer assets.

The capacity of company management to design a well-positioned and powerful brand, to effectively manage the branding processes and to bring value to their customers (Customer Business Value) is clearly the very basis for building up enterprise Brand & Customer assets.

To manage the brand, it must first be designed and then defined in the brand strategy. Then we must understand that all customer contacts/interactions constitute the branding process. The objective is to create a strong foundation for a positive business relationship during the whole customer lifecycle.

Successful companies must clearly not only be able to design and build a brand but also to manage the branding process with well-executed and consistent best practice brand manners (CRM). Good execution is based on getting clear, joint and consistent pictures to all personnel involved on how to act and on solid training of all employees.

To manage customer assets we must understand the business value process and its major component: customer (lifetime) value. This value corresponds to the business lifetime profit of the customer.

2) THE FUTURE

**IS IN NEW MANAGEMENT STRATEGIES & TECHNOLOGIES
AND IN CONTROLLED INTEGRATION OF NEW SYSTEMS**

MARKET PRESSURE FORCES ENTERPRISES TO INTEGRATE NEW SYSTEMS IN ORDER TO ADAPT: TO USE MORE EFFECTIVE MANAGEMENT STRATEGIES AND NEW TECHNOLOGIES. THIS WILL CHANGE THE VERY WAY WE MANAGE, OPERATE AND STRUCTURE ENTERPRISES, IN ORDER TO MEET FUNDAMENTALLY NEW MARKET CHALLENGES.

THE FOUR INTEGRATION CHALLENGES ARE TO:

- 1) UNDERSTAND PRECISELY HOW TO USE AND WIN WITH NEW MANAGEMENT STRATEGIES AND SYSTEMS, AS WE CAN ONLY INTEGRATE WHAT WE CAN UNDERSTAND.**
- 2) FIND THE BEST WAY TO UPGRADE THE ORGANIZATION, AS WE MUST DETERMINE THE EXACT ROAD TO CHANGE IN ORDER TO MAKE THE NEW AGILE ORGANIZATION RUN FASTER WITH A MINIMUM OF MANAGEMENT OVERHEAD.**
- 3) MANAGE THE VITAL PEOPLE CHANGE MANAGEMENT PROCESS, AS MANAGEMENT PERSPECTIVES, WAYS OF WORKING AND PEOPLE MIX WILL HAVE TO CHANGE.**
- 4) MANAGE AND DRIVE THE INTEGRATION PROCESSES, AS EVEN THE TOP MANAGEMENT WILL HAVE TO GO THROUGH A FUNDAMENTAL CHANGE PROCESS.**

The customer asset management challenge is to optimize/maximize customer value with minimum investment. This relatively complex process is explained further in the “Brand & Customer Equity Management” chapters.

Do not try to make business forecasts with historical sales data and statistical models from supply chain management systems, as these systems were not designed for this type of market and business analysis. The future in changing markets is in the market and only in the market.

IBM has been using external asset management strategies to manage their strategic large B2B (business to business) accounts for over 50 years with great success. B2C (business to consumer) companies, however, did not know how to translate this strategy into their business area before the one-to-one marketing revolution and the introduction of new communication and information processing technologies.

2) THE FUTURE IS IN NEW MANAGEMENT-STRATEGIES AND TECHNOLOGIES AND IN THE CONTROLLED INTEGRATION OF NEW MANAGEMENT AND IT SYSTEMS.

Competitive market pressure forces enterprises to adapt new more efficient management strategies: One-to-one marketing, Brand & Customer company, scorecard management systems and business and marketing intelligence new technologies, real-time plus interactive IT systems and so on. This will change the very way we manage, operate and structure enterprises.

The first challenge is to understand precisely how to use and win with new management strategies and systems, plus how to redefine operations before starting the often very complex implementation processes. Even the introduction of leading edge communication and IT systems are primarily not a technology process and the recent experience of the US Armed Forces is very interesting.

Their new management strategies: Interactive 3D battle space management, organizational jointness, joint vision and real-time information dominance plus leading edge information/ communication technologies have totally changed the rules for military battle management and businesses will have to face similar challenges in spite of the different environments.

The second challenge is to find the best ways to upgrade the organization with new operational teams including top level specialists in management, marketing, computers and sciences to make the new strategy work and to make the operational units execute rapidly with a minimum of management overhead.

The third challenge is people-focused. Learning and human change management will clearly be the biggest enterprise challenge as all enterprises that integrate new management strategies. The Brand & Customer company will have to face and manage four fundamental changes: management perspectives, ways of working, organization and the people mix. This will require people selection, management and training strategies to support the step-by-step implementation processes.

The fourth challenge is to control the integration processes. They will trigger a series of major changes. Top management of the future must understand how to drive these very complex implementation/learning/change processes. Top management needs specialists to avoid the present high failure rates.

3) THE FUTURE

IS IN NEW PEOPLE MANAGEMENT STYLES TO MANAGE
THE OPERATIONAL TEAMS WITH HIGH-LEVEL SPECIALISTS

FAST CHANGING BUSINESS ENVIRONMENT REQUIRES QUALITY LEADERSHIP IN ORDER TO SUPPORT BOTH COMPLEX CHANGE PROCESSES AND THE ONGOING HUMAN RE-SCALING PROCESSES.

OPERATIONS WILL NOW INCLUDE HIGH LEVEL SPECIALISTS: MARKETERS FOR STRATEGIC MARKETING, STATISTICIANS FOR ANALYSIS AND QUANTITATIVE DECISION PROCESSES AND ENGINEERS FOR LEADING EDGE REAL-TIME INTERACTIVE IT SYSTEMS ETC.

PEOPLE MANAGEMENT OF THESE HETEROGENEOUS OPERATIONAL TEAMS WILL SIMPLY REQUIRE NEW MANAGEMENT WAYS AND STYLES.

THIS IS WHAT PETER DRUCKER CALLS THE MANAGEMENT OF KNOWHOW WORKERS AND IT IS A TYPE OF CAT AND DOG MANAGEMENT CHALLENGE OR IF YOU LIKE TO MIX FIRE WITH WATER.

THE BASICS ARE ALL ABOUT THE FUTURE BECAUSE
THE FUTURE COMES FROM FAR BEHIND
SO LET US NOW GET BACK TO THE FUTURE

THE FUTURE IS IN THE BASICS BECAUSE WE NEED THE EXPERIENCE FROM THE PAST TO WIN AND SURVIVE.

3) THE FUTURE IS IN NEW PEOPLE MANAGEMENT STYLES & STRATEGIES TO COORDINATE AND MOTIVATE SPECIALISTS AND OPERATIONAL PERSONNEL WORKING JOINTLY IN FAST CHANGING ENVIRONMENTS.

The right leadership at all levels is paramount to change management. The future is in quality leadership of quality people, who can scale into new jobs and change with the missions. We all have to think forward: what is my next job, what do I have to learn and finally how can I adapt to this new situation?

These human change processes will clearly have to be supported by a strong and positive enterprise culture. People will only care and give their best to support organizations that care about them (whether they are employees or customers).

High level specialists: marketers (for strategic marketing), **statisticians** (for statistic analysis plus quantitative decision making) **and computer specialists** (for leading edge interactive IT systems) **more than ever will be closely involved in both the day to day operational and strategic management processes.** Personnel management is clearly one of the major challenges.

It will take time to implement these fundamental changes in a step-by-step structured process of systematic learning to manage and support the integration of fundamental changes.

People management is the major challenge at all times. It will get even more challenging in the future. We will now have to find new coaching methods and styles to motivate, manage and train these heterogeneous operational teams. We need the best joint management visions, to unite specialists and operational personnel.

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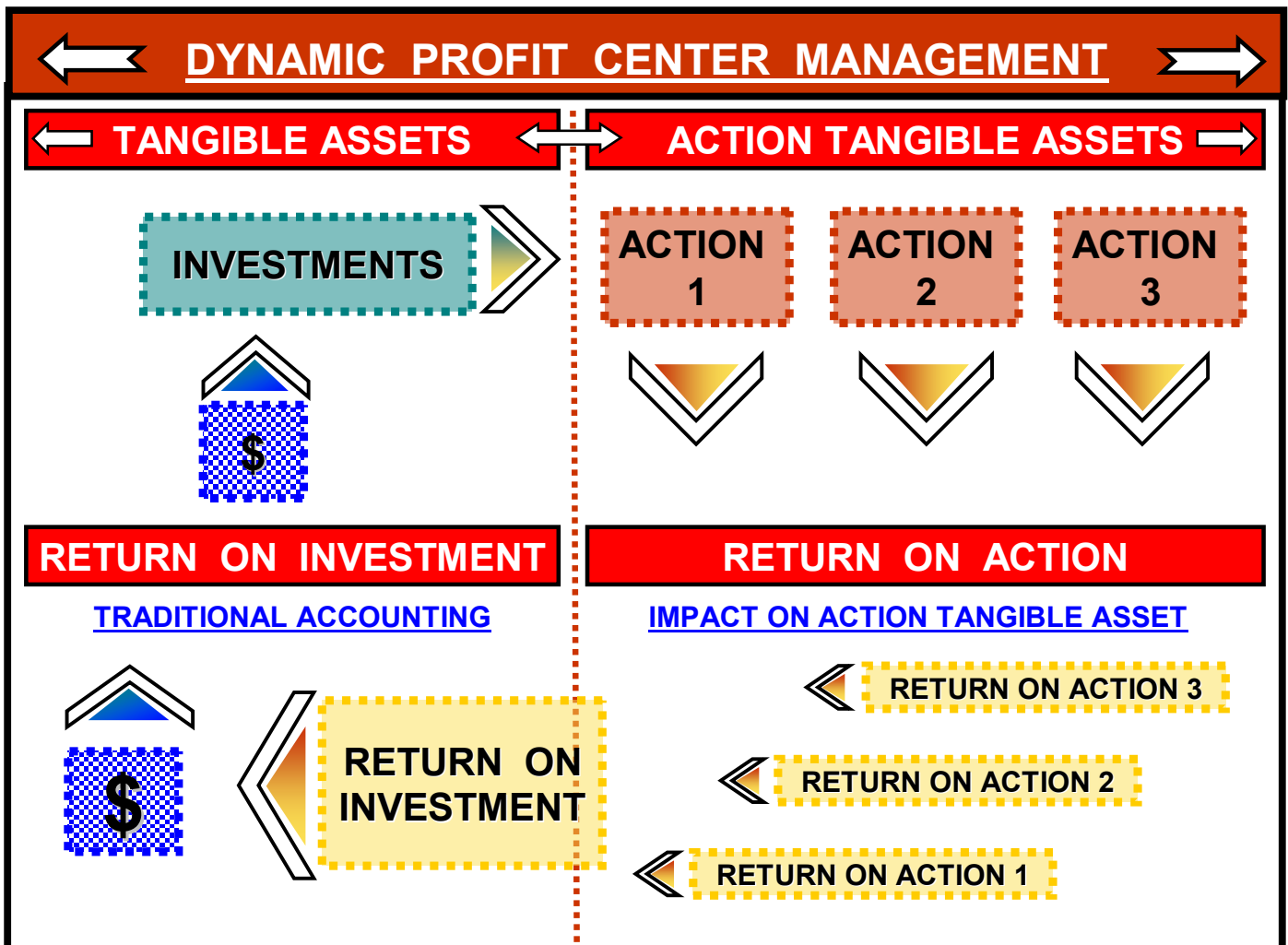
THE NEW ASSET MANAGEMENT WORLD

THE FUNDAMENTAL DIFFERENCE

IS IN THE MORE EFFECTIVE CLOSED LOOP MANAGEMENT OF ALL ENTERPRISE ASSETS TANGIBLE OR NOT.

THE ENTERPRISE IS AN ASSET MANAGEMENT SYSTEM ON TOP OF AN OPERATIONAL ACTIVITY (WITH BOTH TANGIBLE AND ACTION TANGIBLE ASSETS) AND THE NEW CORE CORPORATE MANAGEMENT STRATEGY IS TO FOCUS ON THE CLOSED LOOP STRATEGIC AND OPERATIONAL MANAGEMENT OF THESE ASSETS, AS SHOWN BELOW.

WE NEED VISIBILITY TO MANAGE ASSETS, TANGIBLE OR NOT (DEFINED AND STRUCTURED ASSETS), AS EXPLAINED IN THE BRAND AND CUSTOMER ASSET MANAGEMENT CHAPTERS.



THE CLOSED LOOP BUSINESS PROCESS MANAGEMENT SYSTEM MUST INCLUDE MARKET CHAIN MANAGEMENT TO FOLLOW ASSET EVOLUTION OF ACTION TANGIBLE BRAND AND CUSTOMER ASSETS.

THE NEW DYNAMIC ASSET MANAGEMENT WORLD

1) BASIC CORPORATE MANAGEMENT STRATEGY

The Enterprise is a financial asset management structure on top of an operational structure. Basic corporate management strategy focuses on strategic and operational management of all assets, tangible or not. Does this management focus now also include action tangible Brand & Customer assets?

Dynamic asset management has now become a top management team priority, which should be closely controlled and not delegated to enterprise operations, that is marketing/sales, without detailed asset management directions.

To manage assets we need visibility that is to understand them, as we can only see and manage what we can understand. The starting point is simply to define all assets and asset structures in order to get detailed understandable management pictures/models. Non-defined assets will be covered to mountains of figures.

The top management team has traditionally focused on the design and management of enterprise business models and accounting systems (chart of accounts, profit and loss), in order to follow precisely the internal asset transfer processes, when economic and other resources are used for producing products for example.

Most enterprises are already using basic enterprise modeling to optimize the management and control of tangible assets, but action tangible Brand & Customer asset management will require advanced enterprise modeling plus other new management approaches, as explained further below.

2) FUNDAMENTAL ASSET MANAGEMENT CHANGES

The change process comes from several sides and I will explain how I understand the new situation and the major change components. I will only discuss changes related to business power management in the market chain, but there are also other important changes in other areas, which are not included in the explanations below.

2A) Marketing Management Focus and Brand & Customer Asset Management

- 1) **Product-focused marketing** supports selling products to customers in different market segments.
- 2) With **brand-focused marketing** customers supposedly bought brands and consumed products? Whatever, the product is clearly an important part of the brand and/or vice versa.
- 3) With **customer-focused marketing**, we focus the business on the best customers and this was also the start of the famous customer relationship management approach.
- 4) **Brand & Customer asset focused marketing** is very different. It is obviously the main subject of this book and I have explained it further below.

Closely interlinked Brand & Customer assets cannot be managed separately and we are now using a combined Brand & Customer focused asset marketing approach, which combines the brand focus and the customer focus. This is the best part of the two previous marketing strategies.

Business power management, which is now in the fourth marketing generation, is focused on maximizing interlinked action tangible Brand & Customer assets.

THE IMPACT OF BRAND AND CUSTOMER ASSETS ON THE PROFIT AND LOSS STATEMENT

ACTION TANGIBLE BRAND AND CUSTOMER ASSETS ARE THE VERY BASIS FOR A PROFITABLE AND TANGIBLE BUSINESS RELATIONSHIP AND THIS IS WHAT BUSINESS POWER MANAGEMENT OF BRAND AND CUSTOMER ASSETS IS ALL ABOUT.

BUSINESS POWER MANAGEMENT IS FOCUSED ON ACTIONABILITY AS OPPOSED TO TRADITIONAL FINANCIAL ASSET MANAGEMENT, WHICH IS FOCUSED ON TANGIBILITY AND THIS IS A TOTALLY NEW ASSET MANAGEMENT CHALLENGE.

THE OBJECTIVE OF BUSINESS POWER MANAGEMENT IS SIMPLY TO TRANSFORM ACTION TANGIBLE BRAND AND CUSTOMER ASSETS INTO TANGIBLE BUSINESS RESULTS THROUGH THEIR ACTIONABILITY. I CALL THIS JOINT ACTIONABILITY AND TANGIBILITY MANAGEMENT.

ACTIONABILITY IS BASED ON VISIBILITY: THE ASSET STRUCTURE (WE CAN ONLY SEE AND MANAGE WHAT WE CAN UNDERSTAND). THIS MANAGEMENT PROCESS IS EXPLAINED FURTHER IN THE BRAND AND CUSTOMER MANAGEMENT CHAPTERS.

ACTIONABILITY MANAGEMENT IS BASED ON THE JOINT ASSET AND PROBABILITY STRUCTURE (THE PROBABILITY OF GETTING THE BUSINESS WITHIN THE STRUCTURE), WHICH MUST BE ESTIMATED. I CALL THIS THE ASSET TANGIBILITY STRUCTURE.

THE ASSET TANGIBILITY STRUCTURE IS USED TO QUANTIFY ACTION TANGIBLE BRAND AND CUSTOMER ASSETS FROM THE ACTION FOCUSED VIEWPOINT OF PROFIT AND LOSS AND CONSEQUENTLY ALSO TO CLARIFY THEIR IMPACT ON THE PROFIT AND LOSS STATEMENT.

THE IMPACT OF BRAND AND CUSTOMER ASSETS ON THE BALANCE SHEET

THE APPRAISAL OF BRAND AND CUSTOMER ASSETS HAS NO PLACE IN CONTEMPORARY ACCOUNTING PRACTICE. NEW ACCOUNTING STANDARDS WILL HAVE TO BE INVENTED AND NEW ASSET MANAGEMENT CONCEPTS, WHICH WILL TAKE TIME TO DEVELOP.

THE KEY QUESTION TODAY IS HOW BRAND AND CUSTOMER ASSETS CAN BE USED BY INVESTORS TO ESTIMATE PRICE/EARNINGS RATIOS IF THEY WERE REPORTED IN SOME KIND OF ADDENDUM TO THE BALANCE SHEET?

Traditional marketing power is only the tip of the business power chain iceberg. Marketing power cannot be maximized without enterprise business power support. Marketing is an integrated part of the enterprise business power system. Consequently, we must now also focus on realigning enterprise business power resources (administration, development, manufacturing, marketing and logistics) in order to maximize interlinked Brand & Customer assets.

The fourth generation of marketing focus has been transformed into an enterprise business power asset management focus. This happens when we strive to realign enterprise total business power resources to manage both Brand & Customer assets and their impact on primarily the profit and loss statement but also on the balance sheet.

2B) Impact of Brand & Customer Assets on the Profit and Loss Statement

An enterprise's vital action tangible Brand & Customer assets are not on the balance sheet. They are, however, the very basis for a profitable and tangible business relationship. They have a direct impact on the profit and loss statement. This is what business power management of Brand & Customer assets is all about.

Business power asset management is focused on actionability as opposed to traditional financial management (accounting), which is focused on tangibility. All assets on the balance sheet must follow accounting standards. The objective, however, of business power management is to transform action tangible Brand & Customer assets into tangible business results through their actionability.

Actionability is first based on visibility that is the asset structure as explained further in the Brand & Customer asset management chapters. The structure of action tangible assets is paramount for effective total asset management and this asset design process is a top management team priority. Brand & Customer asset management is also a totally new management game, which requires new knowhow.

Actionability is also based on the probability structure that is the probability of getting the business within the given asset structure. This evidently must be an estimation. I call this the tangibility structure or scale, as explained on pages 12-13 of this book. The tangibility structure is used for quantifying action tangible Brand & Customer assets from an action focused profit and loss viewpoint.

The tangibility structure (probability structure) goes from 100% hard to 100% soft, where I propose that 100% hard corresponds to present accounting standards. This probability structure is close to the risk focused depreciation method, which is already used in traditional accounting when we estimate that only 75% of accounts receivable will be paid, for example, and when we write it down to 75% of the nominal amount.

The basic business impact of Brand & Customer assets on the profit and loss statement, as explained above, is relatively easy to understand. But the real world situation is complex and difficult to calculate. This is, however, the key unavoidable challenge of modern business operations management, which requires new knowhow, expertise and organizational structure, which are included in the Brand & Customer company strategy.

THE FIRST MAJOR DIFFERENCE

IS IN BUSINESS POWER MANAGEMENT OF BRAND AND CUSTOMER ASSETS THAT IS THE BUSINESS PIPELINE

BUSINESS POWER MANAGEMENT IS PRESENTED IN A NUMBER OF CHAPTERS THROUGHOUT THIS BOOK, AS THE EXPLANATIONS ARE EASIER TO UNDERSTAND IN THEIR CONTEXT BUT I WILL TRY TO ADD SOME FURTHER ASSET MANAGEMENT PERSPECTIVES.

THE BRAND AND CUSTOMER COMPANY STRATEGY

THE BRAND AND CUSTOMER COMPANY IS BOTH THE MAIN ENTERPRISE STRATEGY AND OPERATIONAL PLATFORM FOR BUSINESS POWER MANAGEMENT AT ALL BUSINESS POWER LEVELS.

THE BUSINESS POWER ASSET MANAGEMENT STRATEGY

THE BUSINESS POWER ASSET MANAGEMENT STRATEGY IS A TRANS-ENTERPRISE TEAMWORK STRATEGY WITH THE OBJECTIVE TO REALIGN ALL ENTERPRISE RESOURCES TO MAXIMIZE BOTH TANGIBLE AND ACTION TANGIBLE BRAND AND CUSTOMER ASSETS, WHICH IS A TOTALLY NEW GAME IN COMPARISON TO TRADITIONAL STATIC FINANCIAL MANAGEMENT OF TANGIBLE ASSETS.

BUSINESS POWER MANAGEMENT IS FOCUSED ON UNDERSTANDING NOT ONLY THE MARKETS BUT ALSO INDIVIDUAL CUSTOMERS IN MARKETS IN ORDER TO MAKE IT POSSIBLE FOR ENTERPRISE MANAGEMENT TO FOLLOW SWINGING MARKETS FROM A FRONT SEAT DRIVING POSITION, WHICH IS ALSO THE KEY TO STRATEGIC BRAND AND CUSTOMER ASSET MANAGEMENT.

THIS WILL REQUIRE:

NEW TRANS-ENTERPRISE ASSET MANAGEMENT TEAMWORK BETWEEN ADMINISTRATION/CONTROL AND MARKETING/ SALES AND WE NEED THE NEW BRIDGE ASSET MANAGEMENT DEPARTMENTS, AS EXPLAINED FURTHER IN THE BUSINESS MANAGEMENT DISCIPLINE CHAPTER.

THE SOPHISTICATION OF BRAND AND CUSTOMER ASSET MANAGEMENT HAS RISEN TO NEW LEVELS AND NEW BRIDGE MANAGEMENT TEAMS, AS PRESENTED IN THE BUSINESS MANAGEMENT DISCIPLINES CHAPTER WILL, APART FROM MARKETING, ALSO HAVE TO INCLUDE HIGH LEVEL SPECIALISTS IN MODELING AND STATISTICS.

2C) Impact of Brand & Customer Assets on the Balance Sheet

Brand & Customer asset values on the balance sheet, which corresponds to the present value of future business, is clearly not identical to action focused Brand & Customer asset management concepts presented above. For simplicity, I have divided this challenge into three parts.

- 1) **Time factor**: The value of future business must be depreciated due to the time factor. We cannot mix dollars now with dollars in the future, as the value for receiving X dollars during 10 years is less than 10 times X dollars now. We must take interest rates into consideration and this part is relatively straightforward and easy to calculate.
- 2) **Risk factor**: The value of future business must also be depreciated due to risk factors. Future business can only be estimated and we will typically use 25, 50 and 75% to estimate the probability for getting future business and this estimation process is clearly not sufficient for accounting and balance sheet purposes. The impact of risk factors on the net asset values on the balance sheet is very difficult to estimate.
- 3) **Product mix**: The value of future business also depends on the product mix due to interlinked marketing and sales processes. The combined cost of selling several products is usually inferior to selling products one-by-one and the reduced costs increase profits and asset values. We consequently also have to depreciate asset values to compensate for product mix changes before integrating them into the balance sheet. This is very difficult to calculate.

2D) Action Tangible Assets and the Balance Sheet

Appraisal of Brand & Customer assets, in spite of their importance, has clearly no place in contemporary accounting practice and it will have to follow new standards. It will however be important, especially for investors and other partners, to move towards development of new accounting standards to somehow measure and at least partly report net Brand & Customer assets in for example a special addendum to the balance sheet, but this will take time and field experience.

Reporting standards and value management of Brand & Customer assets are clearly a very complex and new financial management game, which will require new asset management concepts. New reporting standards, however, will hopefully become obvious over time when managing the impact of Brand & Customer assets on the profit and loss statement, but only time will tell.

Whatever, I hope that this book can support further advances in this very important part of financial business management.

3) BUSINESS PROCESS MANAGEMENT AND ASSET OPTIMIZATION

IT-supported business process management has changed enterprise modularity. These are the functional business process modules, as explained further in the first chapter of this book.

This new modular enterprise structure, which is based on the business process structure, is the very basis for business process outsourcing and business outside module integration. This structure is also the very basis for the new enterprise asset optimization strategies, which I will describe further below.

THE SECOND MAJOR DIFFERENCE

IS IN MORE EFFECTIVE ASSET OPTIMIZATION THROUGH BOTH BUSINESS PROCESS OUTSOURCING AND BUSINESS MODULE OUT-INTEGRATION STRATEGIES.

IT-SUPPORTED BUSINESS PROCESS MANAGEMENT HAS CHANGED THE ENTERPRISE'S MODULARITY/STRUCTURE: THE FUNCTIONAL BUSINESS PROCESS MODULES, WHICH IS KEY TO OUTSOURCING AND OUT-INTEGRATION STRATEGIES.

BUSINESS PROCESS OUTSOURCING

TRADITIONAL SUBCONTRACTING WAS USED TO PURCHASE PRODUCTS AND SERVICES FROM OUTSIDE SUPPLIERS IN ORDER TO COMPLEMENT INTERNAL MANUFACTURING RESOURCES.

BUSINESS PROCESS OUTSOURCING IS IN ADDITION USED TO COORDINATE EXTERNAL AND INTERNAL BUSINESS PROCESSES WHICH ARE INDISPENSABLE FOR COORDINATING THE OFTEN OFFSHORED HETEROGENEOUS, JUST IN TIME SUPPLY CHAIN PROCESSES.

BUSINESS MODULE OUT-INTEGRATION

BUSINESS MODULE OUT INTEGRATION REPLACES TRADITIONAL STRATEGIC PARTNERSHIPS, WHICH ARE TOO SLOW FOR AND INEFFECTIVE IN FAST MOVING MARKETS, DUE TO THE LACK OF BUSINESS PROCESS COORDINATION AND INTEGRATION.

BUSINESS MODULE OUT-INTEGRATION, WHICH IS ALSO USED FOR UPGRADING BUSINESS POWER IS CLEARLY AN INTEGRATED PART OF THE ENTERPRISE'S BUSINESS POWER MANAGEMENT SYSTEM.

ASSET OPTIMIZATION THROUGHOUT INTEGRATION

OUTSOURCING AND OUT-INTEGRATION STRATEGIES ARE NOT ONLY USED TO IMPROVE ENTERPRISE BUSINESS POWER, BUT ALSO TO REDUCE INVESTMENT AND RISK EXPOSURE, AS IT IS A WAY TO REDUCE INVESTMENTS THROUGH THE USE OF EXTERNAL RESOURCES.

THIS ASSET OPTIMIZING STRATEGY IS ESPECIALLY POWERFUL IN TODAY'S FAST MOVING AND HIGHLY COMPETITIVE MARKETS WHEN THE USE OVER TIME OF INVESTMENTS IS VERY DIFFICULT TO FORECAST.

3A) Business process outsourcing ,or outsourcing

In the good old days we spoke of subcontracting and strategic partners, when buying products and services from outside companies in order to reduce costs and investments. Outsourcing however is one step further as it greatly improves the integration and timely use of external resources and consequently also the possibilities of working closer and more effectively together.

Working closely together is very important in the just-in-time off-shoring world, when we have to coordinate partner operational management processes in spite of long distances. This is a major challenge.

Outsourcing is a vital part of the supply chain management concept without which it would be impossible to coordinate fundamentally different outside resources into a heterogeneous supply chain system. Typical examples are the supply chain systems in the automotive industry where the components arrive just-in-time from all over the world, which is far beyond traditional subcontracting concepts.

3B) Business module outside integration, or outside integration

In the business power chain management world however we must again go one step forward and this is why I have introduced the strategic business module outside integration concept, which is a kind of strategic outsourcing of business units. In a way, subcontracting corresponds to outsourcing and strategic partners to outside integration.

Business module outside integration is also an integrated part of the business power management system, as it can be used to support fundamental business power upgrades and to improve the integration of enterprise local affiliates as explained by IBM for example.

Product mass tailoring requires heterogeneous manufacturing systems, which is hardly economical in a traditional manufacturing system. Supply chain manufacturing modules can include multiple heterogeneous manufacturing systems, with totally different missions and specialties. This is a typical example of a business power upgrade through manufacturing module outside integration.

3C) Asset optimization management through outside integration

Outsourcing and outside integration strategies are used to both upgrade business power and to reduce investment and risk exposure through the integration of external structures.

Outside strategies are especially powerful and cost/risk effective in rapidly changing markets when the use over time of investment is difficult to calculate. Many enterprise business modules can now be outside integrated. The new business module outside integrated system companies will have an important impact on enterprise management structure and methods.

The new outside integrated manufacturing system has fundamentally changed the possibilities to support and upgrade enterprise business power and business power chain management.

THE THREE BASIC CUSTOMER ASSET CONCEPTS

1) CUSTOMER BUSINESS POTENTIAL = ALL PRODUCTS/ SERVICES (THE STANDARD CONCEPT USED BY MARKETING)

- 1) TO GET MORE BUSINESS FROM OUR CUSTOMERS WE MUST KNOW THEIR INDIVIDUAL BUSINESS POTENTIAL FOR ALL PRODUCTS AND SERVICES.
- 2) DEFINE THE BUSINESS PROCESSES PRODUCT BY PRODUCT AND THE CORRESPONDING BUSINESS MODELS.
- 3) DEFINE THE INTERACTION BETWEEN DIFFERENT BUSINESS PROCESSES AND REDEFINE NEW INTERLINKED BUSINESS PROCESSES TOGETHER WITH CORRESPONDING BUSINESS MODELS.

2) CUSTOMER MARKET VALUE = COMPOUNDED LIFETIME PROFIT POTENTIAL FOR ALL PRODUCTS / SERVICES

- 1) CUSTOMER MARKET VALUE CORRESPONDS TO THE COMPOUNDED PROFIT OF CUSTOMER BUSINESS POTENTIAL FOR ALL PRODUCTS AND SERVICES.
- 2) THIS IS A MARKET FOCUSED ASSET CONCEPT, WHICH IS PRIMARILY USED FOR MARKET SEGMENTATION AND ANALYSIS.

3) ENTERPRISE CUSTOMER VALUE = INTEGRATED CUSTOMER MARKET VALUE

- 1) FINALLY WE MUST FIND THE RIGHT STRATEGIES AND BUSINESS PROCESSES TO INTEGRATE CUSTOMER MARKET VALUE AND TO BUILD UP ENTERPRISE CUSTOMER ASSET VALUE.
- 2) THE TRUE OBJECTIVE IS TO MAXIMIZE ENTERPRISE CUSTOMER ASSET VALUES: TO GET HIGHER MARGINS AND MORE PROFITABLE BUSINESS.
- 3) BOTH CUSTOMER MARKET AND ASSET VALUES ARE COMPLEX TO CALCULATE AND REQUIRE TRANS-ENTERPRISE SUPPORT.

DO NOT MIX THE DIFFERENT ASSET CONCEPTS, AS THEY HAVE VERY DIFFERENT STRUCTURES AND USEFULNESS.

BUILDING CUSTOMER ASSETS

THE THREE BASIC CUSTOMER ASSET CONCEPTS

The over all objective is to increase the volume, durability and quality (profit, risk, robustness/predictability and brand impact) of the enterprise through more effective Brand & Customer asset management.

This is a three-step process and I will start by explaining schematically the three basic customer asset concepts, but the real world situation is complex.

1) Customer business potential represents the total estimated future business volume of a customer for enterprise products/services during the customer's business lifetime. Business potential is calculated on a yearly basis and we can then follow development of business potential year by year for all products and services. Customer business potential must be defined and will often cover several products and/or services. This is a traditional one-to-one marketing concept.

Business sizing perspective is very important for many key management decisions even if the future business volumes are estimated. The objective is to get more profitable business from each customer through potential customer value strategies and this is only possible if we know the customer's total business potential for products and services.

2) Customer market value represents the potential net profit of the customer's and/or prospect's (more or less heterogeneous) business potential during the customer's lifetime. Business lifetime can be very different for different products/services. Customer market values are complex to calculate due to synergy effects between product business processes.

The joint cost of sale for several products is usually lower due to shared costs and/or better knowledge about customer preferences and business timing. Customer market value is an optimized profit target value for marketing management purposes.

This profit sizing perspective is used for customer value market segmentation, which is vital for selecting both the best customers and the business to be pursued. The customer market value concept requires detailed information about detailed business models and market conditions, which goes far beyond traditional marketing.

3) Enterprise customer asset value or customer lifetime value (CLV) or, for short, customer value corresponds to enterprise integrated customer market value and at this point we must also introduce a new factor that is effectiveness or hit rate of business processes, which will reduce the integrated profit in comparison with the optimal market value explained above. Nobody is 100% effective.

This enterprise profit sizing perspective is used to show enterprise expected profit from customers in different market segments in order to enable enterprise management to maximize customer asset values. Enterprise customer asset value management is a vital strategic and operational management tool for effective Brand & Customer asset and equity (net assets) management.

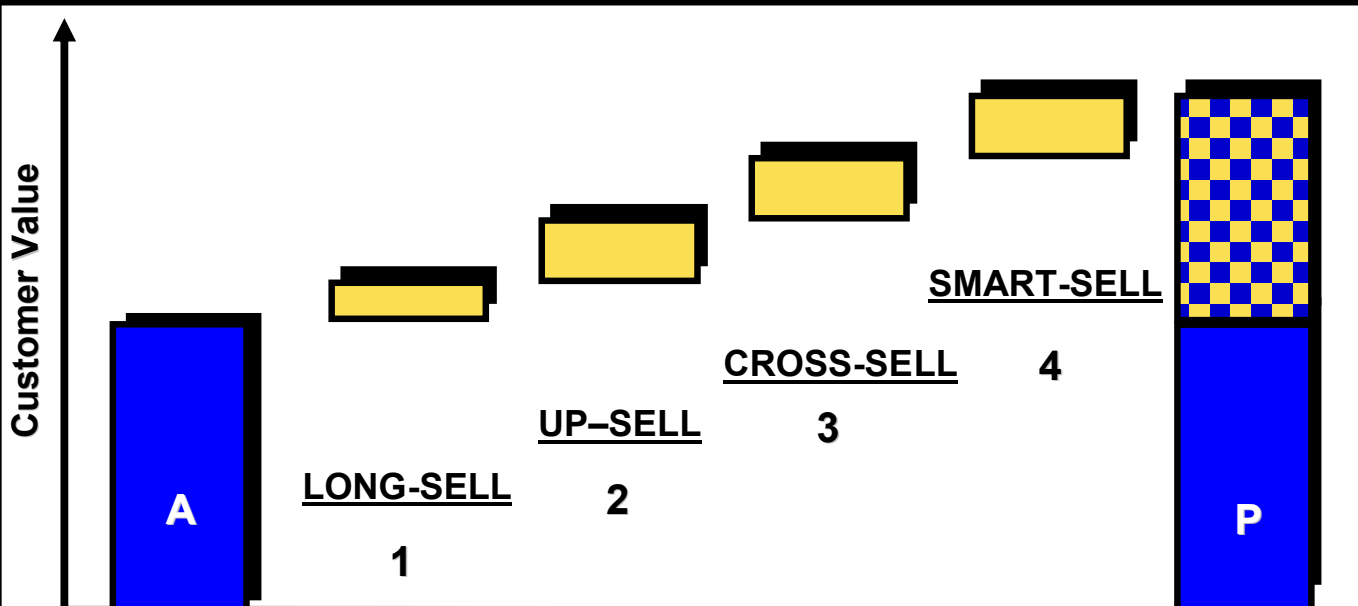
The integrated customer asset value management concept requires advanced business modeling, which is far beyond traditional marketing and it is only possible in the Brand & Customer asset management company's crossover knowhow management environment.

FIVE BASIC STRATEGIES AND PERSPECTIVES FOR CUSTOMER ASSET MANAGEMENT

FIVE BASIC CUSTOMER ASSET MANAGEMENT PERSPECTIVES ARE USED TO FIND FURTHER CUSTOMER ASSET POTENTIAL AND FOR SHARING KNOWLEDGE.

THE BASIC STRATEGY IS TO START WITH BASIC INFORMATION AND TO UPGRADE WITH MORE COMPLETE INFORMATION AND MORE SOPHISTICATED MANAGEMENT MODELS.

A) POTENTIAL CUSTOMER VALUE STRATEGIES



THE FOUR BASIC POTENTIAL VALUE STRATEGIES

- A) THE STARTING POINT IS THE PRESENT CUSTOMER VALUE.
- 1) THE FIRST VALUE – POTENTIAL IS TO PROLONG CUSTOMER BUSINESS LIFE TIME.
- 2) THE SECOND VALUE – POTENTIAL IS TO UP-SELL THROUGH MORE USE OF BASIC PRODUCTS/SERVICES.
- 3) THE THIRD VALUE – POTENTIAL IS TO USE BUSINESS SYNERGY AND TO CROSS-SELL OTHER PRODUCTS/SERVICES.
- 4) THE FORTH VALUE POTENTIAL IS TO INCREASE PROFIT MARGINS THROUGH MORE EFFECTIVE BUSINESS AND ASSET MANAGEMENT.
- P) FULL CUSTOMER VALUE POTENTIAL AFTER THE 4 UPGRADES.

THE FIVE BASIC MANAGEMENT PERSPECTIVES AND STRATEGIES FOR BUILDING CUSTOMER ASSET VALUES (A-E).

The first action level is to identify potential customer values and to define the key business strategies and operational business processes to be upgraded and managed. The five basic management perspectives (A-E) can be a very useful tool for supporting Brand & Customer asset management processes and for sharing knowledge in an organization. It is a way to make it look easy (which it is not).

Basic management perspectives can sometimes hide important information and they must be complemented and supported by in-depth statistical, operational, business and other analyses.

The five basic asset management perspectives explained below can be used to start simple with basic information and then upgraded step-by-step with more accurate information and more sophisticated marketing and management models.

A) POTENTIAL CUSTOMER LIFETIME VALUE STRATEGIES

The basic operational objective is to build up (upgrade) customer lifetime value and this chart can be a good starting point to explain where to search for more profitable business and/or just more profits. Start point (A) represents the present situation (actual value), which eventually can be upgraded, in four steps to full business potential (P) with support of targeted Brand & Customer asset management/marketing programs.

1) Long-sell: prolonged customer business lifetime. Basically through an improved customer relationship and business process management. Both must be adapted to the actual business situation and to where the customer is in the business lifecycle and personal evolution.

I will discuss this further in the customer lifecycle management section, but an open and effective dialogue with the customer (traditional CRM) is obviously, key, to supporting prolonged customer business lifetimes.

2) Up-sell: increased sales to the customer base of the base products and services. Typically we will look at frequency of purchase and wallet share (customer market share) for our base products and services, further business potential, add-ons and packaging.

It is obviously indispensable to know the customer's total business potential for our base products/services, as explained concerning customer asset concepts.

3) Cross-sell: new products and services to the customer base. Again it is a question of customer business potential but this time for new products/services.

The combined profit from several products and services are usually higher than the sum of profits from individual products and services due to synergies. It is often possible to increase both business volume and profit margin.

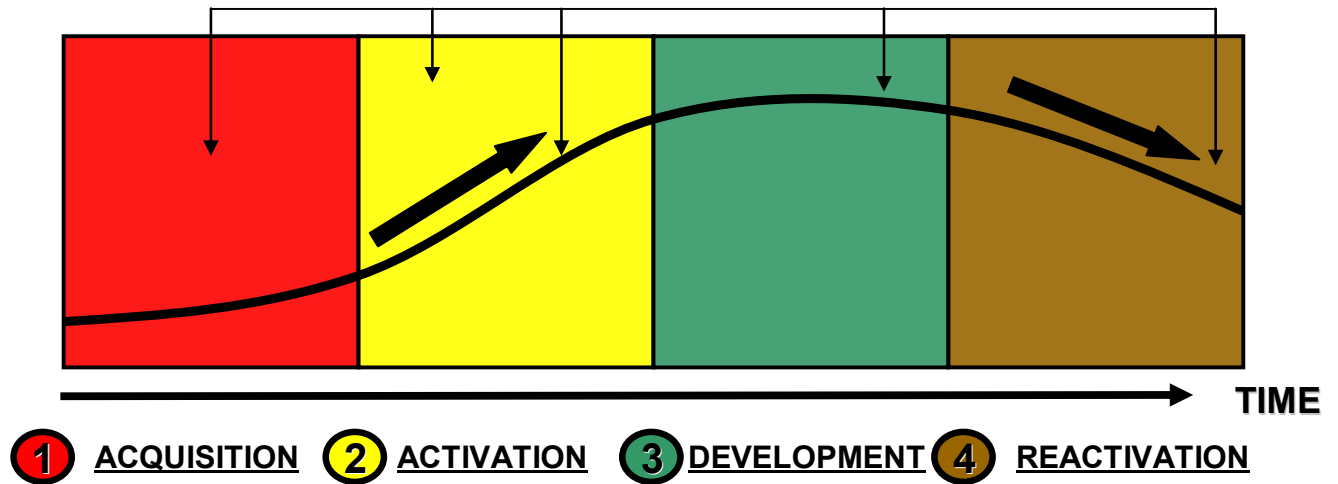
4) Smart-sell: higher profits from existing products and services through improved business process management and/or Brand & Customer asset management on both a strategic and operational level.

We are typically looking for more effective customer business management: systematic product positioning, new-channels, price-differentiation, product adaptations, streamlined operations; system automation, optimal process design and improved brand management.

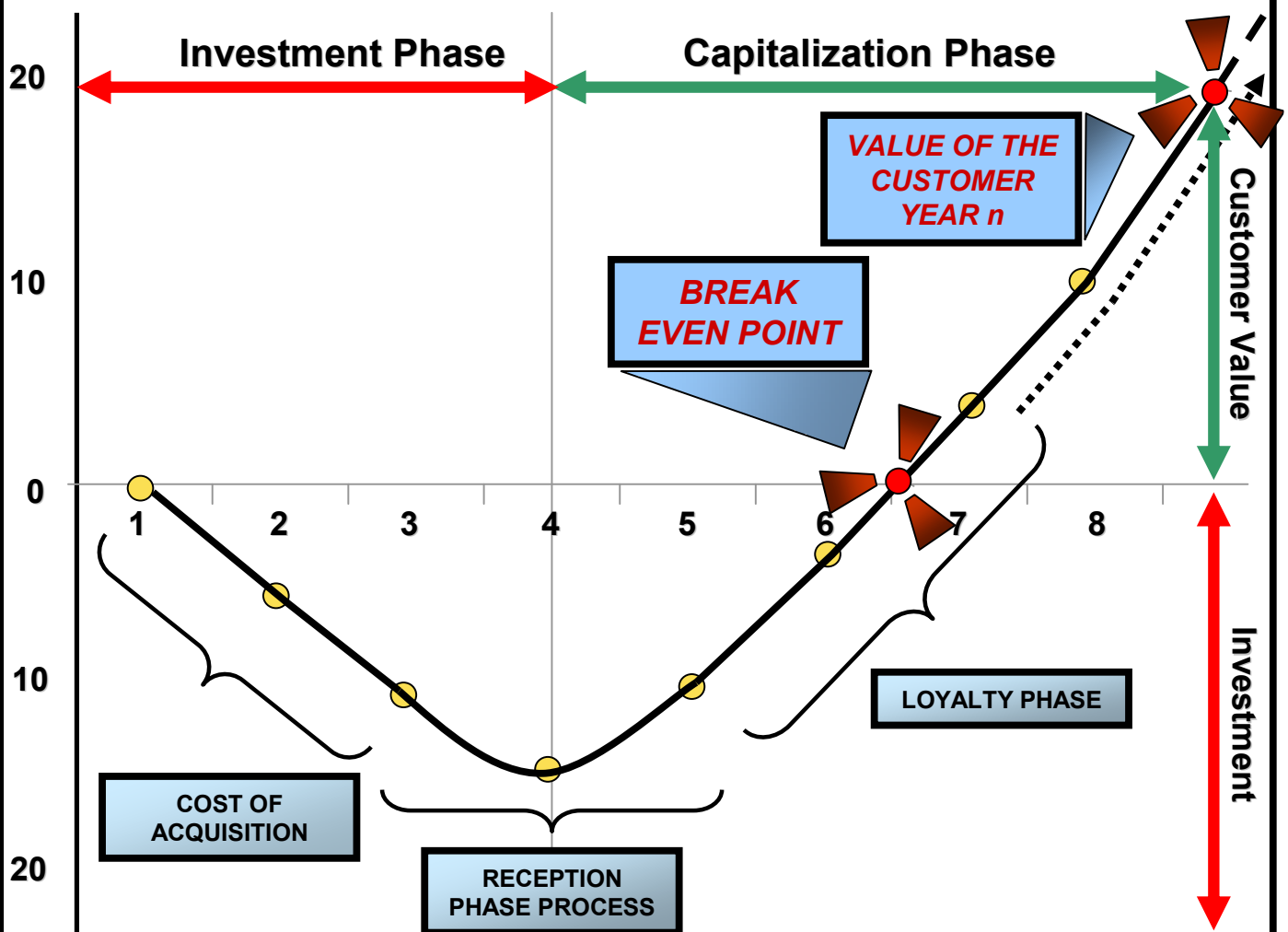
B) CUSTOMER LIFECYCLE MANAGEMENT

THE OBJECTIVE IS TO OPTIMIZE BUSINESS MANAGEMENT IN RELATION TO CUSTOMER LIFE CYCLE.

CUSTOMER BUSINESS PROCESS PHASES



C) CUSTOMER VALUE PROCESS



B) CUSTOMER LIFECYCLE MANAGEMENT AND SPECIALIZED CUSTOMER MANAGEMENT PROGRAMS

Customer focused business timing covers both management of customer evolution and customer business cycle. The objective is simply to optimize business management in relation to customer lifecycle in order to get more business when possible and to avoid losing money or upsetting the customer when he is not receptive to doing business.

The customer lifecycle can be divided into 4 phases: 1) prospecting and acquisition, 2) receive and activate, 3) develop and maintain, 4) retain and reactivate. Business management in each phase is very different with different objectives, which depends on both customer lifecycle and business objectives.

1) Prospecting and acquisition is the first investment phase with the objective to find and sign-up the right customers in a cost-effective way. Market and business intelligence are important tools to guide us in this process and up-selling and cross-selling are a good way to further repay investments.

Customer acquisition processes can be very different and it is often difficult to calculate the time and cost to replace lost customers in fast changing markets.

2) Receive and activate is the true starting point for the business relationship. The objectives are to establish a positive relationship and get to know their personal preferences and expectations to create a long-term profitable customer relationship.

This is an opportunity to tailor the business and make it unique in the eyes of the customer.

3) Develop and maintain is a good time for potential customer value management. This is the point when many enterprises fall asleep, as they think that they own the customer and this is why the CRM approach is so important.

Customer preferences and expectations change and we must find the right way to keep in contact and expand the business.

4) Retain and reactivate is often an end phase and there is no easy solution to avoid churn (loosing the customer). We must often reposition the enterprise in relationship to the customer's new preferences and expectations to have a chance to continue. It is also very important to investigate systematically why customers leave to follow up on possible corrective action to avoid losing other customers for the same reason.

In conclusion: Good companies hate to lose good customers and make sure they don't through effective customer relationship and customer lifecycle management.

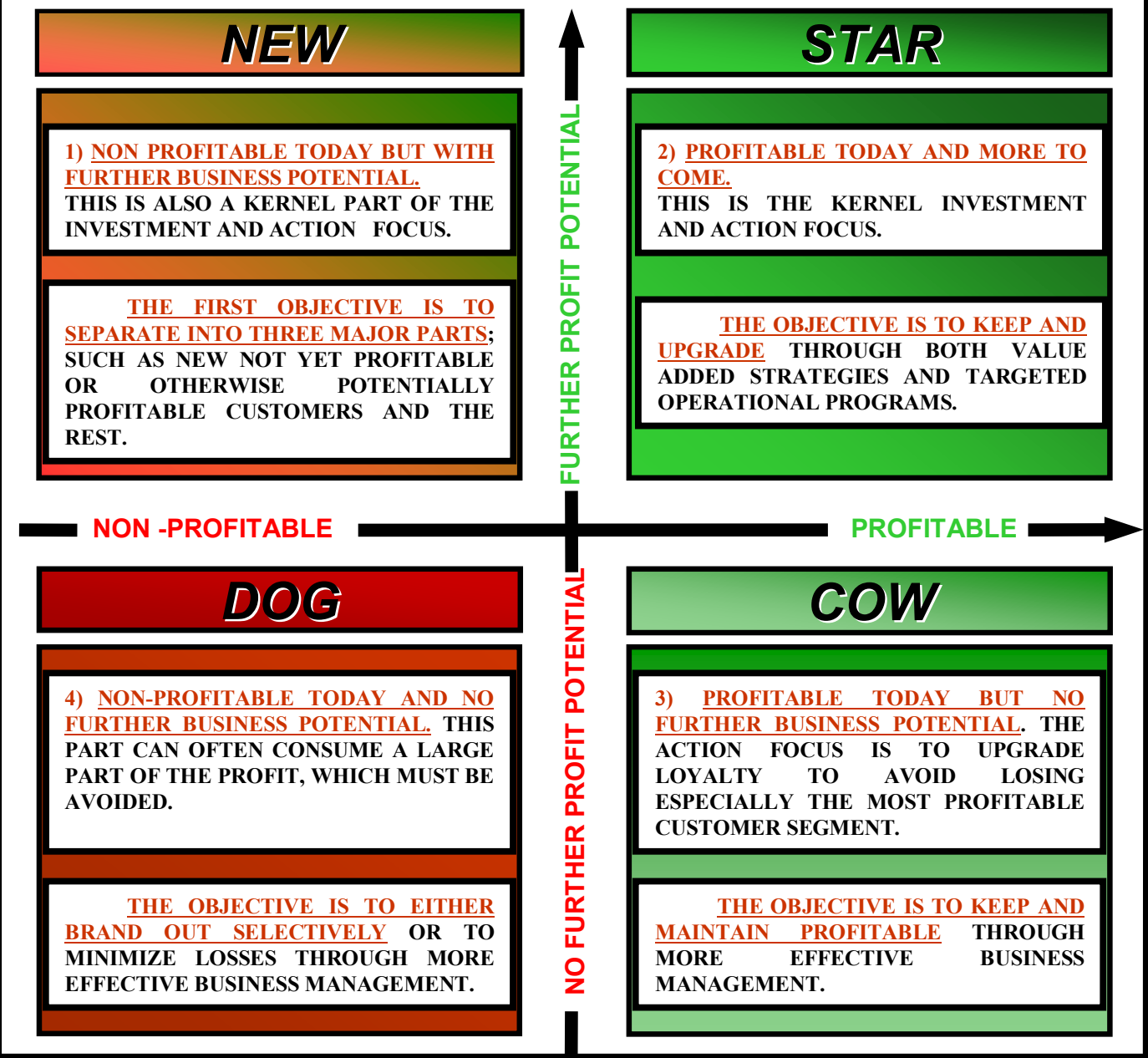
C) CUSTOMER VALUE PROCESS MANAGEMENT

The customer value process runs in parallel to the customer lifecycle with successive investment and capitalization processes. I have chosen a simplified chart, which basically only covers the initial investment process with one break-even point.

The value curve will obviously go down with each investment and up as customer value increases. There is one break-even point for each investment.

The customer value process will more or less correspond to how we manage it. It is very interesting to track value processes for individual customers and target groups to follow up on marketing programs.

D) CUSTOMER BUSINESS STATUS MATRIX



STRATEGY SUMMARY (THE BOSTON CONSULTING GROUP)

THE BUSINESS STATUS MATRIX IS A VERY USEFUL TOOL TO SUPPORT DEVELOPMENT OF BASIC BUSINESS ACTION STRATEGIES IN THE BUSINESS ROADMAP FORMAT, WHICH IN TURN WILL SERVE AS A BASE FOR DEVELOPING FURTHER MORE SOPHISTICATED AND PARTLY AUTOMATED ACTION SYSTEMS.

THE BUSINESS MATRIX CAN ALSO BE SUBDIVIDED INTO SMALLER PARTS FOR EXPLAINING THE MORE SPECIALIZED ACTION SYSTEMS. THE MATRIX IS NOT SUITABLE FOR IN DEPTH STATISTICAL ANALYSIS.

THE MATRIX IS A ROUGH CUT APPROACH, WHICH IS VERY USEFUL FOR EXPLAINING AND COMMUNICATING THE ESSENTIALS BUT NOT FOR SHOWING ALL THE DETAILS.

D) CUSTOMER BUSINESS STATUS MANAGEMENT

The customer business status matrix (business matrix) is used to show the customer's actual business status (customer value status) that is profitable or non-profitable in relation to customer business potential (potential customer value) as explained in the potential customer value strategies section.

The business matrix is the central management tool used for developing specific management action strategies related to different groups of customers and business situations. These management strategies are then used to structure and define the market chain's vital Business Action System.

The business matrix is also a simple and effective way to understand and communicate the basic customer management strategies in an enterprise. We can for example show the proportion of profitable and non-profitable customers and their business potential by Potential Value Segment.

The data needed can be complex to calculate and the best choice is to start simple and up-grade gradually with more information and sophisticated management models.

The business matrix is used as a starting point to develop the four basic management action strategies (first explained by the Boston Consultancy Group): new, star, cow and dog? Strategies can be redefined in more detail sub-segment by sub-segment.

We will basically use customer information for smarter customer business management and to adapt the action processes to the customer's business potential and business status in the enterprise. The business potential and business status can be defined in more or less detail depending on the operational objectives.

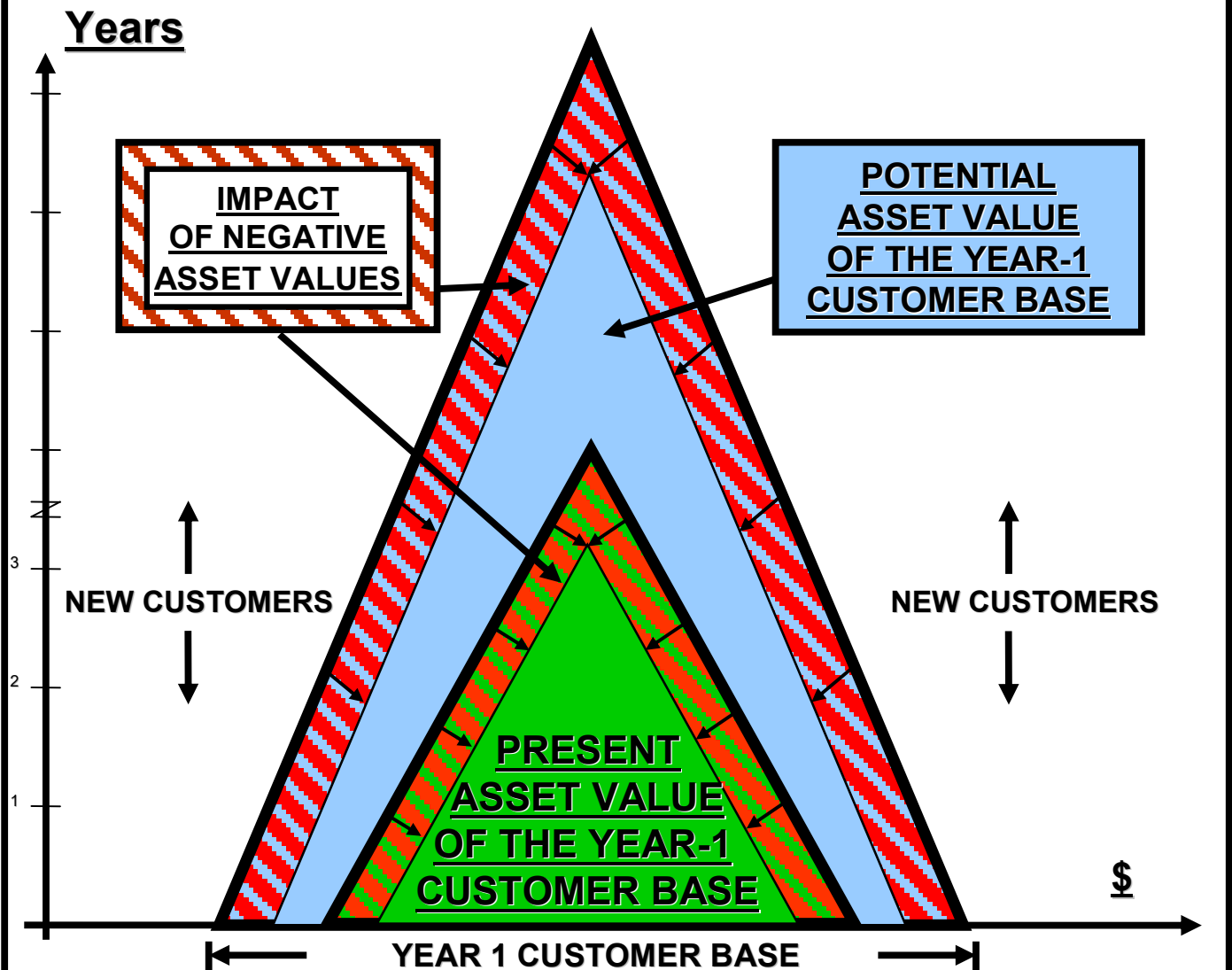
1) New segment action strategy: non-profitable with further business potential can be divided into three sub-segments. The first is new and not yet profitable Star customers, which should be handled accordingly. The second is non-profitable potential star customers, who need a tailored potential customer value action strategy to make them profitable. The appropriate actions should be defined and taken. The last sub-segment is non-profitable no-hope potential dog customers, which should be avoided by means of improved customer selection.

2) Star segment action strategy: profitable with further business potential is more or less straightforward. The main challenge is to prioritize the limited marketing and sales resources in relationship to the customer's exact business situation and potential profit structure. Potential customer value strategies are the best starting points.

3) Cow segment action strategy: profitable without further business potential is more difficult to define as we lack a clear investment space, which can be repaid with business improvements. This segment, however, includes most major customers and targeted customer relationship management programs can be very effective as customers have a tendency to stay with enterprises they like. The exact reasons and probability for churn must clearly be defined and estimated before defining the exact action strategies.

4) Dog segment action strategy: non-profitable with no further business potential may be the biggest challenge, as this segment can consume a major part of the profit created in the first two segments. Whatever action we take to optimize customer management it is important to reduce losses without destroying the brand, which will also impact the star and dog segments. This segment is bigger in enterprises with ineffective customer selection programs (low pricing to blindly capture market share).

E) CUSTOMER ASSET VALUE PYRAMID FOR THE YEAR 1 CUSTOMER BASE



STRATEGY SUMMARY

- 1) THE BRAND CUSTOMER ASSET MANAGEMENT STRATEGY IS USED TO MANAGE EFFECTIVELY THE WHOLE CUSTOMER ASSET VALUE PYRAMID.
- 2) THE OBJECTIVE IS TO EXPAND THE BUSINESS THROUGH COST EFFECTIVE POTENTIAL CUSTOMER VALUE STRATEGIES.
 - (A) THE FIRST OPPORTUNITY IS TO GET RID OF AT LEAST SOME OF THE NEGATIVE ASSET VALUE ACCOUNTS TO REDUCE THEIR NEGATIVE IMPACT ON THE PYRAMID AND ENTERPRISE BOTTOM LINE.
 - (B) THE SECOND AND THE MOST IMPORTANT OPPORTUNITY IS TO EXPAND INTO THE POTENTIAL VALUE AREA WITH NEW AND IDEALLY MORE PROFITABLE BUSINESS.
- 3) THE BRAND'S MARKETING POWER IS BOTH THE BRIDGE TO OLD AND NEW CUSTOMERS AND THE GLUE, WHICH KEEPS THE PYRAMID TOGETHER.
- 4) THE ENTERPRISE WILL ALSO CAPTURE NEW CUSTOMERS, WHICH SHOULD BE ADDED TO THE YEAR 1 CUSTOMER BASE TO GET THE NEW TOTAL CUSTOMER ASSET VALUE.

E) CUSTOMER ASSET PYRAMIDS

Basic customer asset concepts can be used to create different customer asset pyramids. I will start by explaining the customer business potential pyramid design, which in turn can be transformed into the customer market value and customer lifetime value pyramids.

Asset pyramid structures are used to show the impact over time of the Year-1 customer base and do not include new accounts acquired after the end of year 1. The impact of new accounts must consequently be added to the old accounts to get the total business and asset volumes for following years.

Asset pyramids are good for showing positive values, such as increased business volume and further value potential. The impact of negative customer values, however, is hard to show when all the negative values are superior to the positive values. The solution is to make systematic selections of accounts to avoid hiding important information.

The customer business potential pyramid, which represents enterprise present and future sales year-by-year to the year-1 customer base, is built up as follows. The lowest represents business volume year-1 to our present (year-1) customer base. Layer 2 represents business volume year-2 to the year-1 customer base. Layer 3 represents business volume year-3 to the year-1 customer base and so on. Some of the year-1 customers have left us so the year-2 and year-3 volumes of the year-1 customers are usually lower and so on.

It will resemble a pyramid as the sales to year-1 customers will diminish over the years as old customers either stop purchasing our products or buy from the competition. Potential customer value strategies can often be implemented rapidly and have an impact already in year-1. Again, we can use any of the three basic customer asset concepts to create customer asset pyramids.

Customer asset value pyramids are explained further on the left. The first is customer lifetime value with and without the impact of negative asset values. The second is the same for potential customer lifetime value.

We must also add business to new customers year-by-year to get enterprise total business volume. The business from old customers will normally decline over the years and the business to new customers and new business to our present customers is vital to maintain or expand enterprise business volume. Enterprises are different and customer business pyramids will look very different depending on the actual business and market situation in each enterprise.

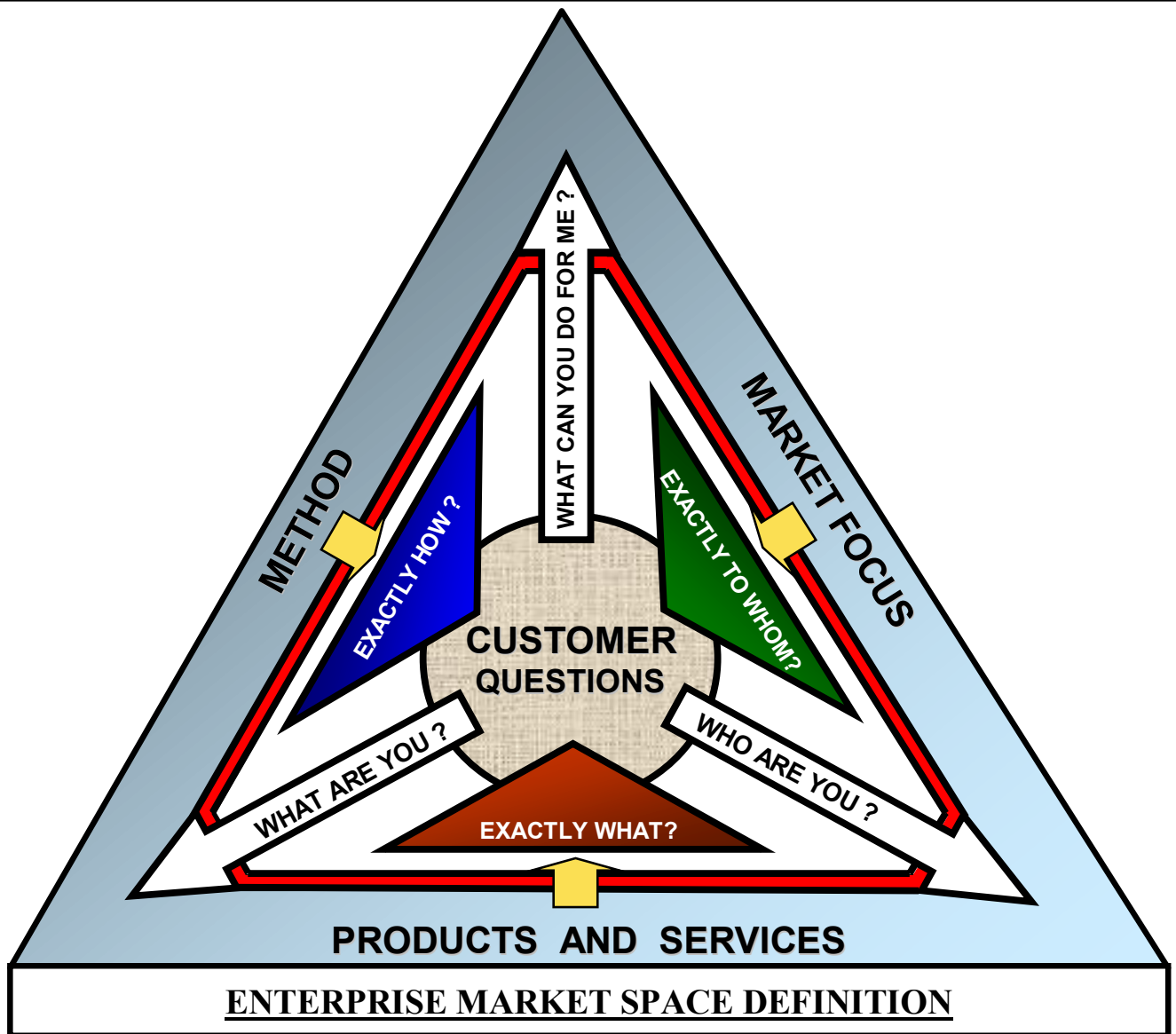
Brand marketing power is the business engine and bond (glue), which keep asset pyramids together and brand management is vital for solidifying pyramids and for maintaining business with the year-1 customer base over the years. Customers do business with people and companies they like and a high customer rotation will simply destroy customer asset pyramids.

The exact impact of brand marketing investments on the customer asset value pyramid must be followed up and managed, which is an integral part of the Brand & Customer company management strategy.

The fundamental objective of Brand & Customer company strategy is to manage effectively the entire Brand & Customer asset value pyramid in order to create profitable and sustainable business.

BRAND DESIGN, BUILDING AND MANAGEMENT

TRADITIONAL ENTERPRISE PRODUCT FOCUSED MARKETING
RESPONDS TO ENTERPRISE CENTERED QUESTIONS



MODERN CUSTOMER FOCUSED MARKETING RESPONDS
TO CUSTOMER CENTERED BRAND QUESTIONS

BY WHOM? WHAT IS YOUR BRAND AND WHAT CAN YOU DO FOR ME?
EXACTLY WHO ARE YOU, WHAT ARE YOU AND WHAT DO YOU STAND FOR?

THE BRAND IS NOT ONLY THE ENTERPRISE'S IDENTITY, WHICH SETS US
APART FROM THE COMPETITION BUT ALSO THE STARTING POINT FOR
DOING BUSINESS TOGETHER AND THE FUNDAMENTAL BUSINESS MOTOR.

BRAND ASSET MANAGEMENT

Brand is the core business engine and brand asset management is vital to the strategic leadership and operational business management in all enterprises.

Branding process management (or if you prefer: customer relationship management) is the major corporate brand management tool and this chapter is obviously just the starting point for further investigation of this very complex subject.

The objective of this brand asset management chapter is to explain how to define and manage brand assets, when using brand system models with structures and dimensions, as we can only see and manage what we can understand.

The brand management challenge is that brands contain more or less definable image and emotional parts, which are very difficult to analyze and explain. The marketing impact, however, of brand images and emotions can be partly understood through this structured one-to-one and one-by-one brand management approach.

BRAND MARKETING

Traditional marketing is based on the response to three key enterprise centered questions: **exactly what** (product/service), **exactly to whom** (customer and market focus concept), and **finally exactly how** (business, marketing and sales models) **to sell the enterprises products and services?**

Modern marketing focuses on the first customer question: **by whom?**

1) Who are you?

2) What are you?

3) What can you do for me?

Customer questions are the customer's fundamental platform for doing business with the enterprise and the starting point of the customer centered company.

We must evidently also follow up with the traditional enterprise marketing approach to define markets, products and methods.

The brand is the enterprise identity and what the enterprise stands for, which makes the enterprise special in the eyes of its customers. This is the famous brand promise, which is either what it promises to be or not to be. The brand promise is simply either validated or not.

Brand promise is made by the enterprise and the customer judges what is real to him, as explained in the customer brand reality model. I have chosen to focus on the customer viewpoint simply because my main objective is to find the best way to drive the business without losing a powerful and positive brand image.

The customer is the heart and core of the business and Dr. Change is a firm believer in backing up brand promises through effective management of both the branding and customer relationship processes in order to make the business happen.

Interlinked Brand & Customer assets can only exist in defined market spaces/segments. There is simply no separate brand asset definition, but this does not stop us from defining potential brand assets in new market places.

Brands can in theory have complex structures, but too complex structures are in reality very difficult and expensive to manage. I strongly recommend you stay as simple as possible, as brand synergies are very difficult to manage.

THE BRAND IS THE VITAL CORE ELEMENT OF BUSINESS POWER MANAGEMENT

BASIC TRADITIONAL AND MODERN BRAND CONCEPTS

THE TRADITIONAL ENTERPRISE AND PRODUCT FOCUSED BRAND IS BASICALLY USED TO INDICATE WHERE TO PURCHASE PRODUCTS AND TO GUARANTEE THEIR QUALITY. IT WAS SIMPLY USED TO PROMOTE SELLING PRODUCTS AND SERVICES TO ALL CUSTOMERS.

THE TRADITIONAL BRAND CONCEPT WAS AN EFFECTIVE MARKETING TOOL IN PRODUCT DRIVEN MARKETS, WHEN GOOD PRODUCTS WERE RARE, BUT IT IS NOT SUFFICIENTLY PRECISE FOR BRAND AND CUSTOMER ASSET/EQUITY MANAGEMENT.

THE MODERN ONE-BY-ONE CUSTOMER FOCUSED BRAND CONCEPT IS A TYPE OF MARKET INTEGRATED CUSTOMER VIEWPOINT BRAND, WHICH IS OWNED BY INDIVIDUAL CUSTOMERS.

THE MODERN BRAND IS NOT ONLY INTEGRATED INTO SPECIFIC MARKET SPACES BUT ALSO WITH INDIVIDUAL CUSTOMERS AND IT IS A VERY EFFECTIVE TOOL FOR ONE-TO-ONE BRAND AND CUSTOMER ASSET AND EQUITY MANAGEMENT.

THE MODERN CUSTOMER FOCUSED SEGMENT BRAND CONSISTS OF ALL OF THE INDIVIDUAL ONE-BY-ONE BRANDS IN A SEGMENT AND IT SHOULD BE MANAGED ACCORDINGLY.

BRANDING AND CRM PROCESS MANAGEMENT

BRANDING PROCESS MANAGEMENT INCLUDES ALL CUSTOMER CONTACTS AND INTERACTIONS WITH THE ENTERPRISE.

THE OBJECTIVE OF BRANDING PROCESS MANAGEMENT AND CUSTOMER RELATIONSHIP MANAGEMENT IS TO SUPPORT THE BRAND PROMISE AND TO DRIVE THE BUSINESS.

MARKETING AND SALES PROCESSES MUST BE ADAPTED TO EXPLOIT AND COMPLEMENT BRAND MARKETING POWER IN ORDER TO MAXIMIZE THE BUSINESS.

THE ONE-BY-ONE BRAND AND THE EVERYONE BRAND

No brand – no bond – no business: all enterprises must have a clear and distinctive identity, that is the brand, in order to be effective in a market place. The brand is the bond between the enterprise and its customers one-by-one and everyone.

The one-by-one brand is the individual customer's factual opinion/vision/feeling in relation to the enterprise plus its products, services and image. This customer centered brand definition is fundamental for understanding the brand management process.

The everyone brand consists of the totality of individual one-by-one brands in a market segment. The segment brand is simply built up collectively by the individual brands and must be understood and managed as such. There are clearly neither average feelings nor average people and we must simply manage the individual brands one-by-one in order to manage the everyone segment brand.

Lifetime brands are used for managing branding cycles during the customer lifecycle, as explained in the "Customer Asset Management" chapter. This is a dynamic brand management concept, which is focused on brand evolution, as the customer moves forward in the business lifecycle.

No brand – no products: customers purchase and consume brands, images and feelings, as well as tangible products and services. Products and services are obviously also an integrated part of the one-by-one brands.

BRANDING PROCESS MANAGEMENT

Branding processes which create individual one-by-one brands, include all customer contacts and interactions within or outside the business lifecycle. At this point we shall focus on the enterprise branding process that is the management of all customer contacts and interactions with the enterprise.

Customer brand reality is closely related to the enterprise's capability to bring value to their customers in order to support and validate consistently the brand promise. The enterprise branding process must be in phase with its brand objectives to support the business. Customer relationship management is also an important part of the enterprise branding process, but the CRM functions should not be confused with CRM software, which is mainly an IT platform to support communication with customers.

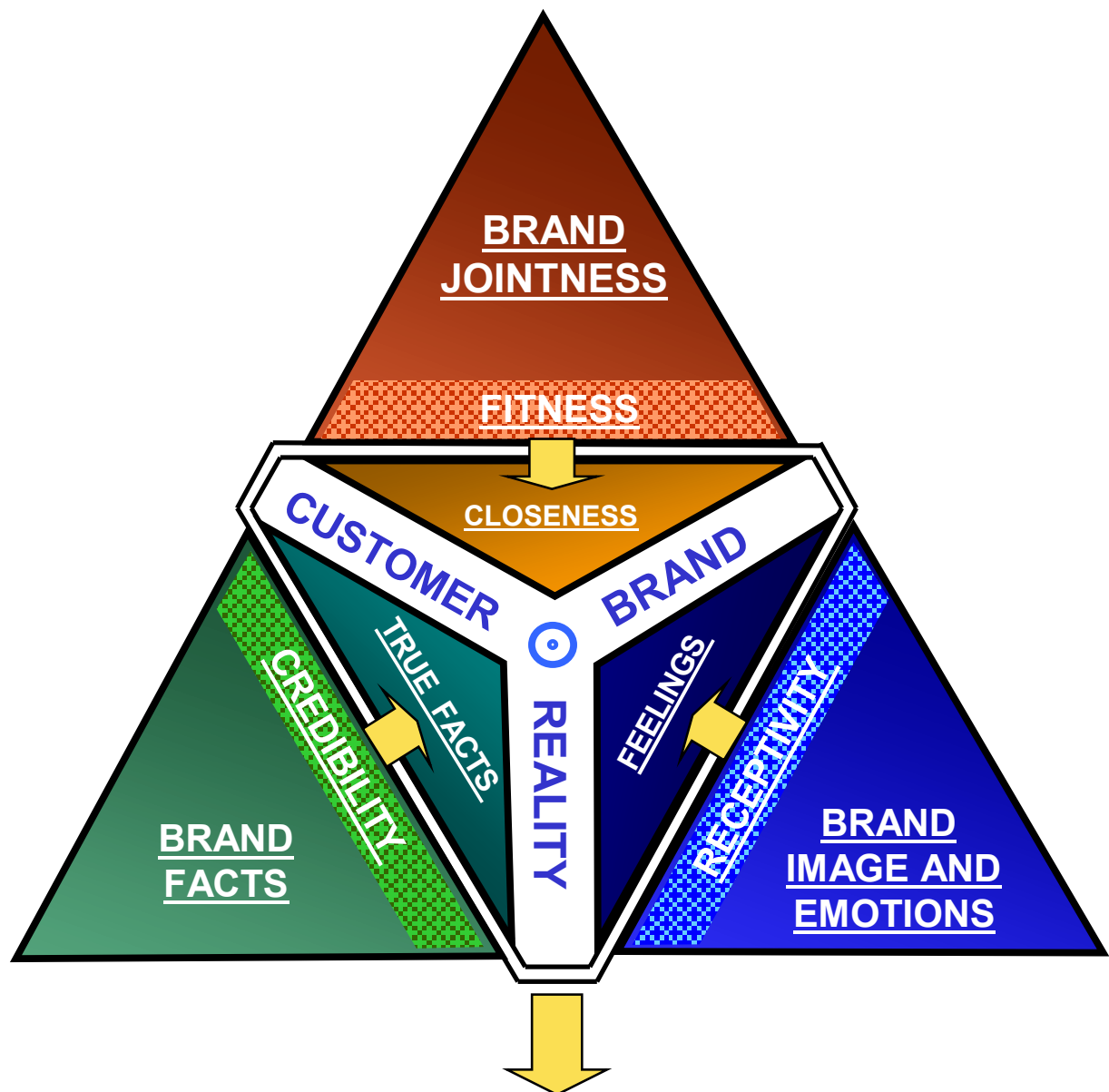
CONCLUSIONS

Brands define the basic identity of the enterprise (products/services/image), as perceived by individual customers one-by-one. Brand reality is the customer viewpoint and perception.

Segment brands consist of every one of the individual one-by-one brands. It is a type of composed/limited average brand concept and must be managed as such, as there are no average feelings.

The brand is the business engine and the enterprise's bond with customers. Branding process management, which includes customer relationship management, is a vital tool both for supporting brand promise and for driving the business.

ENTERPRISE BRAND AND BRANDING STRUCTURE



THE OBJECTIVE IS TO MANAGE THE CUSTOMER'S
INDIVIDUAL BRAND REALITY ONE - BY - ONE,
AS THERE ARE NO AVERAGE FEELINGS

THE ENTERPRISE BRANDING PROCESS GOES THROUGH A FILTER SYSTEM, BEFORE REACHING THE CUSTOMER'S BRAND REALITY.

FACTS MUST BE CREDIBLE TO BE ACCEPTED.

EMOTIONS MUST BE RECEIVED TO BE FELT.

JOINTNESS MUST FIT THE CUSTOMER TO BE CLOSE.

The brand's marketing power and operational usefulness is limited to its area of credibility as perceived by customers.

Brands should be designed for enterprise core market spaces (or if you prefer market places) to support the business.

Marketing and sales processes must obviously be adapted to exploit and complement the brand's marketing power in order to maximize business results.

BRAND STRUCTURE

Brands must be defined to be manageable and brand structure is the basis for effective one-to-one brand management and branding process management. Both brand design and branding process management are a vital part of the enterprise's strategic leadership and operational business management.

All brands can be said to have a virtual structure and there are an infinite number of possible more or less complex brand structure models. I have a preference for three part models, as this is the maximum which we can be understood and managed. But all enterprises must find their own best brand structure solution.

Brands must be designed to have an effective and powerful brand structure, which is used for strategic and operational brand asset/equity management, to complement traditional marketing and sales management.

Brand structure, which also defines the action leavers, is vital both for the brand's marketing power and effective use in the enterprise. Brand structures differ greatly in all companies and market places. In fact, there are an infinite number of possible brand models with more or less complex asset and action structures.

BRAND ASSET AND EQUITY STRUCTURE. (Equity means net assets)

Brand asset and equity structure in the brand model presented on the left can be divided into three parts: fact, image and jointness equities with the corresponding action leavers. This is a simplified schematic model to explain the method. Again there are an infinite number of possible models.

The right brand model, with the right action leavers, must be designed to fit the enterprise's business and market situation, as every case is different. The type of brand equity, which dominates the business relationship depends both on the type of products and/or services to be sold and on the market situation.

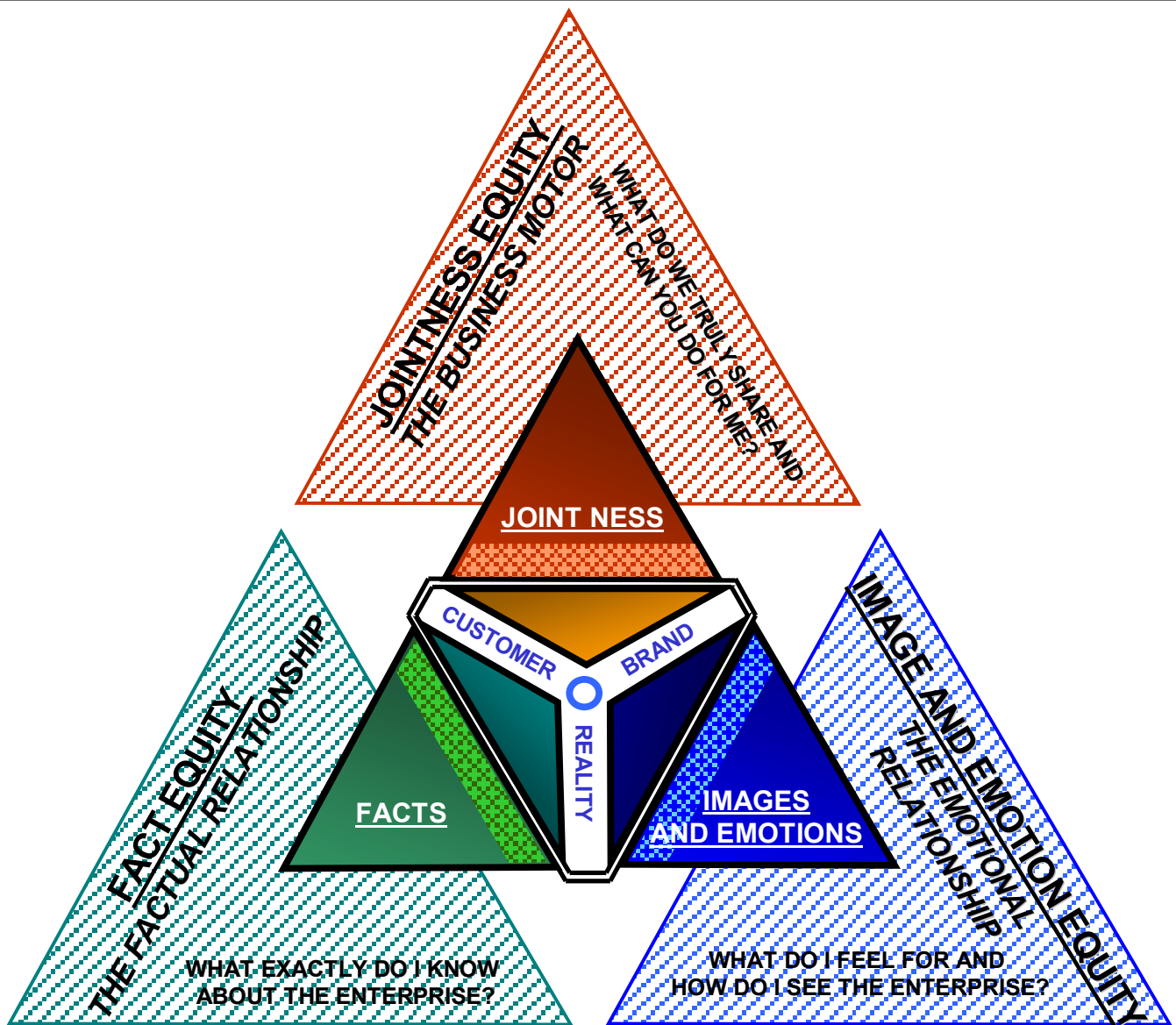
The marketing impact of brand equity components is difficult to evaluate even if we can evaluate the approximate business value of the brand. This is, however, the major challenge for closed loop dynamic asset management, as all enterprises make major investments in marketing programs and brand management.

Brand assets and equities can only exist together with customer asset/equity and this is evidently also true for brand asset and equity components.

Fact equity is frequently the keystone of the customer's relationship with the enterprise and it can be defined as the customer's objective assessment of both the enterprise and its products and services. Yes, the products and services are clearly included in the brand concept! No brand – no products. Fact equity is, as its name indicates, factual and the easiest part to understand in the brand concept.

BRAND ASSET AND EQUITY STRUCTURE

SIMPLIFIED SCHEMATIC OVERVIEW



BRAND EQUITY STRUCTURE SUMMARY

THE BRAND STRUCTURE DEFINES AND COVERS IT ALL.

- 1) **THE ASSET AND EQUITY STRUCTURE, WHICH SHOULD BE MANAGED AND EVALUATED.**
- 2) **THE ACTION LEVERS: THE EXACT FUNCTION OF EACH PART OF THE BRAND STRUCTURE.**
- 3) **THE BRIDGES FOR COMMUNICATION WITH CUSTOMERS AND FOR MANAGING THE BRAND TOGETHER WITH THE OTHER CUSTOMER RELATIONSHIP PROCESSES.**
- 4) **BRAND STRUCTURE IS INDISPENSABLE FOR THE EFFECTIVE ONE-TO-ONE BRAND AND CUSTOMER ASSET AND EQUITY MANAGEMENT.**

Image and emotion equity or brand magic is the customer's subjective and emotional intangible assessment beyond the objectively perceived factual value in fact equity. Brand magic is clearly driven by what I call emotional logic, which is very hard to understand and analyze.

We are now entering a fantasy world with few reality checks, and emotions are neither easy to understand nor validate. Emotions are a very important part of brand equity. Fashion products are for example mainly image and emotion driven.

Jointness equity represents both the business motor, which drives the business, and the bond, which binds customers to the enterprise. After sales service and customer clubs can also be seen as products with strong jointness components. They support long-term business relationships.

Long-term business partnerships are jointness driven. Jointness mostly contains strong image, emotional and factual components in order to create the famous closeness, which finally promotes the business long and short term.

All enterprises must in addition to brand jointness develop a strong positive relationship with their customers and support it through their CRM systems. Good business relationships are easy to destroy and cost a lot of effort and money to rebuild.

CONCLUSIONS:

Brand system structure plus one-to-one management strategy make it possible to manage effectively:

- 1) **The customer's individual/one-by-one brand and the corresponding branding processes.** We can now optimize brand marketing power and effectiveness in specific (high value?) market segments. This is clearly one of the main keys to global branding process management, which covers both external (advertisements for example) and internal branding processes.
- 2) **The enterprise's Brand & Customer equities in a transparent bottom-up way, which is vital for understanding segment brand, that is everyone of the individual/one-by-one brands, plus for evaluating the impact of internal/ external brand marketing/ support programs.**

Interlinked Brand & Customer equities must be managed jointly as the brand can only exist in a defined market space. We will discuss this further in the "Customer Asset Management" and "Market Chain Management" chapters.

NOTE:

All brands can be said to have a virtual structure and there are an infinite number of possible brand models. I have a preference for the three-tier model presented above where customer relationship is a type of fourth dimension. I strongly recommend you avoid models that are too sophisticated. These are close to impossible to understand and manage.

BRAND SYSTEM DIMENSIONS

BRANDS CAN BE DESIGNED TO HAVE SEVERAL SYSTEM DIMENSIONS, WHICH IS A TYPE OF EXTENSION OF THE BASIC STRUCTURE.

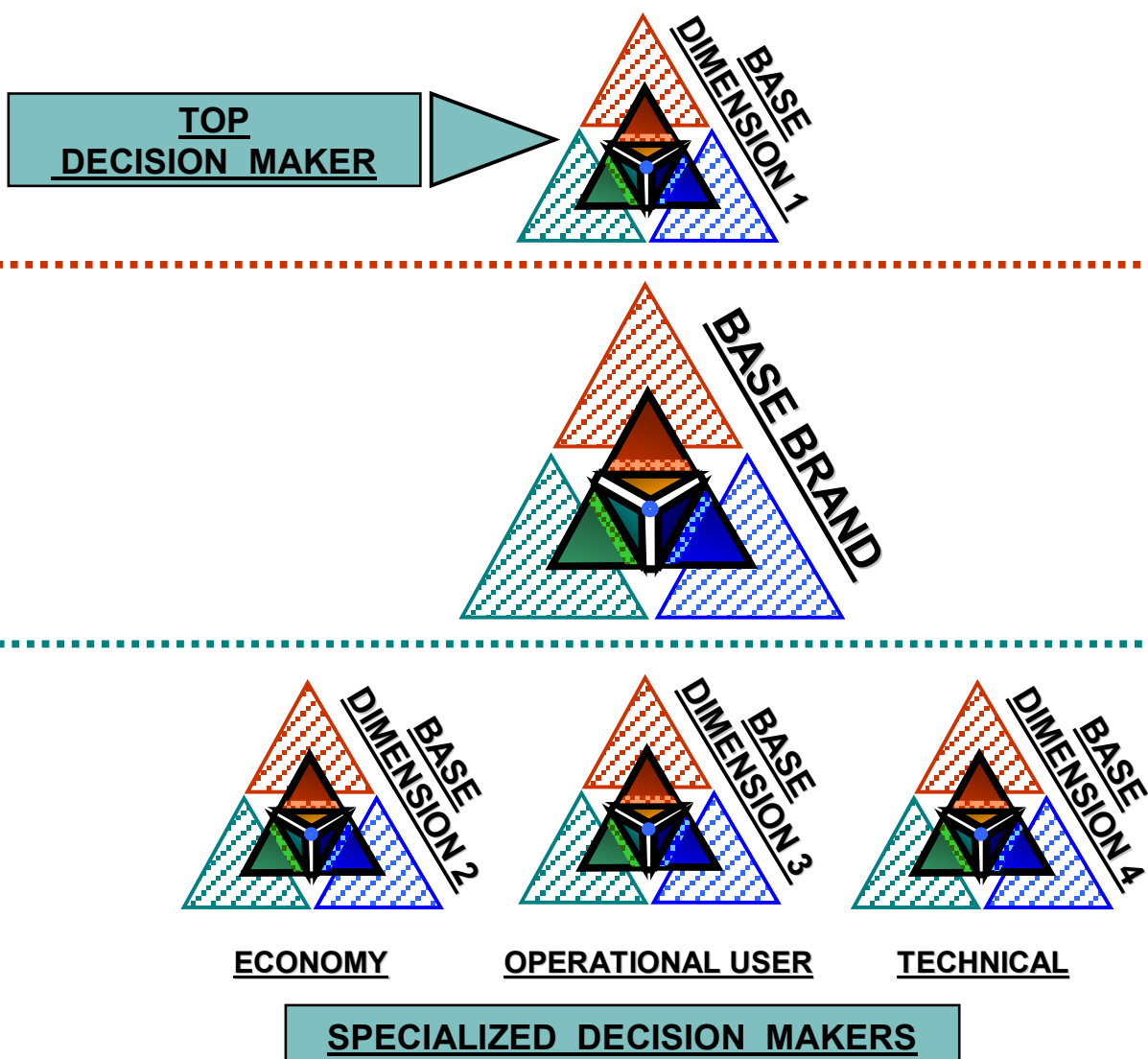
THE OBJECTIVE IS TO UPGRADE BRAND MARKETING POWER THROUGH A CLOSER INTEGRATION WITH:

- 1) THE CUSTOMER'S EMOTIONAL AND FACTUAL DECISION PROCESSES.
- 2) THE MARKET STRUCTURE.

JOINT BRAND SYSTEM DIMENSIONS

JOINT BRAND DIMENSIONS ARE SPECIALLY DEVELOPED FOR MULTIPLE DECISION MAKERS OR USERS, WHICH SHOULD COME TO A JOINT DECISION. IT IS A TYPE OF “WHAT IS IN IT FOR ME” APPROACH.

THE OBJECTIVE IS TO ADDRESS ALL DECISION MAKERS AND USERS WITH DIFFERENT DECISION PROFILES IN THEIR OWN DIMENSION IN ORDER TO MAKE IT THEIR JOINT TOP CHOICE (IBM MODEL).



BRAND EQUITY AND BRAND SYSTEM DIMENSIONS

Brands can be designed to have several dimensions with the same or different brand structures. System dimensions can be seen as an extension of basic brand structure with the objective of increasing the brand's marketing power through closer integration with the customer decision processes or the market structure.

Marketing and sales processes must be adapted to complement and fully exploit brand dimensions in order to drive both the business and brand equity. I will now discuss the joint, hierarchy and pyramid system dimensions.

Joint system dimensions are developed for multiple specific types of decision makers and/or consumers, who could reach a joint decision. This is a "What is in it for me?" approach. In this way, persons with different decision profiles will feel addressed by the brand structure in their own dimension in spite of heterogeneous decision processes. The objective is to make purchasing from us their joint preferred first choice.

IBM's brand system approach was developed for, what they call, management system selling to key decision makers/users with different backgrounds and/or functions. Managing directors, finance directors and users perceive professional brands very differently and the exact brand dimension must be developed specifically for each type of decision maker.

Hierarchy or cascade system dimensions are a very interesting push/pull brand structure. The cascade of brand dimensions should simply function jointly as designed. Every dimension is a part of the hierarchy and has a specific business driving function. The enterprise is here a business partner of the marketing ambassadors and the preferred choice of consumers.

L'Oreal has been using hierarchy brand strategies for selling cosmetics with the support of dermatologists. They are clearly masters of this technique, which is also used by pharmaceutical companies to sell through doctors.

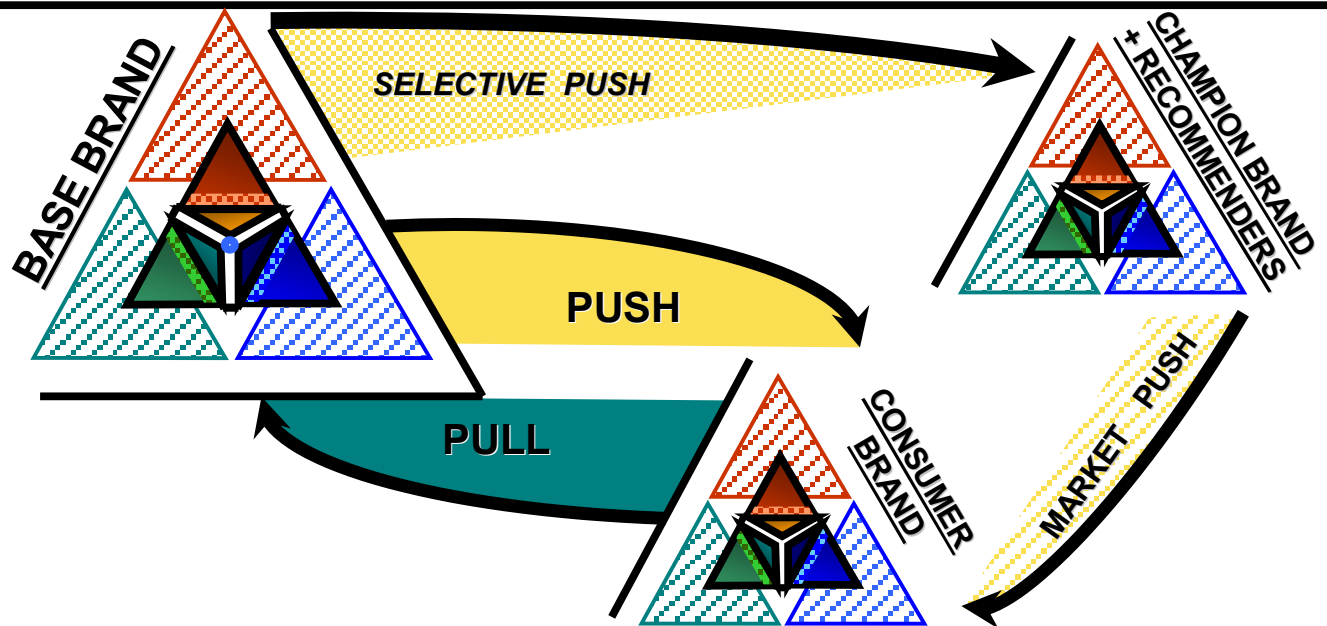
Pyramid system dimensions can be seen as a combination of joint and hierarchy system dimensions. This is a way to use the synergies between brands and to stand on the brand shoulders of other powerful brands in order to save time and money. One straightforward example is to use complementary well-known brands when creating the base of the pyramid and to position the new composed brand at the top,

Brand mixing, however, is very complex and all brands in the pyramid must imperatively have crystal clear missions in order to make brand synergies function effectively in the new composed brand. In addition, complex brands are both difficult to manage and expensive to implement.

Darty (well-known French reseller of household goods) uses a selection of other strong brands (Bosch, Miele, for example) to position their brand. This is not only a way of using other brands as brand dimensions in the pyramid but also to position their own brand closer to customers, through effective after sales service. This is a rare example of successful straightforward brand synergy.

HIERARCHY BRAND SYSTEM DIMENSIONS

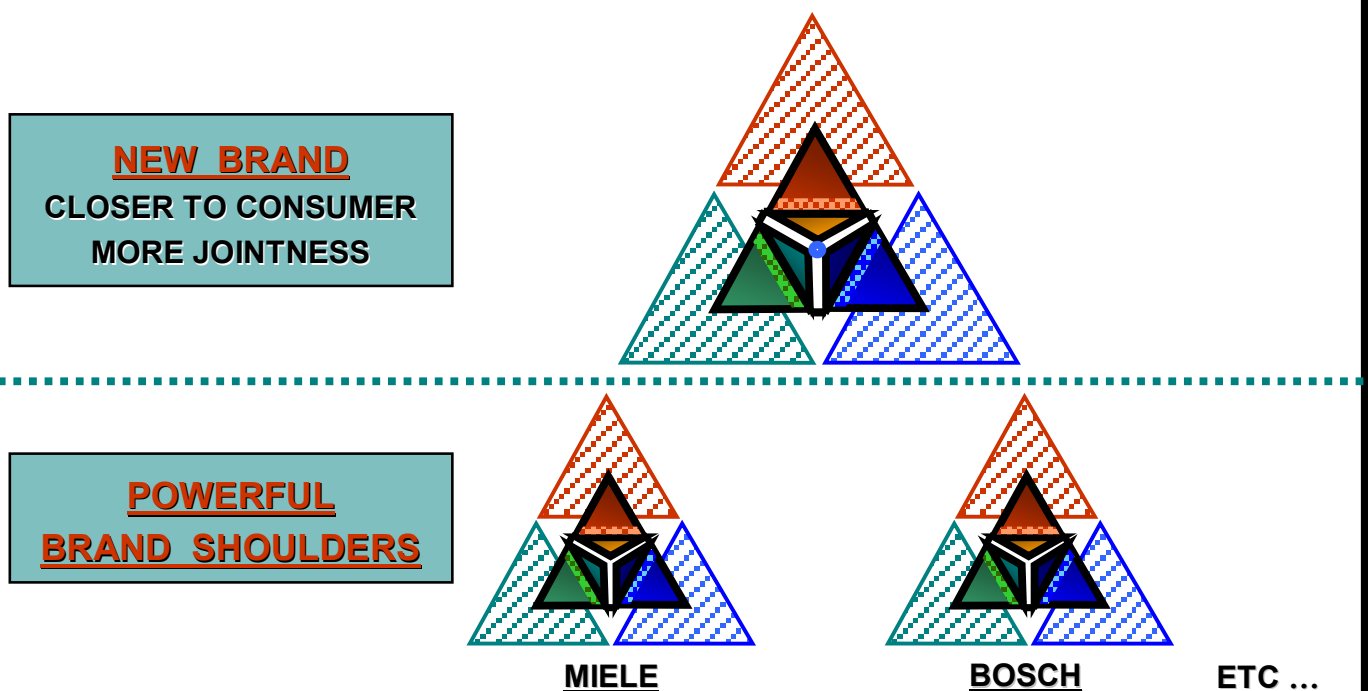
HIERARCHY BRAND DIMENSIONS ARE USED TO CHANGE THE BRAND'S MARKETING FUNCTION (PUSH/PULL ETC.) TO INTEGRATE THE BRAND INTO A MULTI LEVEL/DIMENSIONAL MARKET SPACE.



PYRAMID BRAND SYSTEM DIMENSIONS

PYRAMID BRAND DIMENSIONS ARE USED TO POSITION NEW PYRAMID INVESTMENT AND LOSS OF TIME WITHIN A PYRAMID BRAND STRUCTURE.

THE OBJECTIVE IS TO USE BRAND SYNERGY TO POSITION A NEW BRAND AT THE TOP OR TO ATTACH AND DRIVE A NEW BRAND WITHIN THE PYRAMID BRAND STRUCTURE (DARTY MODEL)



CONCLUSIONS

Brand systems dimensions are used to improve brand marketing power through closer integration with:

- 1) **Buyer's** decision and/or purchase processes.
- 2) **Market** structure.

Brand dimensions are consequently either directed towards decision makers that are the joint brand dimensions, or towards market structures that are cascade and pyramid brand dimensions.

Brand dimensions are also used to profit from brand synergies and to position and support the new brand. This approach also makes it possible to stand on brand shoulders and work faster with short life-cycle brands like spring fashions.

The major advantages of brand dimension strategies are to:

- A) **Improve precision of positioning** and upgrade the power of new brands.
- B) **Reduce marketing investments** thanks to the increased brand power.
- C) **Shorten time-to-action** that is the time needed for upgrading old brands and for getting new brands operational. Time is more than money. Too late is simply too late. Reduced time-to-action is a vital advantage in today's turbulent and ruthlessly competitive markets.

The major disadvantages of brand dimension strategies:

- A) **They are a powerful**, sophisticated and refined way of using brands to drive business, but they are also a more complex way to market products/services,. Brand dimensions require advanced knowledge in marketing and brand management.
- B) **The complexity** of new brand and brand management will increase cost of operations and management.

BRAND BUSINESS ENGINE SUMMARY

The business engine integrated into the brand must be designed to contain the right business driving functions in order to make the right business happen. All parts of the brand should have a specific business purpose and function.

The schematic customer brand reality model is a purely virtual and imaginary model. It is used to understand, structure, design and follow both the brand and branding processes. This virtual model defines the purpose and function of the brand structure, which must be tailored for each enterprise.

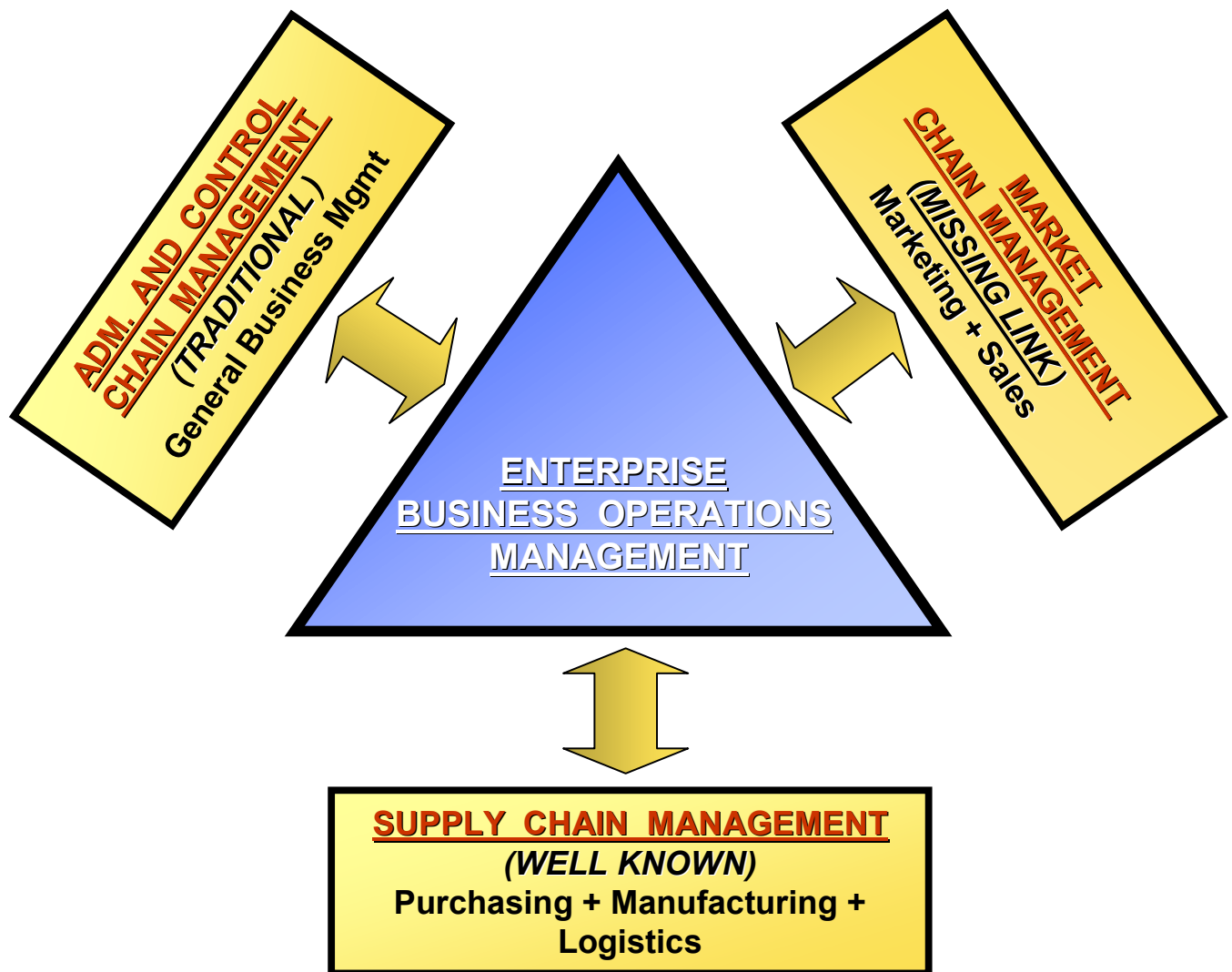
The business impact of the more or less defined components in brand structure can be very difficult to evaluate especially for the image and emotion components. In reality, however, we will try to modify the value of the components step-by-step to understand their impact in order to optimize marketing investments. What is a fair price for a car with higher quality and so on?

The main challenge is to combine simplicity with efficiency, which as always takes a lot of field experience and marketing knowledge. Brand and branding management are mainly subjects for in-depth seminars and these schematic models are only a starting point.

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BUSINESS MANAGEMENT DISCIPLINES IN THE BRAND AND CUSTOMER COMPANY

SIMPLIFIED SCHEMATIC OVERVIEW



NEW CORE COMPETENCIES FOR ENTERPRISE BUSINESS PROCESS MANAGEMENT

STATISTICS

PSYCHOLOGY

MODELLING

COMMUNICATIONS

MATHEMATICS

Etc.

BUSINESS MANAGEMENT DISCIPLINES IN THE BRAND & CUSTOMER COMPANY

The objective of this chapter is to explain some basic management concepts before going deeper into the market chain management challenge. This new enterprise will have to be re-engineered and function differently to integrate the new process focused chain management systems, which is why I will start with explaining the new enterprise business operations management structure.

NEW MANAGEMENT THEORIES AND MODELS CAN HELP MAKE THE ESSENTIALS VISIBLE

Business management is both a scientific discipline and a profession and I see the usefulness of theory as follows: To build a small log cabin it is enough to have practical experience but to build apartment buildings we need engineering science.

In business we also need trained managers to build and manage enterprises but management disciplines cannot replace common sense and field experience. By the way, Albert Einstein claimed that there are only two types of theories: good (which work) and bad (which don't).

The bottom line is simply that we can only manage effectively what we can see and understand. Management disciplines are vital tools for understanding both operational and management processes and for designing enterprise-wide business operations management systems and IT platforms.

The infinitely complex market realities defy all totally accurate interpretations. Business management disciplines are simply tools to support finding the best management solutions. In fact, there are no universal solutions and management disciplines should mainly be used to better understand some of the complex relationships and to reveal the best direction for finding good solutions.

THE THREE BASIC BUSINESS MANAGEMENT DISCIPLINES

Traditional business management in trading companies mainly covers purchasing, sales and administration (excluding people management) and this also corresponds to modern business management if you add the manufacturing and logistics processes. Joint purchasing, manufacturing and logistics have been renamed supply chain management but it is basically the same.

I will now focus on the marketing side that is market chain management as the two others have already been explained and field-tested. In addition, we are also using other scientific disciplines like statistics, mathematics, modeling, psychology and communications to support the three basic disciplines.

The three basic management disciplines are the minimum that must be integrated into an enterprise-wide business operations management system and IT platform to make it effective, as shown on the left. Oracle, SAP and IBM for example are developing IT platforms to support trans-enterprise business process management systems.

The missing management link, however, is the market chain management concept and we even lack the basics for understanding market side management within a chain process concept. Management disciplines must consequently advance before we can design the new trans-enterprise IT system platform, which is one of the main purposes of this book.

MAJOR CHAIN MANAGEMENT CHALLENGES IN THE BRAND AND CUSTOMER COMPANY

ENTERPRISE CHAIN MANAGEMENT

CORRESPONDS TO STRUCTURED, COORDINATED AND JOINT MANAGEMENT OF THE ENTERPRISE'S DIFFERENT OPERATIONAL BUSINESS PROCESSES.
I WILL TRY TO EXPLAIN SOME OF THE MAIN MANAGEMENT CHALLENGES.

THE CHANGE MANAGEMENT CHALLENGES ARE TO:

- 1) SWITCH OVER TO PROACTIVE TRANS-ENTERPRISE PROCESS MANAGEMENT FOCUS AND AWAY FROM TRADITIONAL REACTIVE DEPARTMENTAL PROCESS MANAGEMENT FOCUS. THIS NEW BUSINESS MANAGEMENT DIMENSION IS USED WHEN REDESIGNING BOTH ENTERPRISE STRUCTURE AND MANAGEMENT PROCESSES.**
- 2) UNITE KNOWHOW FROM PEOPLE WITH TOTALLY DIFFERENT BACKGROUNDS AND PERSPECTIVES, AS WE NEED IT BOTH FOR REDESIGNING THE ENTERPRISE AND FOR MANAGING THE CROSS DEPARTMENTAL OPERATIONAL PROCESSES. THE KEY MANAGEMENT STRATEGY IS TO CREATE AN ENTERPRISE JOINT VISION PLATFORM FOR SHARING AND USING INFORMATION AND KNOWHOW NEEDED TO MAKE IT ALL WORK EFFECTIVELY.**
- 3) REDESIGN BOTH THE ENTERPRISE AND THE WHOLE MANAGEMENT SYSTEM. THE OBJECTIVE IS SIMPLY TO MAKE THE SPECIALIZED CHAINS (MARKET AND SUPPLY ETC) FUNCTION TOGETHER. FOR THIS WE WILL ALSO HAVE TO CREATE NEW MANAGEMENT CONCEPTS SUCH AS BRIDGE MANAGEMENT TEAMS AND NEW TOOLS SUCH AS MANAGEMENT ROADMAPS.**
- 4) MANAGE THE ENTERPRISE EFFECTIVELY TOGETHER WITH THE HETEROGENEOUS TEAMS. THE KEY STRATEGY IS TO CREATE AN EFFECTIVE ENTERPRISE JOINTNESS TEAM SPIRIT TO BE USED THROUGHOUT THE WHOLE ENTERPRISE.**

SUMMARY

THERE ARE OTHER CHALLENGES BEYOND THE MISSING LINK (MARKET CHAIN MANAGEMENT), WHICH HAVE TO BE RESOLVED BEFORE CREATING TRANS-ENTERPRISE MANAGEMENT SYSTEMS AND THIS WILL TAKE TIME AND FIELD EXPERIENCE.

THIS BOOK IS THE STARTING POINT OF THE MANAGEMENT ROADMAP AND JOINT VISION PLATFORM TO SUPPORT BRAND AND CUSTOMER COMPANY MANAGEMENT STRATEGY.

ENTERPRISE CHAIN MANAGEMENT CONCEPTS AND CHALLENGES

The chain management concept corresponds to structured process management of the enterprise's different business operations management chains. This is business power chain management, which I will discuss in detail as we go along.

The two objectives of the enterprise chain management concept are to:

- 1) **Define and design** operational processes in relationship to the finality, which is typically marketing/sales in the market chain.
- 2) **Unite and coordinate** the specialized sub-chains into an enterprise-wide business operations management chain, which ideally should be supported by a powerful IT platform.

Traditionally, we have focused on attributing tasks and processes to specialized departments such as marketing, sales and administration. This is no more possible in the proactively managed enterprise. Here we must also focus on managing and driving trans-enterprise pre-designed operational processes. These involve several departments.

Basically, there are three complementary strategies to meet the enterprise chain management challenges. We can:

- 1) **merge departments** to cover the entire process like purchasing, manufacturing and logistics into some kind of supply chain department as well as marketing and sales into the market chain department,
- 2) **design bridge departments** (cross-over departments) with the necessary knowledge to manage and control the new chains as shown on the next page,
- 3) **upgrade departments** with the right knowledge both to get the job done on their own and to reduce management overheads.

The challenge is simply that the entire enterprise must be re-engineered to make sure that the organization is in step with and corresponds to the new operational chain processes to avoid losing control over these fantastic, all resolving, mysterious and more or less automated high-tech chain management systems.

The major problem today is simply that about 80% of these advanced management system installations are either failing or being rejected by the traditional organization and we have clearly come to the famous strategic rethink point.

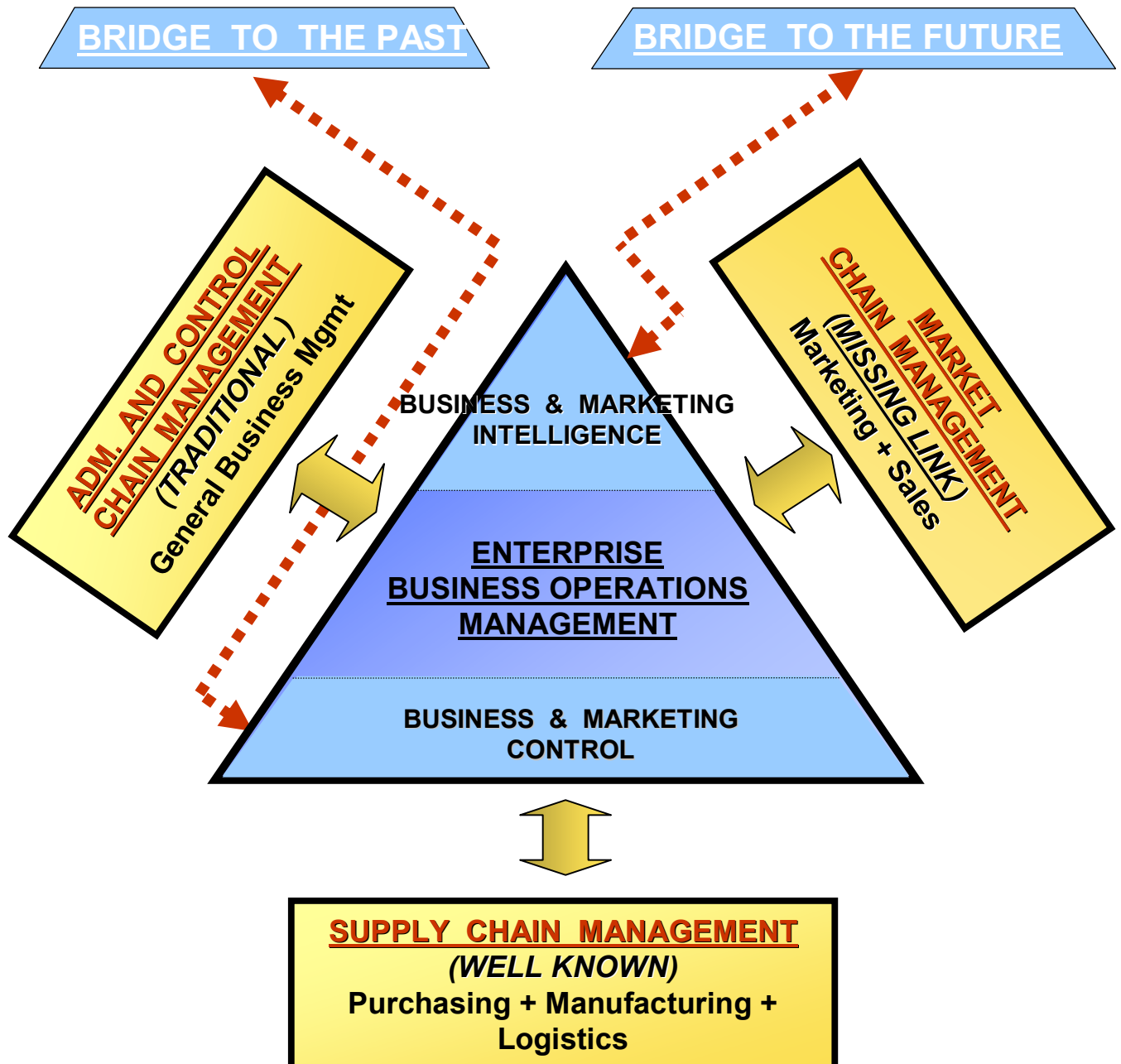
BRIDGE MANAGEMENT TEAM CONCEPTS = UNITED WE UNDERSTAND AND CAN WORK MORE EFFECTIVELY.

The US Armed Forces created joint combat and command centers with components from all services (Army, Navy and Air Force) to improve military battle management. Mixing services however is like mixing fire with water. There were many jointness and joint vision challenges to be resolved in order to make the new organization function effectively.

Businesses also need bridge management teams (cross-over teams), which can understand the business processes from all sides and make informed decisions. These teams improve both operational business battle management and strategic Brand & Customer asset management.

BRIDGE MANAGEMENT TEAMS IN THE BRAND AND CUSTOMER COMPANY

UNITED WE UNDERSTAND



UNITED WE WORK EFFECTIVELY

BUSINESSES NEED CROSSOVER BRIDGE MANAGEMENT TEAMS TO SEE THE CHALLENGES FROM ALL SIDES TO MAKE INFORMED DECISIONS.

FINANCE WILL NO MORE ASK MARKETING WHAT FIGURES THEY WANT, BUT SUPPORT THEM TO GET THE FIGURES RIGHT.

Finance and marketing operations are separated in traditional enterprises, but this is no longer possible, when the very large majority of assets are external and intangible. We simply need the full knowhow from both sides to manage the real-time interactive external and internal asset management processes effectively.

The Brand & Customer company needs at minimum two cross-over bridge management functions: business and marketing control and business and marketing intelligence. Both must operate effectively and manage rapid change processes when following high market and business paces. These two cross-discipline bridge management functions/departments have enterprise missions beyond the traditional departmental limits.

The business and marketing control function, which covers both traditional tangible internal assets and external action tangible Brand & Customer assets, is used to understand the present status and the processes, businesses and others, which were used to get there. In a way it is a bridge between the two management disciplines and the past.

The business and marketing intelligence function is used to define future development and how to reach new objectives. Both the control and intelligence functions are fundamental parts of enterprise change management, as we must not only define the enterprise of the future but also the processes to get there. The marketing intelligence function is a part of the bridge to the future. I will explain this further in the “Change Management” chapter.

The new joint marketing sales function also has to be united and rebuilt, as it is a part of the same joint and coordinated market chain management process. We cannot split the command chains in the real-time interactive operational environments. In a way we are using the Army’s combat center strategy to cover all tasks in the market chain management process.

The new enterprise will function in a very different way and we need to adapt the whole organization and retrain personnel to meet this challenge.

BRIDGE MANAGEMENT TOOLS FOR STRATEGY EXECUTION = MANAGEMENT ROADMAPS.

Complex strategies must be complemented with simple execution tools to guide real world execution, as explained in the level-by-level business power model, and cross-over bridge management is no exception. No tools, no effective execution.

Management roadmaps are a type of bridge management tool, which are used to systematize and simplify critical information to guide the system integration and execution processes. There are at least two types of bridge management roadmap tools: communication platforms and action coordination platforms.

The communication platform roadmap (back to simplicity) is used to simplify and systematize the management picture in order to make the essentials understandable throughout the organization. This book is written in a type of management roadmap format, which is used for explaining complex management pictures.

The fundamental communication challenge is not only to understand solutions, decisions and actions to be taken within top management and specialized teams but also to share the understanding with both specialists and non-specialists throughout the organization.

NEW JOINT ARMY AND BUSINESS BRIDGE **MANAGEMENT PHILOSOPHIES AND STRATEGIES**

THE CORE OBJECTIVE IS TO BRIDGE THE DIVIDE TO TRANSFORM A CLAN DEPARTMENTAL BUSINESS MANAGEMENT APPROACH INTO A BUSINESS PROCESS FOCUSED TEAM APPROACH TO MAXIMIZE BOTH BUSINESS POWER AND ALL ENTERPRISE ASSETS.

BRIDGE MANAGEMENT PHILOSOPHIES AND STRATEGIES



**PEOPLE AND ORGANIZATIONS WITH JOINTNESS.
KNOWHOW AND ACTIONS WITH JOINT VISION.
OPERATIONS WITH BRIDGE MANAGEMENT TEAMS.**

WE MUST SIMPLY BRIDGE TO UNITE, UNITE TO UNDERSTAND, UNDERSTAND TO ACT AND ACT TO GET RESULTS. BECAUSE, WE CAN ONLY SEE AND DO WHAT WE CAN UNDERSTAND.

BUSINESS POWER MANAGEMENT IS TRANS-ENTERPRISE TEAMWORK WITH THE OBJECTIVE TO COORDINATE ALL ENTERPRISE RESOURCES IN ORDER TO MAXIMIZE BOTH BUSINESS POWER AND ALL ENTERPRISE ASSETS.

BRIDGE MANAGEMENT STRATEGIES ARE INDISPENSABLE FOR EFFECTIVE BUSINESS POWER MANAGEMENT AND TO AVOID LOSING CONTROL OVER ALL THESE MORE OR LESS AUTOMATED, HIGH TECH AND SPECIALIZED CHAIN MANAGEMENT SYSTEMS IN THE BRAND AND CUSTOMER COMPANY.

BRIDGE MANAGEMENT ROAD MAP TOOLS

MANAGEMENT ROADMAPS ARE AN IMPORTANT PART OF THE JOINT VISION STRATEGY AND ARE USED TO SYSTEMIZE AND SIMPLIFY CRITICAL INFORMATION.

COMMUNICATION PLATFORM ROADMAPS ARE USED TO STRUCTURE COMMUNICATIONS THROUGHOUT THE ENTERPRISE.

ACTION PLATFORM ROADMAPS ARE USED TO MANAGE AND CONTROL OPERATIONS THROUGHOUT THE ENTERPRISE.

The action coordination platform roadmap is used to simplify and systematize management and control of operations. A typical example is the business and market roadmap.

The business roadmap is used to define the business and how to conduct it.

The market roadmap is used to define the market and where to find the business and the customers. This is a type of action coordination and communications bridge management tool.

The whole enterprise has to work in unison and new bridge management communication and coordination tools are clearly also a vital part of joint vision strategy in the Brand & Customer company

Management roadmaps are indispensable in proactively and transform actively managed enterprises in order to manage, upgrade and control operations effectively. This has partly already been explained in the “Three Major Challenges of the Future” chapter but I will also explain the two key roadmaps: the business and market roadmaps below in the “Market Chain Management” chapter.

The kernel bottom line point is that for many reasons we will see the development of new ways and tools to manage enterprise chain systems as we go forward with field tests of new enterprise-wide management operations systems.

SOME CONCLUSIONS

- The fundamental management objectives are to find the right management perspectives, strategies and tools to create slimmer, faster and more flexible organizations, which can work in a more cost effective way to reach business objectives in fast moving, highly competitive and global markets.
- Specialized chain management systems are used to focus on optimization and management of enterprise kernel business operations processes instead of on management of task focused traditional departments.
- Enterprises have to be re-engineered to break away from traditional departmental management structure to follow and support the new and vital business process management.
- We will have to create new management disciplines, new cross-disciplines and upgrade existing disciplines.
- The new management concepts: business power chain process management, jointness, joint visions, one-to-one marketing and scorecard management will together with new management disciplines support fundamental changes in how to manage enterprises. It will take time, field-testing, experience and training to implement new management concepts effectively.
- In the end we will attain our goal that is to create more powerful and highly competitive enterprises, which can win the best business in ruthlessly competitive markets.

THE ENTERPRISE'S SCHEMATIC BUSINESS MANAGEMENT STRUCTURE

THE FIRST ACTION WHEN CREATING YOUR ENTERPRISE WIDE MANAGEMENT SYSTEM IS TO DIVIDE ENTERPRISE OPERATIONS INTO TWO MAJOR OPERATIONAL ACTIVITIES WHICH ARE BOTH SUPPORTED BY THE CENTRAL ADMINISTRATION AND CONTROL MANAGEMENT.

ENTERPRISE SCM

SUPPLY CHAIN MANAGEMENT

ENTERPRISE MCM

MARKET CHAIN MANAGEMENT

SUPPLY AND MARKET CHAIN MANAGEMENT MUST BE SUPPORTED BY THE JOINT CENTRAL OPERATIONAL ADMINISTRATION.

TOP MANAGEMENT TEAM STRATEGIC LEVEL

ENTERPRISE – ASSET – MANAGEMENT.

COVERS ALL INTERNAL AND EXTERNAL ASSETS

MANUFACTURING SYST.	PURCHASING SYSTEM	BRANDING	CUSTOMER MGMT
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BUSINESS AND MARKETING INTELLIGENCE.

BUSINESS AND MARKETING CONTROL.

ENTERPRISE IT SYSTEM PLATFORM.

ENTERPRISE OPERATIONS LEVEL

ENTERPRISE – OPERATIONAL – PLANNING.

ENTERPRISE – RESOURCE – MANAGEMENT.

<u>RESOURCE MANAGEMENT FOR</u> MANUFACTURING AND PURCHASE AND LOGISTICS PRODUCT SERVICES	<u>MARKETING AND SALES</u> MARKETING/SALES RESOURCE MANAGEMENT
<u>REASONABLY STABLE</u> PROCESS, WHICH CAN BE CONTROLLED BY THE ENTERPRISE	<u>VERY DYNAMIC</u> AND FAST CHANGING PROCESS WITH LIMITED ENTERPRISE CONTROL

WILL ALSO USE JOINT MANAGEMENT RESOURCES: CENTRAL ADMINISTRATION, LOGISTICS, MARKETING AND BUSINESS CONTROL, MARKETING AND BUSINESS INTELLIGENCE ETC.

“ENTERPRISE JOINT MANAGEMENT VISION” IS USED TO COORDINATE AND MANAGE THE FUNDAMENTALLY VERY DIFFERENT AND CLOSELY INTERLINKED SUPPLY AND MARKET CHAINS

ENTERPRISE MARKET CHAIN MANAGEMENT

Dr. Change. – How do we structure new operational business management?

Fundamental changes in the business environment have created the need to redefine and explain business management. We also need to find the best way to integrate operational business management into the enterprise's new management structure.

Yes Mr. President. –The enterprise's management structure has changed.

New management structure is complex and I have chosen to use a reduced schematic concept to see and understand the essentials. The starting point is to divide enterprise management structure into the supply side, that is the now well-known supply chain, and the market side, which I now call the market chain.

The fundamentally very different supply and market chains are more or less parallel and the administration chain must support them. I have placed them side by side in the picture on the left but this is an approximation. The exact business management structure, however, must be defined in all enterprises.

Evolution of supply side management focus from manufacturing and purchase management to supply chain process management is very interesting. Supply chain management focuses on optimization of the finality, that is the timely and cost effective supply of products and services, instead of on optimized use of and detailed management of the manufacturing and purchasing processes.

Market side management is now going through a similar evolution when upgrading marketing and sales management to optimization of market chain process management. This focuses both on Brand & Customer asset management: building up the business pipeline; and on driving the capitalization process: the marketing and sales processes.

- 1) It is vital to redefine how to manage the market chain (systematically) and its Brand & Customer assets. This is a dynamic market-driven real-time interactive process. This ever changing market-driven management process is totally different from the comparatively stable and enterprise controlled supply chain management process. Do not mix management structures and methods.
- 2) Sales is the capitalization process of Brand & Customer assets, which often, represents the majority of enterprise total assets. Brand & Customer asset management is a vital management tool for strategic positioning and piloting and for operational management of the enterprise and the business.
- 3) Traditional management of marketing and sales resources and processes is an integrated part of Brand & Customer asset management.

Yes Dr. Change. – I am starting to understand new business process focused management.

It will be very interesting to follow the evolution of new business power chain management and market chain management, which will force us to upgrade traditional marketing and sales management.

MARKET CHAIN MANAGEMENT CHALLENGES

MARKET CHAIN MANAGEMENT CHALLENGES

- 1) STRUCTURE THE MARKET CHAIN MANAGEMENT DISCIPLINE INTO MEANINGFUL PARTS, WHICH CAN BE UNDERSTOOD, MANAGED AND INTEGRATED INTO ENTERPRISE BUSINESS (MARKETING AND SALES) OPERATIONS.
- 2) DEFINE KERNEL MANAGEMENT AND OPERATIONAL STRATEGIES TO MAKE MARKET CHAIN MANAGEMENT EFFECTIVE, WHICH IS THE BRAND AND CUSTOMER COMPANY STRATEGY.
- 3) THE BRAND AND CUSTOMER Co. IS A MINIMIZED CUSTOMER (ASSET) FOCUSED ENTERPRISE INTO WHICH WE WILL ONLY INTEGRATE THE PARTS OF THE SUPPLY CHAIN MANAGEMENT NEEDED TO MANAGE THE MARKET CHAIN EFFECTIVELY.
- 4) RE-DEFINE AND RE-ENGINEER NEW ENTERPRISE MANAGEMENT AND OPERATIONAL FRAMEWORK/ STRUCTURE TO MEET BUSINESS OBJECTIVES.
- 5) FIND NEW WAYS TO MANAGE BUSINESS OPERATIONS AND TO COORDINATE SUPPLY CHAIN AND MARKET CHAIN MANAGEMENT.

MARKET CHAIN MANAGEMENT STARTING POINTS

DEFINITION : THE JOINT AND COORDINATED PROCESS, WHICH COMPRISES ALL MARKET SIDE DIRECT AND INDIRECT ACTIVITIES LEADING UP TO AND FOLLOWING THROUGH ON SALES.

OBJECTIVE : CREATE AND DRIVE SHORT AND LONG TERM SALES.

CONSTANT : CUSTOMER BUSINESS FOCUS (APART FROM CHANGE).

MANAGEMENT FOCUS : ONE-2-ONE STRATEGIC AND OPERATIONAL BRAND AND CUSTOMER ASSET MANAGEMENT.

OPERATIONAL FOCUS : MARKETING AND SALES PROCESS AND RESOURCE MANAGEMENT IN THE BUSINESS – ACTION – SYSTEM.

OPERATIONAL STRUCTURES : WILL VARY GREATLY WITH DIFFERENT BUSINESSES AND MANAGEMENT STRATEGIES.

Mr. President. – This is best explained during market chain management seminars. Market chain management, just like the supply chain management is not a strategy but a new management discipline. We are only at the starting point of the market chain management discipline. It will take field experience to understand how to do it effectively, especially how to train personnel.

The first management challenge is to structure this new market chain management discipline into meaningful parts, which can be understood and integrated into the enterprise's chain management framework. This is the main objective of this chapter.

The second management challenge is to define kernel management strategies needed to make market chain management effective. That is the Brand & Customer company strategy. The Brand & Customer company is, in fact, a combined strategy and platform for execution. I will explain this further in the Brand & Customer company chapters.

The third management challenge is the execution/implementation process. 1) Redesign and re-engineer enterprise management structure and operational framework. 2) Integrate market chain management together with minimized supply chain management into the enterprise's new management structure. 3) Make them function together, this is typically a demand side management strategy or what IBM would call “on-demand business,” which is driven by market needs.

Market and supply management chains, plus the people working on them, are fundamentally very different. They simply do not function the same way. It is like mixing fire (market chain) with water (supply chain). Effective management methods for one will often simply not function for the other. This is a major jointness and joint vision challenge, as explained in the “Learning from the Army” chapter.

My best advice is to first define the market chain in your enterprise and how it functions before designing coordination and integration strategies. I will start explaining this in the “Brand & Customer Company” chapters. Both the design and management of integration processes are subjects for in-depth studies and management seminars.

MARKET CHAIN MANAGEMENT STARTING POINTS

- 1) **Market chain management** comprises all market side direct and indirect activities leading up to and following through on sales and market chain management. It strives to integrate and coordinate these activities into a single process.
- 2) **The finality** of market chain management is to drive the business (sales), which corresponds to the capitalization process of Brand & Customer assets.
- 3) **Customers** in markets drive the market chain. The only true constant is customer business focus (apart from the famous change process).
- 4) **One-to-one** Brand & Customer asset management is the first key management focus of market chain management.
- 5) **The market chain** management structure varies with different types of business, markets and companies. There are many good solutions.

MARKET CHAIN MANAGEMENT STRUCTURE

1) BRAND AND CUSTOMER ASSET MANAGEMENT

STRATEGIC POSITIONING, PILOTING AND CONTROL OF THE ENTERPRISE AND BUSINESS OPERATIONS IN RELATIONSHIP TO BRAND AND CUSTOMER ASSETS.

STRATEGIC AND OPERATIONAL MANAGEMENT OF BRAND AND CUSTOMER ASSETS THROUGH MARKETING AND SALES MANAGEMENT AND CONTROL.

2) MARKETING AND SALES MANAGEMENT AND CONTROL

DEFINE, POSITION, PLAN AND PILOT PARTLY AUTOMATED INTERACTIVE MARKETING AND SALES PROGRAMS AND PROCESSES THROUGH MARKETING AND SALES OPERATIONS WITH THE SUPPORT OF VITAL BUSINESS AND MARKETING INTELLIGENCE AND BUSINESS AND MARKETING CONTROL FUNCTIONS.

MANAGE AND CONTROL INTEGRATED AND INTERACTIVE-MARKETING AND SALES – OPERATIONS PARTLY THROUGH BUSINESS AND MARKET ROADMAPS.

3) MARKETING AND SALES – OPERATIONS

3A) BUSINESS ROADMAP SYSTEM.

DEFINE BUSINESS MODELS/PROCESSES AND MARKETING AND SALES PROGRAMS.

MARKETING AND SALES PROGRAM COORDINATION AND MANAGEMENT.

3B) MARKETING & SALES OPERATIONAL FRAMEWORK
(THE INTEGRATED INTERACTIVE AND AUTOMATED MULTI-CHANNEL AND MEDIA OPERATIONS PLATFORM)

PRIORITIZE, MANAGE AND CONTROL THE REAL-TIME INTERACTIVE AND PARTLY AUTOMATED MARKETING AND SALES PROGRAMS, PROCESSES AND RESOURCES.

EXECUTE, DRIVE AND CONTROL BUSINESS OPERATIONS.

3C) MARKET ROADMAP SYSTEM.

POSITION THE BUSINESS IN THE MARKET SPACE

MARKET ASSET STRUCTURE AND CHARACTERISTICS.

4) BRAND AND CUSTOMER ASSETS IN THE MARKET SPACE

BRAND AND CUSTOMER ASSET STRUCTURES ARE DEFINED IN THE BUSINESS AND MARKET ROADMAPS. THE INFORMATION USED FOR THE CALCULATIONS COMES MAINLY FROM BUSINESS AND MARKETING INTELLIGENCE AND CONTROL SYSTEMS.

DETAILED DESCRIPTION ONE-BY-ONE OF BRAND AND CUSTOMER ASSETS WITH THE OBJECTIVE OF GUIDING STRATEGIC AND OPERATIONAL ASSET MANAGEMENT.

FOUR MAJOR LEVELS OF MARKET CHAIN MANAGEMENT STRUCTURE

Market chain management, which is the vital front end of the new business process and business power chain management structure, is complex. The explanations below also require some basic knowledge in modern multi-channel and multi-media marketing systems to be understandable. I will try to make it as simple as possible, but this part is best covered during management seminars.

LEVEL 1) BRAND & CUSTOMER ASSET MANAGEMENT IN THE MARKET CHAIN.

Brand & Customer assets in the market, are the business pipeline and the key management and operational focus throughout the whole market chain. It is here that we will find further profit and payback for investment (in resources, new strategies and systems) and the right strategic management perspectives together with your common sense to strike the right balance between short and long-term business focus.

Strategic piloting and moreover management of both enterprise and business are primarily based on enterprise Brand & Customer asset management. Traditional product driven demand chains are long gone. With ruthless global competition today we must aggressively drive and push the business in the market space in order to create enterprise vital Brand & Customer assets.

Business and marketing intelligence and business and marketing control functions are vital parts of the Brand & Customer company's upgraded management structure. **This applies** throughout the entire market chain without which it is impossible to trace and manage effectively the Brand & Customer assets as well as the different marketing and sales programs.

The Information (data and knowledge) needed for marketing and business intelligence and control can only be collected and managed through cross-departmental and sometimes trans-enterprise management processes, which is probably only possible in the Brand & Customer company's management structure.

LEVEL 2) MARKETING AND SALES MANAGEMENT AND CONTROL

The marketing and sales management and control function is a part of the marketing and sales operational framework as presented later in this chapter. This new management function is evidently also an integrated part of the Brand & Customer company's kernel management platform, as explained in the two "Brand & Customer Company" chapters.

Multi-channel and multi-media frameworks already exist in many advanced companies but the main new challenge is to integrate closed loop external asset management effectively, which is why we need the new Brand & Customer company's enterprise structure together with a trans-enterprise IT platform.

The marketing and sales program integration function is also indispensable to make these new integrated marketing and sales processes work effectively in the real-time interactive multi-channel and media management environment. Enterprise re-engineering is a well-known challenge since we started to implement supply chain management. We will now also need new ways to get the job done in the market chain's multi-channel and media real-time interactive operational system.

MARKETING AND SALES MANAGEMENT

THE FOUR KEY MANAGEMENT PHASES:

- 1) **TRANSFORM** BRAND AND CUSTOMER ASSET MANAGEMENT STRATEGIES INTO MARKETING AND SALES PROGRAMS.
- 2) **INTEGRATE** MARKETING AND SALES PROGRAMS INTO THE MARKETING AND SALES OPERATION (LEVEL 3).
- 3) **MANAGE AND CONTROL** INTERACTIVE MARKETING AND SALES PROGRAM OPERATIONS.
- 4) **MONITOR AND TRACE** THE IMPACT OF MARKETING AND SALES PROGRAMS ON BRAND AND CUSTOMER ASSETS.

MARKETING AND SALES PROGRAM MANAGEMENT STRUCTURE

THE BASIC STRUCTURE OF THE NEW MANAGEMENT PROCESS IS SIMILAR TO THE PLAN, EXECUTE, EVALUATE AND REVIEW PROCESS. HOWEVER THE NEW EXECUTION PHASE INCLUDES REAL-TIME INTERACTIVE BENCHMARKING IN ORDER TO UPGRADE SYSTEMATICALLY BOTH PROGRAM MARKETING IMPACT AND COST EFFECTIVENESS THROUGHOUT THE ENTIRE EXECUTION PHASE.

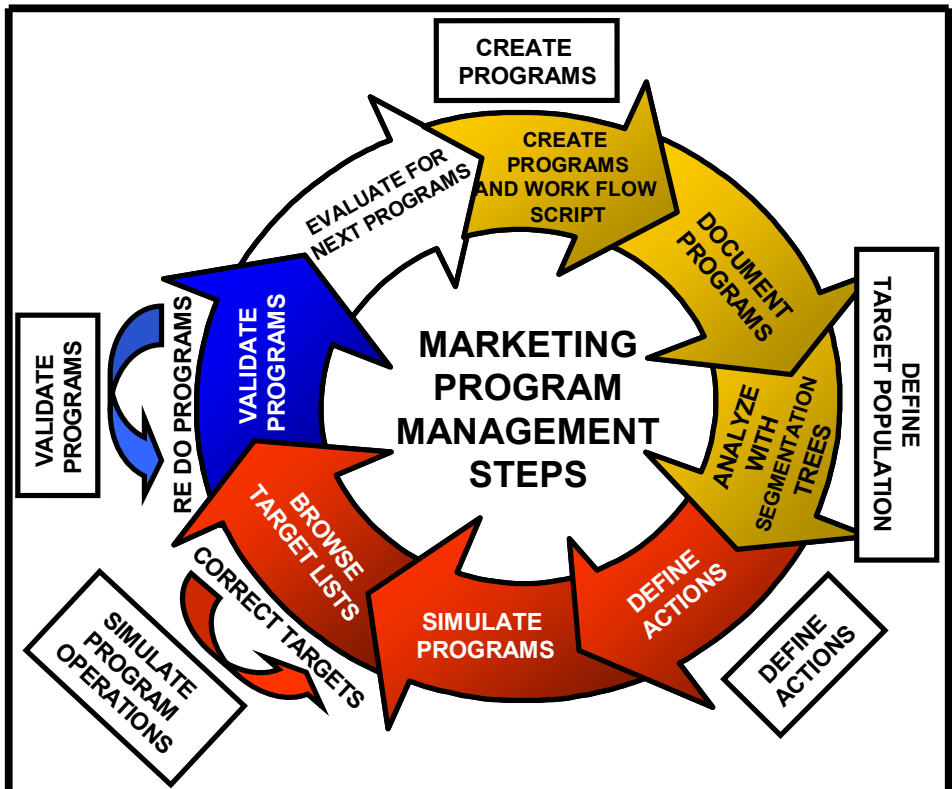
PROGRAM MANAGEMENT REQUIRES REAL-TIME DATA FROM THE PROGRAM TRACKING AND TRACING SYSTEM AND FROM BOTH THE BUSINESS AND MARKETING CONTROL AND INTELLIGENCE FUNCTIONS.

TRANSFORMATIVE PROGRAM MANAGEMENT STRUCTURE

**THIS IS THE VITAL
KERNEL MANAGEMENT
MOTOR OF THE NEW
BUSINESS PROCESS FOCUSED
MARKET CHAIN
MANAGEMENT.**

**THE TRANSFORM
ACTIVE TEAM APPROACH TO
THE CLOSED LOOP
MARKETING AND SALES
PROGRAM MANAGEMENT
REQUIRES NEW
MANAGEMENT STRATEGIES,
TALENTS AND EXTENSIVE
FIELD TESTING.**

**TYPICALLY WE NEED
HIGH LEVEL SPECIALISTS IN
MARKETING, MODELING,
STATISTICS, FINANCE,
ADMINISTRATION, ETC.**



The four major marketing and sales management objectives are to:

- 1) **Transform** the Brand & Customer asset management strategies (systematically) into the so called marketing and sales programs, which can be integrated into and executed by more or less automated marketing and sales operations (Level 3) with a minimum of human intervention as described further below.
- 2) **Integrate** marketing and sales programs into marketing and sales operations (Level 3) and this will be explained further below. The integration process also very much depends on the structure and characteristics of the enterprise IT system platform.
- 3) **Manage** and control the marketing and sales program management process: These real-time interactive management processes cover both push (marketing and sales programs) as well as pull (independent customer requests) through a multi-channel and media real-time interactive frontend marketing and sales system.

IT support of the marketing and sales program management process is only the tip of the enterprise IT system iceberg. These enterprise IT systems platforms are very complex, as experienced by all major management software vendors such as Oracle, SAP and IBM. In addition, we are also searching for the right enterprise wide management system solution to be integrated.

- 4) **Monitor** and trace the impact of marketing and sales programs on Brand & Customer assets with the support of business and marketing intelligence and business and marketing control functions. This asset management process, which requires the coordinated support and expertise of high level specialists in strategic marketing, statistics and modeling, is new to most marketing and sales departments.

Monitoring requires in addition a truly enterprise wide coordination and support for data collection and the integration of the right management models into the enterprise database system.

MARKETING AND SALES PROGRAM MANAGEMENT PROCESS

The basics of program management structure corresponds to the traditional plan, execute, evaluate and review management process with the exception of the execution phase where we have interlaced real-time interactive benchmark (test) and upgrade phases in parallel with execution. The objective is simply to systematically improve both the marketing impact and cost effectiveness of programs in real-time throughout the execution phase.

Real-time interactive program management requires a program tracking and tracing system with data from the business and marketing control function. This simply does not exist in traditional enterprises. In addition, most marketing and sales programs are based on push to create the pull. However, we also have independent pull requests which have to be integrated, traced and managed effectively by the system.

The real-time interactive program management process requires the use of new management tools such as sophisticated statistical modeling, hypotheses testing and data mining. These tools require a team approach with high level specialists in marketing, modeling and statistics.

MARKETING AND SALES OPERATIONS

MAIN FUNCTIONS OF MARKETING OPERATIONS

- 1) **THE CENTRAL BUSINESS ACTION MOTOR OF THE MARKET CHAIN.**
- 2) **THE CENTRAL INTEGRATION POINT** FOR MARKETING AND SALES PROGRAMS.
- 3) **THE STRATEGIC MEETING POINT** BETWEEN MANAGEMENT SYSTEM VIRTUAL REALITY AND INFINITELY COMPLEX MARKET REALITIES.

MANAGEMENT STRUCTURE OF MARKETING OPERATIONS

- 1) **BUSINESS ROADMAP SYSTEM.**
TO STRUCTURE MARKETING AND SALES OPERATIONS AS DEFINED IN MARKETING AND SALES PROGRAMS.
- 1) **MARKETING AND SALES OPERATIONS FRAMEWORK.**
THE FRAMEWORK IS A MULTI-CHANNEL AND MEDIA MARKETING AND SALES SYSTEM, WHICH IS USED TO EXECUTE MARKETING AND SALES PROGRAMS.
- 2) **MARKET ROADMAP SYSTEM.**
TO POSITION MARKETING AND SALES OPERATIONS IN THE MARKET SPACE.

MARKETING AND BUSINESS CONTROL

TRADITIONAL ADMINISTRATION AND CONTROL HAS NOW BEEN EXTENDED TO COVER THE EXACT MARKETING IMPACT OF MARKETING AND SALES PROGRAMS IN ORDER TO GET A BETTER PICTURE OF THE TOTALITY.

THE TRADITIONAL MARKETING DATABASE IS NOW AN INTEGRATED PART OF MARKETING AND BUSINESS CONTROL, AND MARKETING AND BUSINESS INTELLIGENCE'S NEW JOINT DATABASE.

MARKETING AND BUSINESS INTELLIGENCE

THE OBJECTIVE OF THE BUSINESS AND MARKETING INTELLIGENCE PLATFORM IS TO UNDERSTAND PRESENT AND FUTURE BUSINESS AND MARKET SITUATION PLUS VALIDATE DIFFERENT SCENARIOS AND OTHER HYPOTHESES ABOUT THE FUTURE.

THE TRANS-ENTERPRISE INTELLIGENCE MANAGEMENT PROCESS INVOLVES HIGH LEVEL SPECIALISTS IN MARKETING, STATISTICS, MODELING, ETC.

This is a new and very different transform active real-time interactive management environment. I have enclosed on the left a model of the new transform active marketing and sales program management process. It is used in some enterprises today. You can surely now appreciate the difference and understand why we need additional high level expertise in order to manage it effectively. In addition to the above the IT supported sales force automation area has to be supported and integrated into the marketing and sales program management environment.

LEVEL 3) MARKETING AND SALES OPERATIONS

Marketing and sales operations are the central action and execution motor of the whole market chain. They are the strategic integration point, the bridge between the management system's virtual reality and the infinitely complex real-world market reality. The main strategy execution challenges are to integrate and execute marketing and sales programs and to structure management of marketing and sales operations effectively.

This is the strategic integration point where management systems fail either because they do not get the job done effectively or are too complicated to use and integrate. The operations level has a vital kernel systems integration mission and I will explain below how to structure a working solution.

The management structure of marketing and sales operations is divided into three distinctive sub-levels: (3A) business roadmap system, (3B) integrated marketing and sales operations framework and (3C) market roadmap system. Again, there are definitely many ways to do it but they will probably all contain these three basic components.

LEVEL 3A AND 3C) BUSINESS AND MARKET ROADMAPS

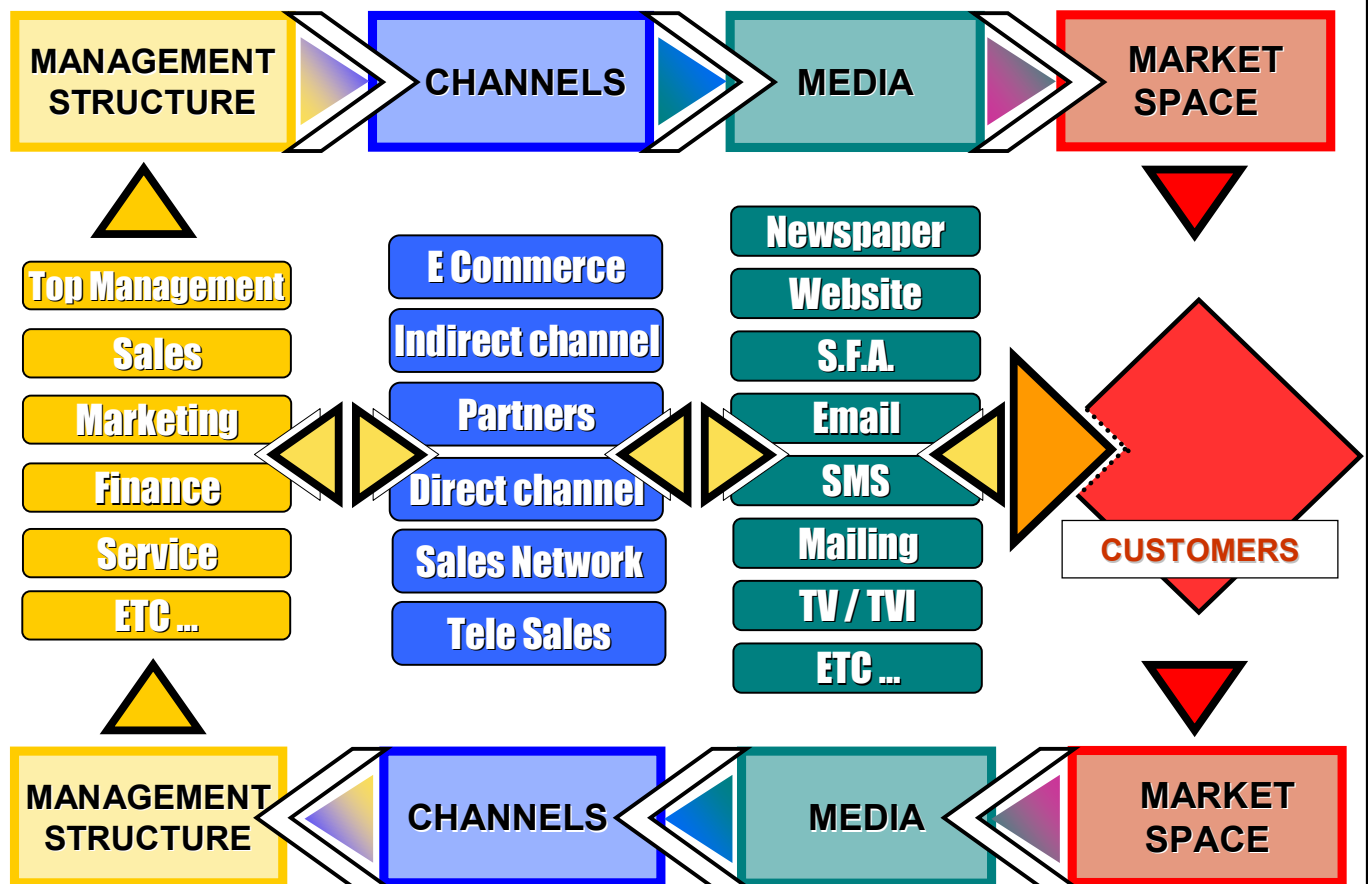
Interlinked business and market roadmaps are indispensable management tools, both to close the gap between the enterprise management system and the real-world market reality. They structure marketing and sales operations, they define and structure what business to do, how to do it and where to find targets.

Business and market roadmap systems have in fact three central functions:

- 1) **To structure** marketing and sales operations and to serve as an integration point for enterprise marketing and sales programs in order to implement, execute, pilot, drive, monitor and control the programs effectively.
- 2) **To position** marketing and sales programs in the market space in relation to Brand & Customer assets and all other market information in the marketing database.
- 3) **To support** operational marketing and business control and marketing and business intelligence through structured feedback of information to, for example, trace the impact of marketing and sales programs.

The two interlaced roadmaps to the business and to the market are indispensable management tools for managing operational marketing and sales programs in all enterprises but even more so for proactive business management. This is designed to function in a more or less automated way in a defined business and market context.

MARKETING AND SALES FRAMEWORK



SCHEMATIC OVERVIEW SUMMARY

THE FUNDAMENTAL OBJECTIVE OF THE MULTI-CHANNEL AND MEDIA MARKETING FRAMEWORK IS TO SUPPORT MANAGEMENT AND CONSOLIDATION OF OPERATIONAL MARKETING AND SALES PROGRAMS, WHICH ARE USED FOR BRAND AND CUSTOMER ASSET MANAGEMENT.

THE MULTI-CHANNEL AND MEDIA MARKETING FRAMEWORK IS USED TO ESTABLISH A COORDINATED, SHARED AND COHERENT BUSINESS DIALOG USING CHANNELS OF THE CUSTOMER'S CHOICE AND/OR CHANNELS ACCORDING TO RESOURCE AVAILABILITY, EFFICIENCY AND/OR PROFITABILITY. THIS COORDINATION PROCESS ALSO INCLUDES ALL EXTERNAL ENTITIES SUCH AS PARTNERS AND SUPPLIERS ETC ...

THE OPERATIONAL FRAMEWORK INCLUDES IT PLATFORMS FOR CUSTOMER RELATIONSHIP MANAGEMENT, MARKETING, AND SALES FORCE AUTOMATION, CALL CENTERS AND EMAILING, ETC ...

MANAGEMENT OF THE MARKETING AND SALES FRAMEWORK GOES FAR BEYOND TRADITIONAL MARKETING AND SALES AND IT MUST BE SUPPORTED BY HIGH LEVEL EXPERTS IN MARKETING, MODELING AND STATISTICS, ETC ...

Business and market roadmap systems, which must be updated systematically in real-time, contain vital information and detailed knowledge from many parts of the enterprise. They can only be created and managed through a pan-enterprise process.

Roadmaps are typically a jointness and joint vision, “put all brains to it” management process, as we have learned from the Army and Jack Welch. Again we need the new Brand & Customer company’s enterprise management structure to coordinate the pan-enterprise and/or cross departmental management process.

LEVEL 3B) MARKETING AND SALES (OPERATIONAL) FRAMEWORK

The fundamental objective of the marketing and sales framework is to support closed loop and real-time interactive Brand & Customer asset management. The framework must consequently support the management and consolidation of all marketing and sales programs and all customer contacts over all channels and media.

The marketing and sales framework is simply used to establish an effective, shared and coordinated real-time interactive dialogue. This framework allows the enterprise to communicate coherently using channels of the customer’s choice and/or channels according to resource availability, efficiency and/or profitability.

Management of the sophisticated marketing and sales framework goes far beyond traditional marketing and sales management. The objective is to optimize the system and use the most cost effective and fastest solution to reach business targets. Typically we will send emails instead of standard letters to customers.

Business and market roadmaps with integrated marketing and sales programs are used to manage and control operational processes in the marketing and sales operations framework. Business roadmaps are used to define and structure business programs to be executed and market roadmaps to focus business programs on the right market targets.

The marketing operations framework corresponds to a complex, interlaced and partly automated multi-channel and media business action system (see the Marketing and Sales Operations Framework section) consisting of people and technical systems, which must be coordinated, optimized and managed very closely.

The operations framework also includes IT platforms for marketing automation, customer relationship management, call centers, emailing and sales force automation. The traditional and the new are all parts of the complex marketing and sales framework.

LEVEL 4) BRAND & CUSTOMER ASSETS IN THE MARKET SPACE

Brand & Customer market assets, which correspond to the value of customer future business potential, are infinitely complex due to the complexity of the market and the business processes, in addition to the uncertainty of what will happen in the future.

We must start with designing simplified structures of Brand & Customer assets in order to find the best way to manage them effectively and for this we will again use the data and other information in the business and market roadmaps.

Ok Dr. Change. Market chain management is complex but “Let’s Do It!”

STRATEGIC ENTERPRISE FOCUS IN THE BRAND AND CUSTOMER COMPANY

THE OVERALL OBJECTIVES ARE TO MEET THE MAJOR CHALLENGES

- 1) EXTERNAL ACTION TANGIBLE ASSET MANAGEMENT.
- 2) ONE-2-ONE CUSTOMER BUSINESS MANAGEMENT.
- 3) BUSINESS TIMNG IN FAST MOVING MARKETS.

THE SIX KERNEL POINTS, WHICH CONTRIBUTE TO MAKE BRAND AND CUSTOMER COMPANY STRATEGY POWERFUL

- 1) THE BRAND AND CUSTOMER COMPANY IS THE NEW “ENTEPRISE MANAGEMENT STRATEGY” TO IMPLEMENT BUSINESS POWER MANAGEMENT IN THE MARKET CHAIN OF BRAND AND CUSTOMER ASSETS UNDER THE DIRECT LEADERSHIP OF THE TOP MANAGEMENT TEAM.
- 2) TOP MANAGEMENT FOCUSES ON MANAGEMENT OF THE ENTERPRISE’S DOMINATING BRAND AND CUSTOMER ASSETS WHICH ALSO HAVE THE BEST GROWTH POTENTIAL, WHILE USING EFFECTIVELY THE ENTERPRISE’S LIMITED RESOURCES IN A COORDINATED, TIMELY, AND COST EFFECTIVE WAY.
- 3) THE TOP MANAGEMENT TEAM’S BUSINESS PROCESS OPERATIONS SUPPORT AND CLOSENESS TO THE MARKET IS VITAL: 1) TO MAXIMIZE BUSINESS POWER. 2) FOR EFFECTIVE COORDINATION OF STRATEGIC AND OPERATIONAL LEADERSHIP IN FAST MOVING MARKETS.
- 4) THE STRATEGIC CHANGE MANAGEMENT FUNCTION IS VITAL: 1) FOR THE SYSTEMATIC RE-ENGINEERING OF THE ENTERPRISE. 2) FOR EFFECTIVE KNOWHOW MANAGEMENT. 3) FOR DRIVING THE STRATEGIC AND OPERATIONAL CHANGE PROCESSES TO STAY COMPETITIVE IN FAST MOVING MARKETS.
- 5) TAILORING THE FRONT LINE TEAMS, TOGETHER WITH KNOWLEDGE UPGRADE STRATEGY ARE VITAL TOOLS: 1) FOR MAKING THE BUSINESS HAPPEN 2) FOR SUPPORTING STRATEGIC CHANGE MANAGEMENT 3) TEAMS ARE UPGRADED THROUGH SPECIAL TRAINING AND INTEGRATION OF SPECIALISTS.
- 6) THE NEW JOINTNESS MANAGEMENT STYLE WITH COACHING AND CLOSER INTERACTION WITH THE HIGH LEVEL BRAND AND CUSTOMER ASSET MANAGEMENT TEAMS. THIS IS A PART OF PETER DRUCKER’S WELL KNOWN KNOWLEDGE WORKER MANAGEMENT CHALLENGE.

BRAND & CUSTOMER COMPANY STRATEGY

Brand & Customer company strategy must be tailored to the exact needs of each enterprise. I will, however, explain in general terms what is so special about business power management in the Brand & Customer company.

Business power and the business power chain must be directed towards specific customers in specific market spaces to be effective. Shooting birds with cannons will only drive the enterprise into bankruptcy in today's highly competitive markets.

Business units in the Brand & Customer company must consequently also be directed towards a specific market space and have a clear business/marketing mission in order to create manageable profit centers. This is a demand-side management approach.

The impact of business power on individual customers must be traced and measured as closely as possible to follow up on the performance of profit centers. This is the kernel function of dynamic asset management, which is designed to cover both tangible and action tangible assets, as explained in the first pages of this book.

STRATEGIC & OPERATIONAL FOCUS IN THE BRAND & CUSTOMER COMPANY

1) The Brand & Customer company is the new enterprise management strategy for implementing business power management and for keeping customer business and asset management centered under the direct leadership and control of the top management team.

This management strategy is vital both for the effective management of action tangible Brand & Customer assets and for effective strategic leadership and management of trans-departmental business processes in order to make the business happen.

2) The top management team focuses on closed loop management of the enterprise's most important assets with the best growth potential, while using the scarce resources of the enterprise effectively in a coordinated, timely and cost effective way.

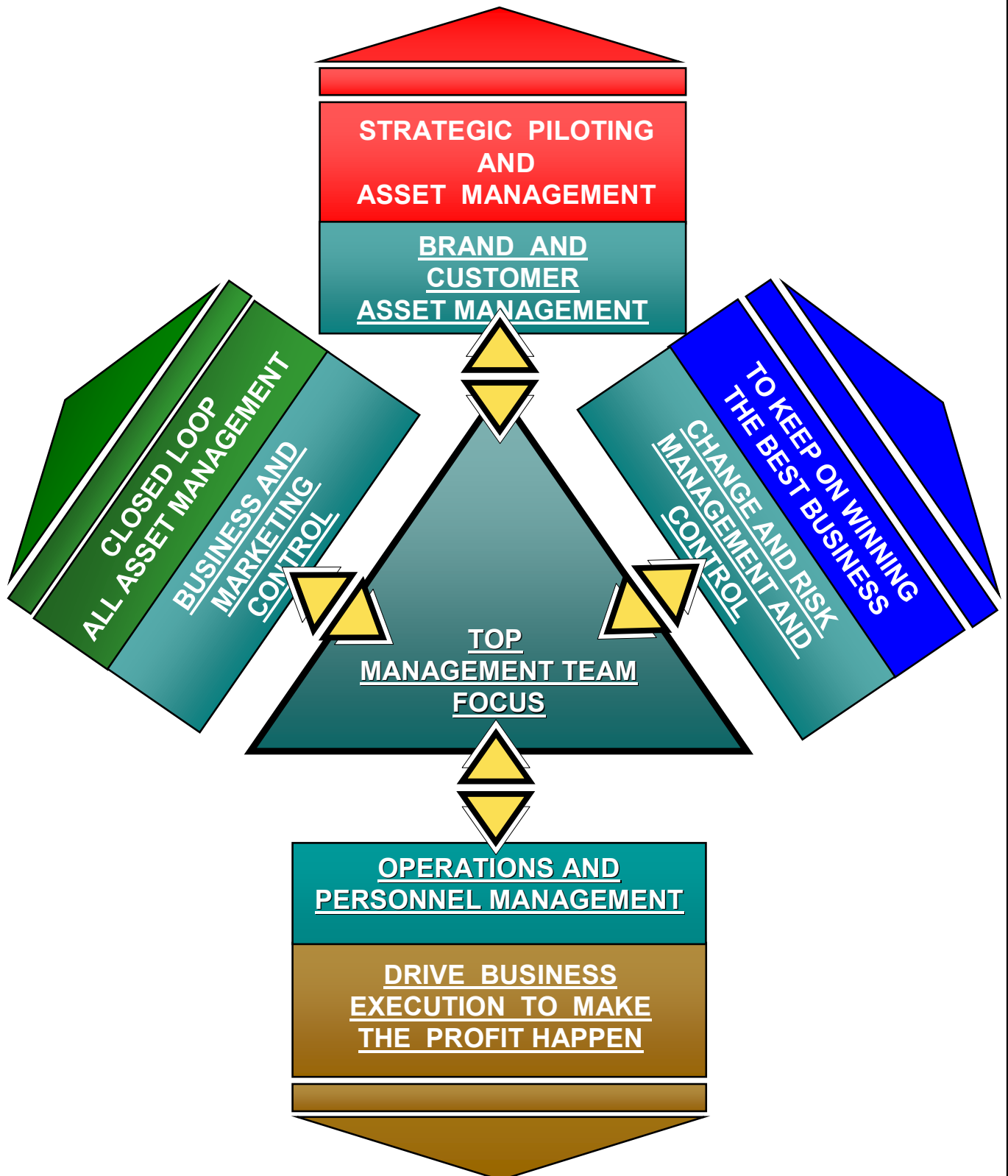
Brand & Customer asset management is a coordinated multi-department and multi-channel process, which involves all levels of enterprise management. The strategic closed loop asset management process is simply only possible to implement effectively in enterprises with joint strategic and operational leadership and focus.

This new joint asset management focus is in fact also a way to coordinate objectives, strategies and operations of all departments in order to improve the effectiveness of operations and to avoid departmental conflicts.

3) The top management team's closeness to both the market and company operations is a major advantage to improve coordination of strategic and operational leadership and to streamline operations. Management strategies must be defined, communicated, understood, integrated, benchmarked (tested with feedback to learn and progress) and re-adjusted in order to become fully effective. Closeness strategy is vital to support enterprise business power management.

TOP MANAGEMENT FOCUS IN THE BRAND AND CUSTOMER COMPANY

TOP MANAGEMENT FOCUS STRUCTURE



Top management closeness is both an important part of the strategic and operational benchmarking and tuning process and a management tool to connect all levels of the enterprise leadership to operational and market realities.

4) The frontline knowledge upgrade strategy together with new customer focused organization is also vital for effective business power management, which cannot function in a traditional or very specialized departmental organization.

The knowledge upgrade strategy will in fact contribute both to upgrade the whole organization and to support the integration of new management systems and tools plus other fundamental changes as explained in point 5 below.

New knowledge will be added both through special training of existing personnel and through hiring and integration of high level specialists.

5) The integrated management system upgrade strategy is also fundamental to support and upgrade ever changing business power management. Well known examples are one-to-one marketing. One-to-one marketing sees all customers as individual business assets. One-to-one requires IT upgrades of new information and communications technologies in order to support the management of multi-channel and multi-media real-time interactions with thousands and millions of customers.

Management system upgrades will contribute both to upgrade the organization and to improve enterprise competitiveness through better knowledge about market space, for example.

Improved market knowledge is truly a major advantage as it allows management to drive the business from a front seat position: looking at the market realities, which is especially important in turbulent markets.

6) The new jointness management style with coaching and closer interactions between management and highly competent heterogeneous operational teams is vital to make the new fast moving organization function. Finally, both managers and other employees will have to find new ways and styles in order to find the best ways to successfully scale into their new jobs and working partnerships in the new organization.

The quality of the person-to-person leadership and relationships will be very important both to use the full power of Brand & Customer company strategy and to support rapid and complex change processes.

TOP MANAGEMENT FOCUS AND KEY MANAGEMENT STRATEGIES IN THE BRAND & CUSTOMER COMPANY

It is very different to manage a Brand & Customer system company in comparison to a traditional enterprise. Top management is now focusing on both the external Brand & Customer (emotional, software, business potential) and internal (cash, hardware) asset management. We have similar challenges in the IT industry. The objective over time is to create a customer asset focused, real-time interactive enterprise with information dominance, which can make informed decisions and act to win.

The core profession of a company is to manage the business with their customers. The company's current customers usually provide the most reliable source of future revenue. This is exactly the top management's first focus when managing Brand & Customer assets. It is a combined long and short-term business focus.

THE FIRST MAJOR DIFFERENCE

IN THE INTEGRATION OF NEW MANAGEMENT STRATEGIES FOR REAL-TIME INTERACTIVE BUSINESS PROCESS FOCUSED BRAND & CUSTOMER ASSET MANAGEMENT

THE BRAND AND CUSTOMER COMPANY IS A COMBINATION OF STRATEGY (BUSINESS POWER MANAGEMENT OF BRAND AND CUSTOMER ASSETS) AND PLATFORM FOR EXECUTION (NEW ORGANIZATIONAL STRUCTURE WITH BRIDGE DEPARTMENTS, ETC.) AND BOTH ARE INDISPENSABLE TO MAKE IT ALL WORK EFFECTIVELY.

THE STRATEGIC MANAGEMENT OBJECTIVE

TO USE THE FULL POTENTIAL OF BRAND AND CUSTOMER COMPANY STRATEGY THROUGH THE IMPEMETATION OF THE FIVE KERNEL COMPLEMENTARY STRATEGIES.

- 1) THE JOINTNESS STRATEGY STANDS FOR FOCUSING ON TRANS-ENTERPRISE BUSINESS PROCESS MANAGEMENT AND BREAKING AWAY FROM THE DEPARTMENTAL “I OWN THIS TASK” IN ORDER TO OPEN UP ALL THE ENTERPRISE’S RESOURCES.
- 2) THE CLOSE OPERATIONAL SUPPORT STRATEGY (PUSH AND PULL) TOGETHER WITH NEW BUSINESS AND MARKETING CONTROL AND INTELLIGENCE DEPARTMENTS ARE VITAL TO REDUCE THE GAPS BETWEEN STRATEGY AND EXECUTION AND BETWEEN TOP MANAGEMENT AND OPERATIONS.
- 3) THE POWER-UP OF THE TAILORED FRONT END TEAMS THROUGH INTEGRATION OF HIGH LEVEL SPECIALISTS: 1) TO MEET BUSINESS PROCESS REQUIREMENTS. 2) TO ENSURE THAT THE JOB GETS DONE EFFECTIVELY. 3) TO SIMPLIFY INTEGRATION OF THE NEW STRATEGIES.
- 4) THE JOINT VISION STRATEGY IS BOTH A “PLATFORM FOR COMMUNICATION AND FOR ACTION COORDINATION”, WHICH IS INDISPENSABLE FOR WORKING EFFECTIVELY WITH PERSONS FROM ALL BACKGROUNDS AND ALL LEVELS. JOINT VISION IS FUNDAMENTAL BOTH FOR COORDINATING THE BUSINESS AND FOR EFFECTIVE USE OF BEST PRACTICE PROCEDURES.
- 5) THE INFORMATION DOMINANCE STRATEGY IS VITAL TO THE EFFECTIVE BUSINESS BATTLE MANAGEMENT IN COMPETITIVE MARKETS, AS INFORMATION IS POWER.

Brand & Customer companies do not function the same way as traditionally structured companies and management strategies. Their impact is very different. The management style will also have to change. It is a totally new game, which will change even more when we start getting deeper into proactive management strategies and agile company structure. I can clearly only scratch the surface of this major challenge and start the learning process.

Brand structure and brand equity structure differ in all enterprises. The structure typically depends on type of enterprise, market place and country, and there are no standard solutions. Whatever, the definition of the brand, enterprise identity is a top management priority and focus in all well managed enterprises.

The diagram on the left on the previous page of the new top management focus is partly based on scorecard management strategy. The kernel objective is to open up management structure in order to make full use of enterprise resources and new more effective business management philosophies. The enterprise management structure must be designed accordingly.

THE FIRST MAJOR DIFFERENCE

The first major difference is in the closer integration of new management concepts for real-time interactive external asset management and this will require a number of new kernel strategies to support operations.

The Brand & Customer company is a combination of strategy and execution to win the best business (customer focus and platform for execution). Top management will not only design and integrate new concepts for the management of critical information related to, for example, external assets but also systematically search for and act upon this information to support real-time interactive operations.

Brand and customer are multiple area concepts (assets, markets, business processes), which should be executed by multi-channel marketing/sales systems. Top management must clearly design both the detailed strategy and platform for execution to support using these advanced management concepts in a step-by-step learning plus implementation process.

The overall objective is to use the full potential of the Brand & Customer company strategy and there are five kernel complementary strategies: (1) jointness, (2) top management close operational support, (3) frontend team integrated operational support, (4) enterprise joint vision and (5) information dominance. This Brand & Customer company strategic package is instrumental to make the strategy work.

1) Top management should break away from the “I own this specialty+ knowledge + information” attitude in order to create integrated jointness organizational strategy at all levels.

Jointness stands for opening up all enterprise resources and for tailoring the leanest and most effective integrated management approach to attain business objectives. This corresponds to the military task force or battle force approach.

THE SECOND MAJOR DIFFERENCE

IN THE TOP MANAGEMENT TEAM'S FOCUS ON THE FUTURE AND ON STRATEGIC CHANGE MANAGEMENT TO SET THE FOUNDATION FOR FUTURE OPERATIONS.

THE BRAND AND CUSTOMER COMPANY IS DESIGNED AND STRUCTURED:

- 1) TO BE FLEXIBLE / AGILE IN ORDER TO CHANGE AND UPGRADE WITH A MINIMUM OF INERTIA.**
- 2) TO MANAGE EFFECTIVELY THE STRATEGIC AND OPERATIONAL CHANGE PROCESSES IN ORDER TO BE BOTH PILOTABLE AND POWERFUL IN FAST MOVING MARKETS.**

THE RIGHT CHANGES DO NOT JUST HAPPEN BY ACCIDENT

CHANGE PROCESSES MUST BE DESIGNED AND MANAGED, WHICH REQUIRES THE RIGHT BASIC MANAGEMENT PERSPECTIVES, AS EXPLAINED FURTHER BELOW.

- 1) THE FUTURE STARTS EXACTLY NOW BUT STRATEGIC CHANGE MANAGEMENT TO MEET THE CHALLENGES OF THE FUTURE STARTED LONG AGO, AS THE ENTERPRISE MUST BE UPGRADED, WHICH TAKES TIME, IN ORDER TO SET A SOLID FOUNDATION FOR FUTURE OPERATIONS.**
- 2) THE FUTURE IS IN THE MARKET BECAUSE IT GIVES THE FUTURE BUSINESS DIRECTION, WHICH IS ONE FURTHER REASON FOR FOCUSING ON BRAND AND CUSTOMER ASSETS. THE KEY NEW ENTERPRISE FUNCTION WITH THE OBJECTIVE TO RESEARCH THE FUTURE IS BUSINESS AND MARKETING INTELLIGENCE.**
- 3) THE FUTURE IS IN THE NEVER ENDING LEARNING PROCESS BECAUSE THE FASTEST LEARNER WINS AND LEARNING AND KNOWHOW MANAGEMENT IS ONE OF THE MAJOR MANAGEMENT CHALLENGES IN ALL MODERN ENTERPRISES.**
- 4) THE FUTURE IS IN THE STRATEGIC RETHINK AS THERE IS A LIMIT TO "JAM IT ALL IN" TACTICS IN EVER CHANGING MARKETS. THE FUTURE IS SIMPLY IN THE CREATION AND RECREATION OF NEW SOLUTIONS TO MEET NEW EVER CHANGING BUSINESS REQUIREMENTS.**
- 5) THE FUTURE IS IN THE MANAGEMENT OF BOTH THE RATIONAL BUSINESS AND EMOTIONAL PEOPLE CHANGE PROCESSES, AS PEOPLE POWER IS THE VERY BASIS OF BUSINESS POWER.**

2) Top management should use close operational support strategy to reduce the gap both between strategy and execution and between top management and operations to complement operational strategies and to speed up and manage operations more closely through a constant process of communication and support.

The push and pull close operational support modes are vital both to share the same information and to manage strategy execution. Operational strategies must be explained, followed up, readjusted, benchmarked and upgraded. Both the enterprise and the market change all the time.

3) Front end operational teams around Brand & Customer management should include specialists from different areas (statistics, marketing, human communication), to make sure that the job gets done effectively plus to simplify integration of complex activities with a minimum of chain of command problems. In addition all operational personnel will require special training to work effectively in this new type of mixed team organization.

Integrated specialists should normally also be supported from specialized staff departments to make this team focused integrated operational support strategy work. Integrated operation support strategy is vital to make both front end teams and jointness strategy function correctly as the ultimate ownership for driving operations lies with front end operational teams.

4) All persons and management teams in the enterprise should have a joint platform for communication and coordination in the form of joint vision to simplify working effectively together with persons from different backgrounds and at all levels. Joint vision is also a vital component of enterprise brand structure and a key branding process tool for managing all customer interactions.

Joint vision design is fundamental for effectively coordinating both the business and the use of best practice business and branding procedures.

5) Information and knowledge are power and real-time information dominance stands for instant power, which is vital to real-time interactive business battle management in competitive markets. Information dominance is a very complex subject as it is connected to several aspects of the business, operations and information management. This is a part of the totally new management game, which will change the very way we manage businesses and how they work.

Information dominance strategy is truly, together with the now indispensable Brand & Customer asset management, the major reason for implementing the new Brand & Customer company system strategy.

Integration of the external asset management process is hardly possible in traditional companies and this is one of the main reasons for the very high failure rates (2/3) when integrating limited customer relationship management software. Complications will increase rapidly when integrating multi-area asset management or the closer you get to real-time operations management.

To compensate for the limitations of traditional departmental organization, we can often see development of specialized half integrated mixed staff/operational departments such as the famous middle office to handle some kind of limited CRM function and/or action tangible asset management. Again, there is always a limit to jam-it-all-in tactics, when we must rethink the system.

THE THIRD MAJOR DIFFERENCE

IN IMPROVED MANAGEMENT OF BUSINESS POWER DYNAMICS: THE ENTERPRISE'S TUNING PROCESS.

THERE IS NOTHING LIKE A WELL MANAGED AND PERFECTLY TUNED BUSINESS POWERHOUSE IN PERFECT BUSINESS PRODUCING HARMONY, WHICH RADIATES BUSINESS POWER EXCELLENCE.

THIS STATE OF EXCELLENCE REQUIRES A NEVER ENDING BUSINESS POWER TUNING PROCESS, AS THERE IS A CONSTANT PROCESS OF RENEWAL WITH THE INTRODUCTION OF NEW STRATEGIES, PRODUCTS, SERVICES AND MANAGEMENT METHODS, ETC.

THERE IS A COOL AND EXCITING “WILL TO GO FEELING” IN THE WHOLE ENTERPRISE AND YOU WILL NEVER FORGET THIS FEELING IF YOU HAVE BEEN WORKING IN A BUSINESS POWERHOUSE. IT IS LIKE BEING PART OF THE WINNING TEAM IN THE WORLD CHAMPIONSHIP. THE MAIN CHALLENGE IS NOW TO AVOID GETTING COMPLACENT AND TO KEEP ON DRIVING FOR BUSINESS POWER EXCELLENCE.

BUSINESS POWER DYNAMICS

THE OVER ALL OBJECTIVE WHEN MANAGING BUSINESS POWER DYNAMICS (TUNING) IS TO MAXIMIZE THE MOVEMENT UPWARDS LEVEL BY LEVEL TOWARDS BUSINESS POWER EXCELLENCE THROUGH AN EFFECTIVE ENTERPRISE TUNING PROCESS IN ORDER TO CONTINUOUSLY MAXIMIZE ENTERPRISE BUSINESS POWER.

- 1) THE BRAND AND CUSTOMER COMPANY'S CLOSED LOOP BUSINESS PROCESS MANAGEMENT ENVIRONMENT IS THE FUNDAMENTAL STARTING POINT FOR CLOSED LOOP BUSINESS POWER MANAGEMENT (BUSINESS POWER TUNING), AS IT ALLOWS US TO MEASURE AND UNDERSTAND THE TRUE PERFORMANCE OF THE OPERATIONAL UNITS AND THE CLOSE OPERATIONAL SUPPORTS IN COMPARISON TO OPERATIONAL OBJECTIVES AND BUDGETS.**
- 2) BUSINESS AND MARKET ROADMAPS ARE INDISPENSABLE BUSINESS POWER TUNING TOOLS. THE TOP MANAGEMENT IS SIMPLY BLINDFOLDED AND POWERLESS WITHOUT MANAGEMENT ROADMAPS, WHICH ARE USED FOR DEFINING AND POSITIONING THE BUSINESS AND FOR SHOWING THE RIGHT WAY TO MAKE THE BUSINESS HAPPEN.**
- 3) TAILORING FRONT LINE TEAMS AND CLOSE OPERATIONAL SUPPORT IS A KEY PART OF THE BUSINESS TUNING PROCESS IN ORDER TO SUPPORT MAXIMIZING BUSINESS POWER AND TO MAKE THE BUSINESS HAPPEN.**

Middle office strategy can be the best solution to either start building up special knowledge or as a temporary solution to prepare the change process. The traditional company, however, was simply not made for this purpose and it is not possible to integrate real-time Brand & Customer asset management.

The US Armed Forces was, for similar reasons, forced to totally reorganize when integrating real-time interactive battle management.

THE SECOND MAJOR DIFFERENCE

The second major difference is in top management focus on the future in order to set the foundation for future operations, which include new business strategies, market and business analysis and change management with implementation processes.

- 1) The future starts exactly now but strategic management of the future started long ago. To be successful, we must set the foundation for future operations plus understand how to manage the changed enterprise. This however takes both time and resources, which is precisely why top management in the Brand & Customer company has created this specialized strategic change management function.

The capability to integrate new powerful strategies and to systematically upgrade the enterprise is clearly vital to its future success and survival.

- 2) The future is in the market, because it gives future business direction. To understand and manage future opportunities it is vital to know exactly where we are and the road we used to get there. All this knowledge is then used systematically to draw conclusions about more or less possible future scenarios and how to best prepare the enterprise for the future.

Market and business analysis is used to position the enterprise in the market space, define future marketing and business models and key customer value strategies.

- 3) The future is in the strategic rethink and new operational solutions because there is a limit to jam-it-all-in tactics in ever changing markets. When compiling all these new requirements there comes a moment when old solutions will cease to function and when we must create or recreate new strategies and solutions.

The future is simply in the creation and recreation of new solutions to meet new requirements.

- 4) The future is in the never ending learning process because the fastest learner wins. Learning is not by accident in a well-managed company and future management in the Brand & Customer company is a part of this process.

Top management is now also focusing key resources on knowhow management and on the systematic follow up and integration of knowhow to meet the challenges of the future.

Learning is also a very important part of people management to keep them motivated, effective and ready to go for all new challenges.

SUMMARY

THE FUNDAMENTAL OBJECTIVE IS TO DRILL DOWN INTO SIMPLICITY AND THE HARD AND SIMPLE REALITIES ARE:

- 1) CUSTOMER BUSINESS FOCUS IS THE ONLY TRUE CONSTANT AFTER MASSIVE AND FUNDAMENTAL MARKET CHANGES. THIS IS THE FIRST REASON FOR FOCUSING ON BUSINESS POWER MANAGEMENT OF DOMINATING BRAND AND CUSTOMER ASSETS.
- 2) BUSINESS PROCESSES MUST BE DESIGNED PROACTIVELY IN THE BUSINESS AND MARKET ROADMAPS, WHICH ARE THEN USED FOR STRUCTURING AND MANAGING THE ENTERPRISE. PROCESS MANAGEMENT, HOWEVER, IS ALSO AN ONGOING INTERACTIVE PROCESS AND BUSINESS MANAGEMENT TEAMS MUST SUPPORT AND COMPLEMENT AUTOMATED BUSINESS PROCESSES.
- 3) NEW ORGANIZATIONS MUST BE DESIGNED AROUND BUSINESS PROCESSES TO BE EFFECTIVE, BUT THE TRADITIONAL DEPARTMENTS ARE STILL NEEDED FROM THE STRATEGIC PERSPECTIVE TO SUPPLY KNOWHOW AND FOR TRAINING FUNCTIONAL EXPERTS, WHO WILL JOIN THE NEW BUSINESS PROCESS MANAGEMENT TEAMS.
- 4) THE ENTREPRISE MUST UPGRADE ITS PERSONNEL THROUGH SPECIAL TRAINING AND HIRING OF HIGH LEVEL EXPERTS. IN ADDITION, WE MUST SIMPLY FIND THE BEST WAY TO USE OUR KNOWLEDGE JOINTLY WITH OTHERS AND TO SCALE INTO THE NEW JOBS.
- 5) BRAND AND CUSTOMER COMPANY STRATEGY IS NOT A UNIVERSAL SOLUTION AND IT MUST BE ADAPTED TO THE REAL WORLD SITUATION OF EACH ENTERPRISE BY EXPERIENCED LEADERS.

THIS BOOK DOES NOT COVER

- 1) NO MEGA STRATEGY, IT SOFTWARE OR WHATEVER CAN FUNCTION WITHOUT THE RIGHT LEADERSHIP AND THIS IS ALSO VALID FOR THE BRAND AND CUSTOMER COMPANY STRATEGY.
- 2) BUSINESS POWER MANAGEMENT IS ALWAYS BASED ON QUALITY LEADERSHIP AND AN EFFECTIVE PEOPLE POWER MANAGEMENT.
- 3) QUALITY MANAGEMENT IN TODAY'S RUTHLESSLY COMPETITIVE AND FAST MOVING MARKETS TAKES EXPERIENCE AND IN DEPTH BUSINESS MANAGEMENT SEMINARS ARE HELPFUL, BUT THEY DO NOT REPLACE TRUE FIELD EXPERIENCE.

THE THIRD MAJOR DIFFERENCE

The third major difference is in top management focus on management of business power dynamics, or the enterprise tuning processes. The enterprise must be alive to be successful.

There is nothing like a well managed and tuned enterprise which radiates what I like to call business power excellence and which is in perfect business producing harmony. The top management team gives the power to operational teams, which feel confident to meet all possible challenges. There is a cool and exiting feeling in the whole enterprise.

You will never ever forget what this feeling is like, if you have been working in (or competed with) such an enterprise. It is like being a part of the team winning the World Championship and the main problem now is to avoid getting complaisant. This state of business producing power is the result of a perfectly managed tuning process to focus and maximize business power dynamics.

1) **No strategy can replace quality leadership.** Strategies, however, are essential to complement the management environment and this is precisely why we need Brand & Customer company management strategies to support the business power tuning processes.

You cannot win with tactics alone and the exact design plus use of management strategies are vital tools to support reaching business objectives.

2) **Top management must give the power to act** to the frontline operational teams to make them feel and give the power. The first top management decision is to power up and support frontline operations, which is a part of close operational support and integrated operational support strategies, as explained in “Learning from the Army”.

Top management should program flexible best practice procedures to support business development, branding, CRM and other frontend operations.

Delegated power will greatly improve enterprise agility, adaptability and finally the famous business dynamics to support reaching business objectives. The designs of these action and information models are vital to management quality of the tuning process.

3) **People management and training are** always vital parts when tuning and implementing upgrades in a business organization. The main questions are simply how to prepare personnel for working effectively in the new organization and business environment.

People management is probably the biggest challenge when managing the tuning process with fundamental changes in an organization.

FAST FORWARD CHANGE MANAGEMENT

ENTERPRISES ARE COMPLEX BUSINESS POWER MACHINES

SUCCESSFUL ENTERPRISES MUST BE TUNED TO HIT A SPECIFIC MARKET SPACE WITH A PRECISE BUSINESS MODEL AND THIS REQUIRES EFFECTIVE CHANGE MANAGEMENT.

STRATEGIC AND OPERATIONAL CHANGE MANAGEMENT

CORPORATE PILOTING AS SUCH IS GREAT BUT ENTERPRISES MUST BE DESIGNED TO BE PILOTABLE AND TO FOLLOW THE PILOTING, WHICH IS A MAJOR CHALLENGE IN ALL ENTERPRISES.

THE FUNDAMENTAL CHANGE MANAGEMENT CHALLENGE

ULTIMATELY, THE MAJOR CHALLENGE IS TO CREATE A SOLID AND POWERFUL FOUNDATION FOR FUTURE OPERATIONS IN ORDER TO KEEP ON WINNING THE BEST BUSINESS.

THE BASIC CHANGE MANAGEMENT SCENARIO

CHANGE IS THE KERNEL MOTOR FOR SUCCESS & SURVIVAL

BASIC CHANGE MANAGEMENT, WHICH INCLUDES BUSINESS POWER MANAGEMENT, IS MUCH MORE COMPLEX THAN JUST DEFINING NEW GOALS. A BIG ENTERPRISE IS BASICALLY LIKE A HUGE SUPER TANKER MOVING FORWARD IN THE WATER WITH THE MOTORS PUSHING IT FORWARD.

THE STARTING POINT TOGETHER WITH START POINT DYNAMICS CORRESPONDS TO THE SUPER TANKER'S POSITION, DIRECTION, SPEED AND IMPACT OF THE MOTORS PUSHING IT FORWARD. THE GOAL POINT CAN EVIDENTLY BE DESCRIBED IN THE SAME WAY, AS THE START POINT.

THE FUNDAMENTAL OBJECTIVE OF MODERN CHANGE MANAGEMENT IS NOT ONLY TO REACH NEW OBJECTIVES ON TIME, BUT ALSO TO MANEUVER BETWEEN THE START AND GOAL POINTS WITH A MINIMUM OF BUSINESS POWER LOSS, WHICH WOULD REQUIRE ADDITIONAL INVESTMENTS.

THE RACE FORWARD FOR SUCCESS AND SURVIVAL

BUSINESSES MUST BE MANAGED FORWARD, THE STARTING POINTS ARE:

- 1) **Successful enterprises are complex business power machines**, which must be perfectly tuned to hit a specific market space in a specific business environment with a precise business model. This requires strategic change management.
- 2) **We need strategic and operational change management** to make the enterprise pilotable in fast moving markets. Corporate piloting as such is great but the enterprise must also be designed to enable piloting. This is a major challenge for all enterprises in fast moving markets.
- 3) **Ultimately, the kernel change management challenge** is not only to manage the change process but also to systematically set an effective foundation for future operations in order to keep on winning the best business.

A) THE BASIC MANAGEMENT FORWARD CHANGE MANAGEMENT SCENARIO

All businesses must be managed forward, (but can only be understood backwards - Kirken Soergaard/Denmark) and capable of moving forward and maneuvering with a minimum of inertia to avoid loss of investment and business power when following the market.

Big enterprises are basically like huge supertankers moving forward through the water. The starting point with start point dynamics corresponds to the supertanker's position, direction, speed and the impact of the motors pushing the supertanker forward towards its destination. If you kill inertia, that is for example losing speed during maneuvers, it will take time and energy (investments) to build it up again.

The basic change management scenario, which now includes dynamic business power management, is much more complex than just defining new goals. I recommend structuring the management forward challenge as follows.

Define and analyze the starting point and start point dynamics. Business dynamics corresponds to the actual business power level and how it was built up. That is the road and effort we used to get to the starting point.

Analyses of start point dynamics are vital for understanding the enterprise's positive business inertia and how to up-grade plus re-direct it towards future objectives without losing business power (previous investments).

The information collected by the Brand & Customer company's new business and marketing control and intelligence functions are indispensable for understanding business power changes and future solutions and for making all other types of profit center analyses. Dynamic asset management, with detailed tracking of investment in Brand & Customer assets is an important part of the information collection system.

This is called the 360° management perspective, which is indispensable when benchmarking: understanding, quantifying and comparing advantages and disadvantages of old and new business solutions. This is vital for effective profit center management.

THE VITAL

360° MANAGEMENT PERSPECTIVE

THE INFORMATION COLLECTED BY THE BRAND AND CUSTOMER COMPANY'S BUSINESS AND MARKETING CONTROL AND INTELLIGENCE FUNCTIONS IS THE VITAL "360° MANAGEMENT PERSPECTIVES", WHICH ARE INDISPENSABLE BOTH FOR THE BENCHMARKING PROCESS AND FOR UNDERSTANDING BUSINESS POWER CHANGES AND FUTURE EVOLUTIONS.

THE VISION OF THE FUTURE, WHICH WILL GUIDE THE CHANGE PROCESSES MUST BE BUILT ON AS MUCH RELEVANT AND ACCURATE INFORMATION (PAST AND FUTURE) AS POSSIBLE.

DEFINE AND ANALYZE THE STARTING POINTS

THE STARTING POINT AND START POINT DYNAMICS THAT IS THE ENTERPRISE'S ACTUAL POSITION, PERFORMANCE LEVEL AND BUSINESS POWER LEVEL, MUST BE ANALYZED VERY CLOSELY.

ANALYSIS OF STARTING POINT DYNAMICS ARE VITAL FOR UNDERSTANDING ENTERPRISE BUSINESS POWER STATUS AND HOW TO UPGRADE PLUS RE-DIRECT IT TOWARDS FUTURE OBJECTIVES WITHOUT BUSINESS POWER LOSSES ON PREVIOUS INVESTMENTS.

DESIGN AND ANALYZE THE GOAL POINT

THE GOAL POINT AND THE GOAL POINT DYNAMICS OR ITS BUSINESS POWER IS THE FOUNDATION FOR FUTURE OPERATIONS.

THE GOAL POINT CLEARLY INCLUDES A TRAINED ENTERPRISE TEAM WORKING EFFECTIVELY IN A TAILORED FOR YOU VERSION OF THE BRAND AND CUSTOMER COMPANY.

DESIGN THE PRECISE PATH FROM START TO FINISH

THE START AND GOAL POINTS MUST NOW BE BENCHMARKED IN ORDER TO COMPARE, UNDERSTAND AND QUANTIFY THE DIFFERENCES. BENCHMARKING IS VITAL FOR QUANTIFYING THE ADVANTAGES OR THE RETURN ON INVESTMENTS AND FOR MANAGING THE CHANGE PROCESS.

FINALLY, DESIGN THE PATH FROM START TO FINISH, WHICH IS USED TO GUIDE, DRIVE AND MANAGE THE CHANGE PROCESS.

Design and analyze the goal point: the new redesigned starting point and again goal point dynamics (the new business power level status) which is fundamental for creating a powerful foundation for future operations.

The goal point is, for example in our case, a trained enterprise team working effectively in a tailored-for-you version of the Brand & Customer company. The goal point and its dynamics must be explained in simple terms both to make it understandable and to make it workable.

Finally, design the path from start to finish, which is used to guide, drive and manage change processes. Major changes can, for at least three reasons as explained below, only be implemented as a part of a systematic and never ending learning process. Big bang solutions can only be used for integrating minor changes:

- 1) **The detailed total impact** of major change is at least partly unpredictable and management roadmaps to the future are never totally clear.
- 2) **Personnel must be trained** and re-trained in order to function effectively in new operational environments.
- 3) **Jam-it-all-in tactics** have a break point, when we must rethink the base strategy.

The benchmarking process is vital both for quantifying the advantages (the return on actions and investments) and for managing change processes.

B) THE CORPORATE CHANGE MANAGEMENT STRUCTURE

The new change management function must be positioned in the corporate management process. I see it as follows:

- 1) **Corporate leadership** is clearly in the hands of the President and the top management team (which now includes the VP of Change) and this will not change.
- 2) **The new objective,** however, is to go one step further and to improve management knowhow and to speed up the vital change and learning processes through a strategic change support function. This will put it all together and give additional support to make the change processes happen on time.
- 3) **Operational functions** are usually overloaded to make the business happen and the VIP change processes have a tendency to get lost.
- 4) **Corporate change management** is very much based on teamwork and on uniting enterprise change management teams with participants from all parts of the enterprise. The change function cannot do it all by itself.

The change management function is now also:

- 1) **Defining the enterprise of the future.** The intelligence function is used to understand and forecast the future. The control function is used to understand where we are and change management to drive and control change processes. I will explain this further in the “Basics for Change” section below.
- 2) **The key corporate piloting tool** accompanies business, marketing intelligence and control functions. All three are vital for making the corporate piloting process happen faster, cheaper and better with the objective to win the best business now and in the future.

THE CORPORATE CHANGE MANAGEMENT STRUCTURE

POSITIONING CORPORATE CHANGE MANAGEMENT

THE STARTING POINT IS TO POSITION THE CHANGE MANAGEMENT FUNCTION IN THE CORPORATE MANAGEMENT STRUCTURE.

- 1) CORPORATE LEADERSHIP IS CLEARLY IN THE HANDS OF THE PRESIDENT AND THE TOP MANAGEMENT TEAM AND THIS WILL NOT CHANGE.
- 2) THE NEW MANAGEMENT OBJECTIVE IS TO GO ONE STEP FURTHER IN ORDER TO IMPROVE KNOWHOW MANAGEMENT AND TO SPEED UP THE VITAL LEARNING AND CHANGE PROCESSES THROUGH A STRATEGIC CHANGE SUPPORT AND MANAGEMENT FUNCTION.
- 3) CORPORATE CHANGE MANAGEMENT IS VERY MUCH BASED ON

THE CHANGE MANAGEMENT FUNCTION IS NOW

- 1) THE KEY CORPORATE PILOTING TOOL (INCLUDES BOTH THE BUSINESS AND MARKETING INTELLIGENCE AND CONTROL FUNCTIONS). THE OVERALL OBJECTIVE IS TO MAKE CORPORATE PILOTING HAPPEN FASTER, CHEAPER AND BETTER IN ORDER TO WIN THE BEST BUSINESS.
- 2) THE ENTERPRISE PLATFORM FOR STRUCTURED INTEGRATION AND MANAGEMENT OF KNOWHOW. THIS IS ALSO AN EFFECTIVE STRATEGY TO MANAGE AND REUSE EFFECTIVELY KNOWHOW PURCHASED FROM OUTSIDE CONSULTANTS.

THE CHANGE MANAGEMENT MISSION IN THE BRAND AND CUSTOMER COMPANY

THE KERNEL STRATEGIC MISSION OF THE CHANGE MANAGEMENT FUNCTION IS TO SHOW THE WAY TOWARDS FUTURE SOLUTIONS AND TO SUPPORT ENTERPRISE AND BUSINESS PILOTING.

THE KERNEL OPERATIONAL MISSION IS TO DESIGN, INTEGRATE, DRIVE AND COORDINATE THE ENTERPRISE'S CHANGE PROCESSES ON TIME THROUGHOUT THE ENTERPRISE.

- 3) The enterprise platform for the structured and effective integration of outside support from business consultants, for example. This is also an effective strategy to manage enterprise knowhow capital, outsourced or not, for future use and to coordinate enterprise change processes.

Corporations with effective strategic and operational change management can now also develop new more powerful fast-forward corporate strategies, which are based on being capable of moving faster than the competition, in order to dominate their market spaces and to win the best business.

Corporate fast change strategies such as fast-fashion already exist in many areas but they will spread like wild fire with the introduction of new corporate business operations IT platforms (SAP, Oracle) and future business management science upgrades.

C) THE ENTERPRISE CHANGE MANAGEMENT FUNCTION

The kernel corporate strategic mission of the enterprise change management function is to show the way: to design corporate strategies and the enterprise of the future together with the top management team and to support enterprise and business piloting in order to prepare and support the enterprise to win the best business.

Forecasting the best solutions however is not always possible and we will also have to design and integrate flexible corporate action models and strategies to face up to the unexpected.

The kernel operational challenge is now to design, integrate, drive and coordinate the enterprise change process on time throughout the enterprise, which is evidently also the main operational focus of the change management function.

We will now use specialized change management teams and change champions with the right specific knowhow and track record to make change happen effectively.

D) BASICS FOR CHANGE MANAGEMENT AND THE BRAND & CUSTOMER COMPANY ADVANTAGE

The strategic change management function in the Brand & Customer company is a very powerful platform for supporting the enterprise and business piloting when following fast moving markets and for coordinating the integration of major changes.

All enterprises are already more or less managing change processes and I will now try to explain what sets the Brand & Customer company strategy apart from the traditional enterprise management models.

Corporate strategies for change and flexibility to capture future opportunities and to face up to the unexpected must be built into the enterprise structure. Change is a constant in all enterprises.

Enterprises must be designed to manage change effectively and to follow high market pace with a minimum of inertia. This is difficult in traditional management structures due to large functional departments.

BASICS - FOR - CHANGE AND **THE BRAND & CUST COMPANY ADVANTAGE**

NOBODY IS TOO BIG, POWERFUL OR PROFITABLE FOR
CHANGE. JUST ASK IBM AND GENERAL MOTORS.

THE BRAND AND CUSTOMER COMPANY'S STRATEGIC CHANGE MANAGEMENT FUNCTION IS BOTH A VERY POWERFUL MANAGEMENT TOOL AND PLATFORM FOR CHANGE, WHICH SETS IT APART FROM TRADITIONAL ENTERPRISES.

CORPORATE STRATEGIES FOR CHANGE AND FLEXIBILITY

CHANGE MANAGEMENT TAKES BOTH QUALITY LEADERSHIP AND EFFECTIVE MANAGEMENT STRUCTURE/PLATFORM FOR EXPLAINING AND DRIVING CHANGE THROUGHOUT THE ENTERPRISE.

STRATEGIC PREPARATION FOR CHANGE (THE ENTERPRISE'S CAPABILITY TO BOTH CAPTURE AND BENEFIT FROM FUTURE OPPORTUNITIES) MUST BE BUILT INTO THE ENTERPRISE, AS CHANGE IS THE SECOND CONSTANT TOGETHER WITH NEW CUSTOMER ASSET MANAGEMENT FOCUS IN ALL ENTERPRISES.

THE CORPORATE CHANGE MANAGEMENT FOCUS IS TO MANAGE CHANGE EFFECTIVELY AND THE FLEXIBLE ENTERPRISE DESIGN THAT IS TO MINIMIZE INERTIA ARE BOTH VIP BUILT-IN COMPONENTS OF BRAND AND CUSTOMER COMPANY CORPORATE MANAGEMENT STRATEGY.

CHANGE PROCESS LEADERSHIP STRUCTURE

QUALITY LEADERSHIP IS A VAST AND COMPLEX SUBJECT, MUST COVER BOTH THE PERSONAL EMOTIONAL SIDE AND THE PROFESSIONAL RATIONAL SIDE, AS EXPLAINED FURTHER IN THE TABLE ON THE NEXT PAGE. THIS TABLE IS EVIDENTLY JUST A SIMPLIFIED AND REDUCED SCHEMATIC VIEW OF LEADERSHIP TO EXPLAIN MY THINKING.

SOME MANAGERS TEND TO FORGET THE VIP PERSONAL EMOTIONAL SIDE AND IT IS IMPORTANT TO REMEMBER THAT WE MANAGE EMOTIONS NOT TO BE SOFT BUT TO BE EFFECTIVE AND TO AVOID FUD (FEAR, UNCERTAINTY AND DOUBT), BLOCKAGE AND CHAOS, WHICH CREATES UNCONTROLLED CHANGE PROCESSES.

Again, the corporate change management focus (to manage change effectively) and the new agile and flexible enterprise design (to minimize inertia) are both very important built-in components of the Brand & Customer Company's corporate management strategy.

I call all this strategic preparation for change, which is a prerequisite for making the enterprise pilot capable and powerful in fast moving and highly competitive markets.

The objective of strategic preparation for change is evidently to avoid chaos and it should also include disaster management and disaster recovery models to get the business back to normal, as all forecasts are more or less accurate.

Change process management without structured quality leadership will create FUD (Fear, Uncertainty and Doubt), revolution, chaos and corporate warfare instead of controlled change processes. I will now explain how I see some of the most important additional perspectives liaised with the change management leadership challenge.

Leadership structure is used to explain and drive change projects throughout the enterprise. The change champion system, which is used for driving controlled change processes professionally throughout the enterprise, is a very important part of the leadership structure. Leadership must simply be structured to be effective throughout the enterprise.

Quality leadership is built on a combination of trust and motivation (emotional side) and authority and credibility (professional side). Both sides are vital and must be managed effectively and professionally to make the change process happen. Yes, the emotional side is predominately emotional but it also includes professional parts and vice-versa. This is just a simplified and reduced schematic view of leadership.

Emotional logic for change is a type of complex balance between being positive, driving, motivating and stabilizing emotions, and stopping negative and de-stabilizing emotions. The change management process must be based on both an emotional and professional foundation to avoid floating around and getting out of control.

- 1) Trust is the key emotional foundation for change and it must be earned, which takes time.
- 2) Motivation is the key emotional motor for change and it can be of many kinds. But respect and fun are nearly always an important part of motivation.
- 3) All major changes will create resistance. Lack of trust and motivation will automatically de-stabilize the change process and create FUD (Fear, Uncertainty and Doubt), which will block or delay the change process.
- 4) FUD is simply the emotional impediments to change. Top management can neither wipe FUD away with authority/threats nor replace it with credibility.
- 5) Management of emotional logic (to avoid FUD) is an indispensable part of effective change management, but this is forgotten in many enterprises.

CHANGE MANAGEMENT LEADERSHIP

ENTERPRISE CHANGE PROCESSES REQUIRE QUALITY LEADERSHIP TO BE SUCCESSFUL AND TO AVOID FUD (THAT IS FEAR, UNCERTAINTY AND DOUBT) AND CHAOS, AS EXPLAINED BELOW.

CHANGE MANAGEMENT LEADERSHIP MUST COVER BOTH THE RATIONAL PROFESSIONAL SIDE AND THE EMOTIONAL PERSONAL SIDE, WHICH OBEY TOTALLY DIFFERENT LOGIC.

PERSONAL EMOTIONAL LOGIC FOR CHANGE

STOPS TO CHANGE

FUD
LACK OF TRUST AND MOTIVATION.

FUD EQUALS (Fear / Uncertainty / Doubt)

FOUNDATION FOR CHANGE

TRUST
SHOW TRUST IN PEOPLE TO BUILD CONFIDENCE AND TO BLOCK THE FUD PROCESS.

SET CLEAR PERSONAL GOALS TO BLOCK UNCERTAINTY.

MOTOR FOR CHANGE

MOTIVATION
CREATE WINNERS TO BUILD CONFIDENCE IN THE CHANGE PROCESS.

ENPOWER CHANGE TEAMS THROUGH JOINTNESS.

PROFESSIONAL RATIONAL LOGIC FOR CHANGE

STOPS TO CHANGE

CHAOS AND CORPORATE WARFARE

LACK OF AUTHORITY AND CREDIBILITY

FOUNDATION FOR CHANGE

AUTHORITY

PROFESSIONAL LEADERSHIP WITH CLEAR GOALS AND CLEAR OWNERSHIP OF ALL MANAGEMENT PROCESSES.

MOTOR FOR CHANGE

CREDIBILITY

CLEAR OBJECTIVES AND STRATEGIES PLUS POSITIVE TRACK RECORD.



CHANGE TEAM QUALITY IS KEY TO FUTURE SUCCESS AND TO MEETING THE UNKNOWN

Professional/rational logic for change, which is more straightforward, is clearly an integrated part of traditional professional project management.

- 1) **Authority is the key professional foundation for change element** and it is based on ownership in a clear and professional management structure.
- 2) **Authority must be delegated to the VP of Change** by the President and built into the corporate management structure, as no trans-departmental authority can function without top management support in corporate structures.
- 3) **Credibility is the key professional motor for change** and it must be earned through basically a good track record. Credibility is also based on professionalism and the best way to build it is to define, explain and defend the change objectives, change processes and new solutions professionally throughout the organization.
- 4) **Professional change management** is a multi-step team driven process where we need change champions in order to reach out to all parts of the enterprise. This is the traditional win-win strategy.
- 5) **Chaos is the professional impediment to change element**. Lack of authority and credibility will simply create chaos, as everybody is in charge and makes uncoordinated decisions.

Jack Welch has explained the management of leadership and the emotional and professional logic very well in *Winning*. Basically he says first, never forget that winning/success is based on “learning fast and building people” to make them strong. Second, set clear meaningful goals in order to set clear direction because most gifted people love working in professional environments. Please read it.

The Brand & Customer company uses a type of very effective enterprise jointness change management team strategy. The champion and leader of this management process is the VP of Change, who clearly must also be supported by the top management team and the other change champions to make the change happen.

The major difference is that change management has become a priority enterprise mission and that the change management function provides the experienced kernel in change management teams. Again, the Brand & Customer Company is designed to manage major corporate change processes professionally, including emotional and professional logic for change and this is vital in fast changing markets.

The VP of Change needs an operational change management platform:

- 1) **For participating** actively in the design of the new enterprise in order to show the way to the best model for future operations.
- 2) **For managing and coordinating** the pan-enterprise change management processes. Departmental change processes can possibly still be managed by the departments and supported by the change management function.
- 3) **All enterprises** need powerful platforms with specialized teams with the right expertise, knowhow and resources to support management of the major change processes.

ENTERPRISES MUST REWARD CHANGE CHAMPIONS (COMPETENT AND SUCCESSFUL RISK TAKERS), WHO ARE INDISPENSABLE FOR MAKING CHANGE TO HAPPEN.

STRATEGICALLY, CHANGE CHAMPIONS SHOW THE WAY TO SUCCESS AND SURVIVAL. OPERATIONALLY, CHANGE CHAMPIONS PUSH THE CHANGE PROCESSES FORWARD.

CHANGE MANAGEMENT IS LIKE A MULTI-STAGE ROCKET, WHICH INCLUDES A LOT OF LEARNING PROCESSES, CHANGE PROCESSES LEADING UP TO THE BRAND AND CUSTOMER COMPANY WILL FOR SURE TAKE TIME AND FIELD EXPERIENCE TO IMPLEMENT.

SOME FURTHER CONCLUSIONS

STRATEGIC CHANGE MANAGEMENT IS PARAMOUNT FOR SURVIVAL IN TODAY'S HIGHLY COMPETITIVE AND FAST MOVING MARKETS.

THE FOUR FUNDAMENTAL STRUCTURAL CHANGES:

TOP MANAGEMENT TEAMS AND OPERATIONS WILL HAVE TO UNDERSTAND, FACE AND MANAGE AT LEAST 4 FUNDAMENTAL STRUCTURAL CHANGES.

- 1) MANAGEMENT PERSPECTIVES: A) WHERE TO FIND AND HOW TO DEFEND PROFITS. B) THE VERY WAY TOP MANAGEMENT INTERACTS WITH AND PILOTS THE ORGANIZATION WILL CHANGE RADICALLY WITH THE INTRODUCTION OF BOTH BUSINESS POWER MANAGEMENT AND BRAND AND CUSTOMER ASSET MANAGEMENT.**
- 2) THE ENTERPRISE'S OPERATIONAL AND ORGANIZATIONAL STRUCTURE WILL CHANGE TO FIT ENTERPRISE BUSINESS PROCESS AND TEAM FOCUSED WAYS OF WORKING.**
- 3) TRANS-ENTERPRISE "IT PROCESSING AND COMMUNICATION SYSTEM PLATFORMS" ARE NOW INDISPENSABLE FOR SUPPORTING NEW REAL-TIME INTERACTIVE BUSINESS OPERATIONS.**
- 4) NEW MANAGEMENT STYLES TO MANAGE AND INTERACT WITH HIGHLY COMPETENT HETEROGENOUS OPERATIONAL TEAMS.**

TRADITIONAL ORGANIZATIONS ARE FOCUSED ON MANAGING DEPARTMENTAL TASKS AND BUSINESS PROCESSES. THE ENTERPRISE'S NEW BUSINESS PROCESS FOCUS, HOWEVER, WILL CREATE A NEW ENTERPRISE POWER BALANCE, WHICH WILL HAVE TO BE MANAGED CLOSELY TO AVOID CORPORATE WARFARE AND OTHER CONFLICTS.

The Brand & Customer company's VP of Change, who is now also a key member of the top management team, owns the pan-enterprise change process and the kernel experienced and specialized resources to put it all together on time into coordinated trans-enterprise action processes, which is a vital in fast moving markets.

Timely enterprise change management has now become a strategic pan-enterprise management process, which is driven jointly by the top management team and the departmental/operational change management teams.

Strategic change management covers both the design and effective implementation of new enterprise structures and new business models, which obviously involves all departments.

All enterprises need effective strategic and operational change management to meet the challenges of the future. In our case, we are now in the process of implementing a new corporate management strategy with a tailored operational structure: the Brand & Customer company. In addition we are developing a new generation of managers and operational teams, who can understand and manage joint external/internal asset management. In the same way we must also find the best operational structure, which corresponds exactly to our enterprise and market place.

Strategies are great but enterprises are very different and we must incorporate the right bits and pieces into our new management strategies/models to make them effective.

Change management also includes major learning processes, which will take time. Most enterprises will, in addition, need specialized outside support to fully understand the total impact of these new asset and operational management strategies. Again the change management function included in the Brand & Customer company is an indispensable point of integration for major change, whatever the corporate strategy.

E) SOME FURTHER CONCLUSIONS ABOUT THE RACE FORWARD FOR SUCCESS AND SURVIVAL

Top management teams in all enterprises will now have to face, understand and manage at least four fundamental changes:

- 1) Top management perspectives will change radically with the introduction of dynamic asset management of external and action tangible Brand & Customer assets.
- 2) Enterprise operational and organizational structure will change to fit the new team focused ways of working with the integration of high level specialists into operations.
- 3) New trans-enterprise IT processing and communication systems are now indispensable for supporting real-time interactive operations.
- 4) New management styles to manage new highly competent and heterogeneous operational teams.

The new strategic change management function is simply paramount for success and survival in today's competitive and fast moving markets.

BUSINESS-POWER-EXCELLENCE IS ALL ABOUT STRIKING THE RIGHT BALANCE

BUSINESS POWER CHAIN MANAGEMENT DISCIPLINE

BUSINESS POWER MANAGEMENT WILL OVER TIME MATURE INTO THE BUSINESS POWER CHAIN MANAGEMENT DISCIPLINE, WHICH INCLUDES MARKET CHAIN MANAGEMENT. THE OBJECTIVE IS TO MANAGE AND MAXIMIZE ALL OF ENTERPRISE BUSINESS POWER.

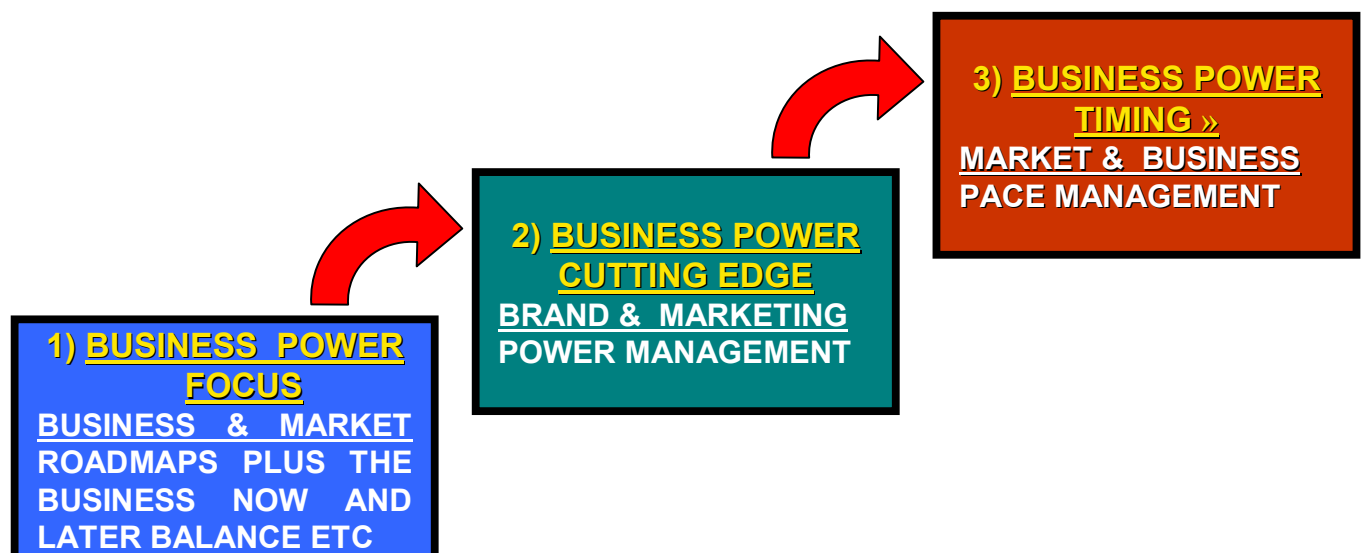
THE PRESIDENT'S LEADERSHIP BRAND

QUALITY LEADERSHIP IS KEY TO A STRONG PEOPLE POWER BASE MANAGEMENT AND AN INTEGRATED PART OF STRIKING THE RIGHT BUSINESS POWER BALANCE.

THE PRESIDENT'S BRAND IS CLEARLY THE VERY BASIS FOR LEADERSHIP EXCELLENCE, BUT I WILL ONLY BRIEFLY TOUCH THIS ASPECT BEFORE GOING FURTHER INTO THE SPECIFIC BUSINESS POWER MANAGEMENT CHALLENGES.

DRIVING FOR BUSINESS POWER EXCELLENCE AND THE CLASSICAL MARKETING MANAGEMENT PROCESS

CLIMBING THE MARKETING LADDER IN ORDER TO UPGRADE BUSINESS POWER AND TO REACH THE NEXT POWER LEVEL.



BUSINESS POWER INVESTMENTS MUST NOT ONLY CORRESPOND TO BUSINESS OBJECTIVES BUT ALSO TO THE RIGHT POWER LEVEL OBJECTIVES IN ORDER TO FULLY DRIVE THE CORRESPONDING PAYBACK PROCESS.

DRIVING FOR EXCELLENCE IN BUSINESS POWER

CHAIN MANAGEMENT

Operational business power management, which now includes market chain management, will mature over time into a management discipline: business power chain management. It will be used to maximize both sales and all enterprise assets.

The objective of management excellence is to create a business powerhouse that is a customer focused, real-time interactive enterprise with information dominance. With it management can make informed decisions and act effectively in order to drive the business.

Business power management is an enterprise team process, which covers all the enterprise business power components. In this chapter, however, I will mainly discuss it from the more limited market chain management standpoint.

The modern enterprise is a melting pot of fundamental management changes. The objectives of this last chapter are:

- 1) **To explain how to drive for management excellence** in the Brand & Customer company. It is simply a totally new management game to strike the right balance even if the basic components look similar.
- 2) **To give an improved perspective of the complexity** of the business power management challenge and why 80% of CRM system installations failed. This has triggered the fundamental management rethink process.

The President's leadership function is fundamental for the effective management of trans-enterprise business power teamwork. However, I will only explain a few limited points related to leadership's direct impact on business power management.

The driving for excellence process in the Brand & Customer company can be divided into six major parts:

- 3) **Business power focus**, which is defined in the business and marketing roadmaps. It defines business focus in relation to Brand & Customer assets. This part is straightforward and easy to understand, as it is also the start of traditional business and marketing management processes.
- 4) **The business power cutting edge**, or the brand's functional design, defines business power's exact market impact. I have also introduced what I call the business power system chain concept to better understand how it all works. These explanations are also relatively straightforward and easy to understand.
- 5) **Market and business pace timing** requires fundamental management change, which are driven by the new enterprise business process management focus, and new IT supported business timing management. But this part is not easy to see and understand from the traditional management perspective.

THE PRESIDENT'S BRAND POWER BALANCE

THE PRESIDENT'S LEADERSHIP BRAND

THE PRESIDENT'S BRAND IS THE PRESIDENT'S BOND WITH THE ENTERPRISE: IT'S SHAREHOLDERS, EMPLOYEES AND CUSTOMERS. IN SHORT, NO PRESIDENT LEADERSHIP BRAND, NO ENTERPRISE BOND, NO PRESIDENT BRANDING AND FINALLY NO EFFECTIVE LEADERSHIP. THE PRESIDENT'S BRAND IS CLEARLY A VITAL PART OF BUSINESS POWER MANAGEMENT EXCELLENCE.

THE TOP MANAGEMENT TEAM'S BRAND IS ALSO A VERY IMPORTANT EXTENSION OF THE PRESIDENT'S BRAND AND AN AREA OF EXCELLENCE FOR SUCCESSFUL PRESIDENTS TO PROMOTE TOP MANAGEMENT TEAM JOINTNESS.

ALL SUCCESSFUL BUSINESS LEADERS HAVE DEVELOPPED A STRONG PRESIDENT'S BRAND, WHICH DEFINES THEIR OBJECTIVES AND RULES FOR HOW THE ENTERPRISE SHOULD FUNCTION TOWARDS CUSTOMERS AND EMPLOYEES, ETC.

THE IMPACT OF THE PRESIDENT'S BRAND ON ENTERPRISE BRANDING PROCESS MANAGEMENT

A POSITIVE PRESIDENT'S BRAND IS A VERY POWERFUL BUSINESS PROMOTION AND BRANDING TOOL, USED TO CREATE A WINNING ENTERPRISE, WHICH PASSES ON THE WINNING FEELING TO CUSTOMERS.

CUSTOMERS LOVE THIS WIN-WIN STRATEGY AND ITS POSITIVE BUSINESS IMPACT IS CONFIRMED OVER AND OVER BY EXTENSIVE RESEARCH AND FIELD EXPERIENCE.

THE PRESIDENT'S BRAND ALSO SETS THE RULES FOR THE ENTERPRISE BRAND AND EMPLOYEES WILL JUST PASS ON THE PRESIDENT'S BRAND TO THE CUSTOMERS MORE OR LESS INDEPENDENTLY OF BEST PRACTICE PROCEDURES.

IT IS AN INTERESTING EXERCISE TO STUDY JACK WELCH'S POWERFUL LEADERSHIP BRAND (IN "WINNING"), TOGETHER WITH BILL GATE'S COMMENTS AND TO INTEGRATE JACK'S BRAND INTO THE BRAND MODEL PRESENTED EARLIER IN THIS BOOK.

- 6) Business power level management is used to integrate 1-3 into the business power level structure, as explained in the “Payback” chapter. Business power level management will clearly require new Brand & Customer company business process focused organizational structure.
- 7) The basic operational business power chain consists of business power components: administration and control chain, supply chain and the new market chain. These must be fused as explained in point 7 and managed jointly in order to control the business power chain.
- 8) The major business power chain management challenge is not only to manage the three functional chains but also to manage their interactions to manage the totality of business power.
- 9) Business power fusion, the highest level of business power integration, is vital to the optimization of business power management and its enterprise team management process. The requirements for the different implementation processes vary with the power level.

THE PRESIDENT’S BRAND AND ITS IMPACT ON BUSINESS POWER MANAGEMENT

Fast moving enterprises in fast moving markets need strong leadership: a strong President’s brand to build up what I call its people power base and to create a winning and successful enterprise.

The President’s brand is simply the way the organization, customers and shareholders see the President. Almost all successful business leaders have developed a strong personal brand, which they mostly share with top management teams.

The President’s brand sets the rules for how the enterprise and the organization should function in relationship to customers and all other partners, which is vital for supporting effective best practice procedures.

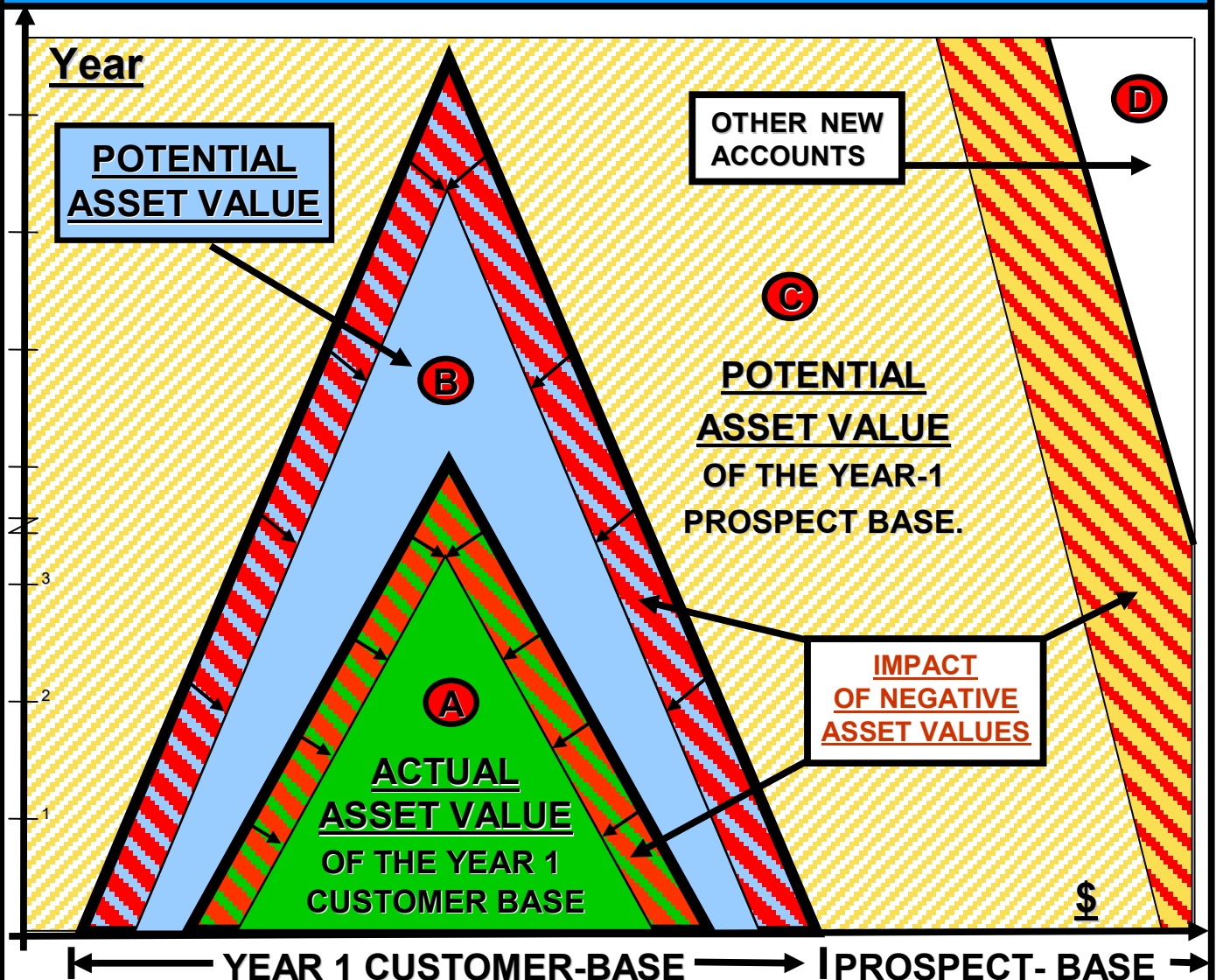
A positive President’s brand is also a very powerful business promotion and branding tool, which is used to pass on the winning feeling to the customer, who loves this win-win strategy. Positive business impact when we succeed to make the personnel pass on their pleasure of working in an enterprise to customers is proven over and over again by extensive research and field experience.

The fundamental importance of the President’s brand is overlooked in many enterprises. However, leadership without a brand is not leadership. Best of all, a strong leadership brand costs very little, as we are already paying the President.

THE PRESIDENT IS SIMPLY THE FIRST ENTERPRISE SALESMAN

BUSINESS POWER FOCUS BALANCE

BRAND AND CUSTOMER ASSETS ARE THE BUSINESS PIPELINE AND A TYPE OF VIRTUAL BACKLOG



GRADUAL LOSS OF CUSTOMERS OVER THE YEARS WILL SYSTEMATICALLY REDUCE THE REMAINING PART OF THE YEAR-1 CUSTOMER/PROSPECT-BASE AS SHOWN IN THE A, B AND C ASSET PYRAMIDS.

BUSINESS EXPANSION WITHIN THE BRAND'S SYNERGY AREA CAN EITHER COME FROM EXPANDING THE BUSINESS WITH PRESENT CUSTOMERS THAT IS THE B PYRAMID OR FROM NEW ACCOUNTS THAT IS THE C PYRAMID

THE B PYRAMID REPRESENTS THE TOTAL POTENTIAL ASSET VALUE OF THE YEAR 1 CUSTOMER BASE.

THE C PYRAMID REPRESENTS THE POTENTIAL ASSET VALUE OF YEAR-1 PROSPECTS IN THE ENTERPRISE'S TARGET MARKER SPACE.

THE D MARKET REPRESENTS OTHER NON RELATED BUSINESSES WHICH ARE OUTSIDE THE YEAR 1 MARKET SPACE.

BUSINESS & BUSINESS POWER FOCUS BALANCE

Business firepower is only effective if directed towards the right business targets with the appropriate payback potential. This is why business and market roadmaps are fundamental to effective business power focus management in a proactive business process management environment. Roadmap formats will differ greatly and there is neither a universal format nor method to produce them. However, they are indispensable business power focus management tools in all enterprises.

The business roadmap will explain what business we want to do, including the business models, and how to do it. Somehow, we must simply not only define the business targets but also set the business priorities and explain how to make the business happen hence the roadmap expression.

The market roadmap will explain, the market and its structure, position the individual customers and prospects and define where to do what business. Management roadmaps are dynamic, in constant evolution, and they must be continuously managed and redesigned as we go forward.

The four business focus areas, which should be balanced out to optimize the impact of business power can be understood up to a point from the picture of the Customer Base asset pyramids enclosed on the left. The asset pyramid, however, is only a schematic rough cut approach and we must always study the exact situations before going further in business analysis and business conclusions.

This is especially true for the red-green and blue-green areas, which contain a mix of not yet positive, potentially positive and never positive accounts, which must be handled differently.

1) **Consolidate, expand and streamline the same business to the customer base**, which corresponds to the green and red-green pyramids and to a part of the blue and red-blue pyramids. This corresponds to the long-sell, up-sell and smart-sell potential value strategies, as explained in the customer asset management chapter.

2) **Cross-sell new business to the customer base**, which corresponds to the rest of the blue and red-blue pyramids, which is not included in the previous business focus area. This corresponds to the cross-sell and smart-sell strategies as adding products and services will usually upgrade profits through reduced cost of sales per unit.

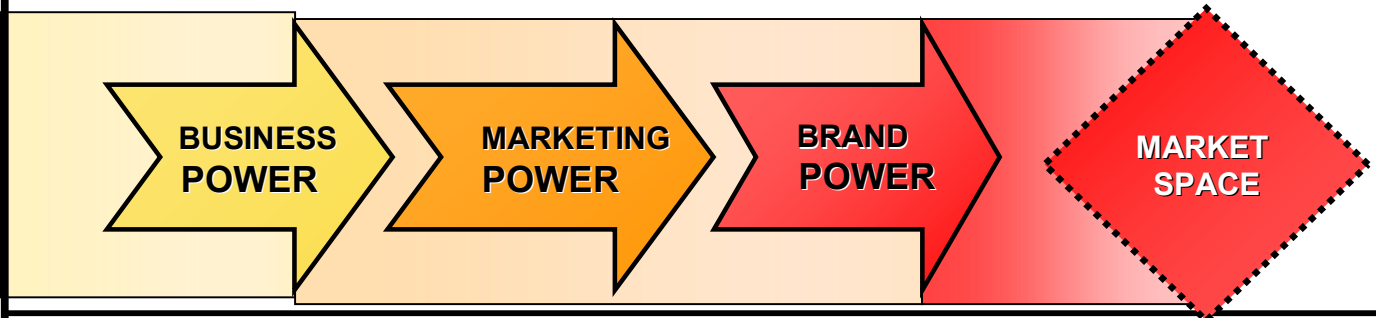
3) **Expand the business to new accounts** outside the blue and blue-red pyramids. There is clearly, however, also a business synergy area: the yellow and red-yellow pyramids, where it is relatively fast and economical to develop new business. New accounts, however, take time and money to develop and the selection of new accounts are a vital part of business focus balance management.

4) **Business forward management** is the last very important part of business focus balance. It includes both the delay between marketing/sales actions and getting the business plus the business now and business in the future management paradox.

Ideally, we want to work jointly when creating business now and future business, which in our case corresponds to working on big customer assets. The asset can again provide an effective management perspective.

BUSINESS POWER CUTTING EDGE BALANCE

BRAND IS THE CUTTING EDGE OF THE BUSINESS POWER CHAIN

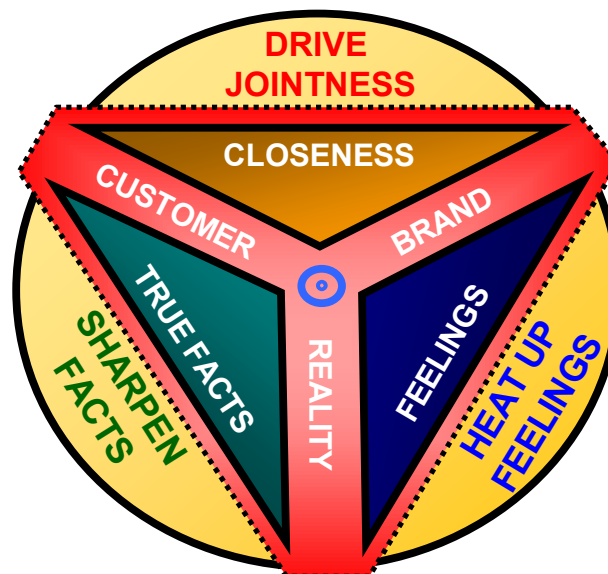


NO BRAND POWER, NO MARKETING POWER, NO BUSINESS POWER AND FINALLY NO BUSINESS.

BUSINESS POWER MANAGEMENT IS TRANS-ENTERPRISE TEAMWORK AND DO NOT LET ANYONE MURDER YOUR BRAND. SERIAL BRAND KILLERS SHOULD BE NEUTRALIZED.

STRIKING THE RIGHT BRAND REALITY BALANCE

BRAND AND MARKETING PROGRAMS SHOULD BE DESIGNED TO SUPPORT BUSINESS OBJECTIVES.



CUSTOMER BRAND REALITY SHOULD CORRESPOND TO THE BRAND PROMISE, WHICH REQUIRES A POWERFUL ENTERPRISE CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM.

BUSINESS POWER CUTTING EDGE BALANCE

Brand is the cutting edge of the business power system chain.

Brand is what makes you special in the eyes of the customer **and powerful** in the market place. Brand is the vital cutting edge tool and the key to the market. Business and marketing power is used to push brand power forward into the market in order to create tangible business results.

Business power needs the brand, the sharper the better, to penetrate markets. Business power however costs money. That is, for example, why marketing investments and a dull brand (ineffective) cost a lot. Brands have a type of brand/performance ratio (price/performance), which is critical to: 1) how and where can it be used, 2) the enterprise bottom line. We can partly compensate for a dull brand with more business power but the final result will at best be mediocre with reduced profits.

Brands are, for example, used for going up-market to more profitable areas. This is, however, hardly possible with dull powerless brands due to competitive barriers, which are especially strong in the best markets where we all want to go.

Sharp and powerful brands allows us to penetrate markets with minimal business power investments, which also gives us the vital strategic freedom of choice to go into whatever markets we want and need in order to follow changing market conditions.

Powerful brands are a critical strategic advantage for all enterprises. Using powerful brands in high value markets is like cutting butter or if you like *foie gras* with a hot knife in a top class restaurant.

Striking the Right Brand Reality Balance

Brands are built for purpose or to support meeting the enterprise's business objectives. This is what I call to meet the brand reality balance, which in turn is used to create the business power cutting edge balance.

Customer brand reality must be strongly supported to be real, which requires a powerful trans-enterprise customer relationship management system.

The picture on the left of customer brand reality comes from the "Brand Management" chapter. The objective is to show brand structure or characteristics, which must be supported.

Facts must be accurate to be effective, feelings must be perceived and jointness must be close to the customer. This will not happen by accident. The CRM process must be heavily supported to function in today's global highly competitive markets.

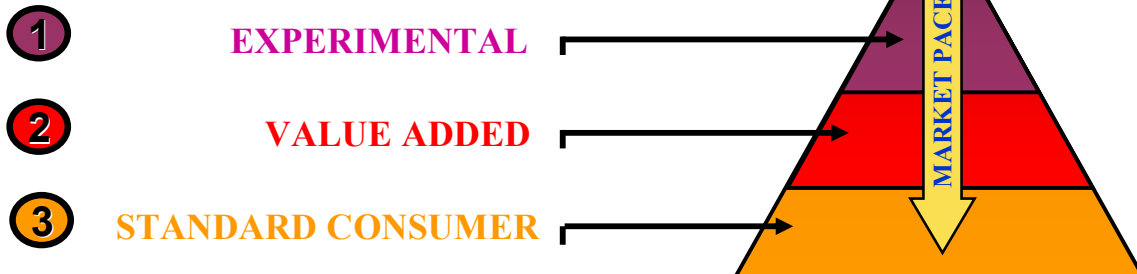
Brand includes the enterprise's products and services and it is vital to understand that the importance of brands and brand management in this modern world of virtual products and services with emotions and images will continue to increase.

Brand asset and equity management, as explained in this book is paramount to success for all enterprises. The Brand & Customer company strategy will support this key top management team activity.

MARKET PACE TIMING BALANCE

STRATEGIC MARKET PACE MANAGEMENT

MARKET PHASES



PROFIT PER UNIT AND TIME 2 BUSINESS	MARKET PHASE AND VOLUME	MARKET AND MARKETING STRATEGIES
1 <u>HIGH BUT RISKY.</u> <u>SLOW PROCESS TO GET ORDER.</u>	<u>EXPERIMENTAL</u> PROJECT MARKET. 10% OF TOTAL MARKET (ABOUT).	<u>BUILD PARTNERSHIPS</u> WITH MARKET LEADERS TO DRIVE THE BUSINESS INTO THE PROFITABLE MEDIUM VOLUME VALUE ADDED MARKET PHASE.
2 <u>GOOD AND SOLID.</u> DRIVE SALES PROCESS TO SHORTEN CYCLE.	<u>VALUE ADDED</u> <u>UNIQUE PRODUCT.</u> 30% OF TOTAL MARKET.	<u>USE LEADERSHIP</u> <u>AND UNIQUENESS</u> TO WIN STRATEGIC VOLUME ACCOUNTS AND THE BEST CHANNELS TO PREPARE FUTURE HIGH VOLUME SALES.
3 <u>LOW</u> <u>BUT HIGH VOLUMES.</u> FAST MOVING BUSINESS.	<u>STANDARD</u> <u>CONSUMER MARKET</u> 60% OF TOTAL MARKET.	<u>DRIVE THE GLOBAL BUSINESS</u> THROUGH ALL CHANNELS TO MAXIMIZE VOLUME AND PROFIT. <u>UPGRADE</u> PRODUCT AND SERVICES TO RE-ENTER THE PROFITABLE VALUE ADDED MARKET PHASE.

SUMMARY

CHANGE IS AN IMPORTANT PROFIT MOTOR AND EFFECTIVE MARKET AND BUSINESS PACE MANAGEMENT WILL SUPPLY RICH REWARDS FOR THOSE WHO CAN MASTER THEM.

THE DRIVE FOR EXCELLENCE IS THE CORE MOTOR OF PROACTIVE STRATEGIC CHANGE MANAGEMENT.

BUSINESS POWER PACE TIMING

Business power timing management excellence is based on the ceaseless quest for renewal and rebirth as described in the world famous best sellers by John W. Gardner, and a type of never ending “In Search of Excellence” process as described by Tom Peters.

The drive for business power pace timing excellence is the core motor of proactive strategic change management in the Brand & Customer company. Market changes are in addition an important profit motor and joint market and business pace management in rollercoaster markets will supply rich rewards for those, who can master them.

Business timing management requires fundamental change in enterprise management strategies and structures, core competences and management modes. The modern enterprise has now become a very complex type of management melting pot, which is far from easy to understand and manage.

Market pace works as follows. For simplicity, I have divided the market structure into three major phases to explain the market pace process and how to implement different business and marketing strategies. There are many preferably simple market models which can be used for explaining market pace.

The exact market pace model depends on your business area, but I like this very simple and straightforward three phase model, where the market phases are separated by virtual break points:

- 1) **New ideas, products and services** will start in the high-end experimental market phase before being generally accepted by the market and moving down to the next level.
- 2) **The value added market space** or as some call it, the up-market, where products and services are still more or less unique. Over time, however, the competition will also create and sell similar products, which in turn will move the no more unique products downwards onto the next level.
- 3) **The standard consumer market space**, where all products are more or less identical, or commoditized separately from the brands. This is where the 1-2-3 market phase process starts over again and again.

Enterprise business and marketing strategies will clearly have to take into consideration both the market and business pace characteristics, which jointly define the rules, as explained in the table on the left. However, market phases are evidently also very different in different markets but this aspect will not be discussed in this chapter.

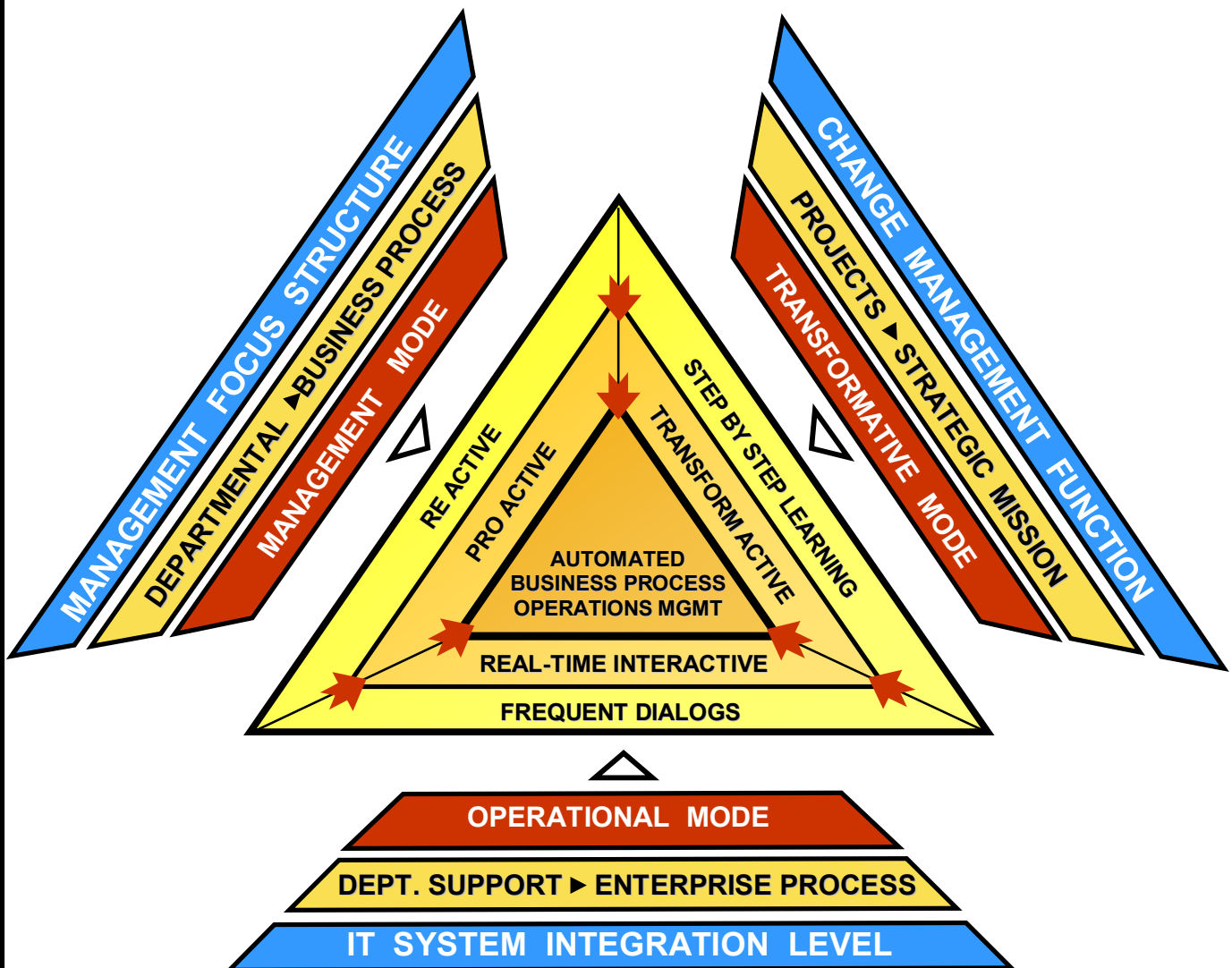
Every market phase has its own set of rules and priorities, which are often violated by managers who do not understand the fundamental business impact of the market pace process. For example, customers in the experimental market phase are primarily ambassadors and partners and not just consumers, as in the consumer market phase.

The priorities in the experimental market space are, for example, to get products accepted by the market and to adapt them to meet user requirements in order to prepare volume sales in the value added and consumer market phases. The value-added up-market and consumer market have other priorities, as explained on the left.

BUSINESS PACE TIMING BALANCE

ENTERPRISE MANAGEMENT SUPPORT STRUCTURE IN THE BRAND AND CUSTOMER COMPANY

**THE NEW MODES FOR MANAGEMENT, LEARNING AND OPERATIONS
MUST BE SUPPORTED BY THE BRAND AND CUSTOMER COMPANY'S
MANAGEMENT STRUCTURE IN ORDER TO FUNCTION EFFECTIVELY.**



THE NEW BUSINESS MANAGEMENT GAME

- 1) **BUSINESS MANAGEMENT IN THE MELTING POT IS A TOTALLY NEW GAME, WHICH ALSO REQUIRES A NEW ENTERPRISE SUPPORT STRUCTURE, OPERATIONAL PLATFORM AND CORE COMPETENCES.**
- 2) **NEW BUSINESS MANAGEMENT REQUIREMENTS CORRESPOND TO BRAND AND CUSTOMER COMPANY STRATEGY AND OPERATIONAL PLATFORM.**

BUSINESS POWER BUSINESS PACE BALANCE

The globalization of markets and technology revolutions has further accelerated business pace and it has become increasingly difficult for all enterprises to follow the higher and higher business pace. Competitive pressure has reduced the business time window, or the time delay from start to finish of business transactions. Enterprises are forced to use new sophisticated IT supported business process management systems.

Enterprise business process management has created the need for new management methods and mode changes. These must be supported by the organization in a totally new way (explained in the picture on the left). These fundamental management changes cannot just be declared to happen. They must be heavily supported to happen in the real world and for this we need Brand & Customer company strategy.

The high business pace, with short business time windows, has also created new business opportunities for well managed enterprises to catch the good business first and leave the not so profitable rest to the competition. The high market pace has clearly created additional rewards for those striking the right business pace balance.

Business power timing excellence is clearly very profitable and the drive for timing excellence will probably also drive the requirements for new management structures and be the best motor for the introduction of Brand & Customer Company strategy. The new business process management structure, however, will also create corporate power shifts, which I do not think will happen without this very strong profit motivation.

The second big motor for corporate change, alongside the profit motor, is timing and change management, which are not built into a traditional enterprise. Over time failures rates, as with CRM installations, will also drive forward the requirements for new enterprise management structures.

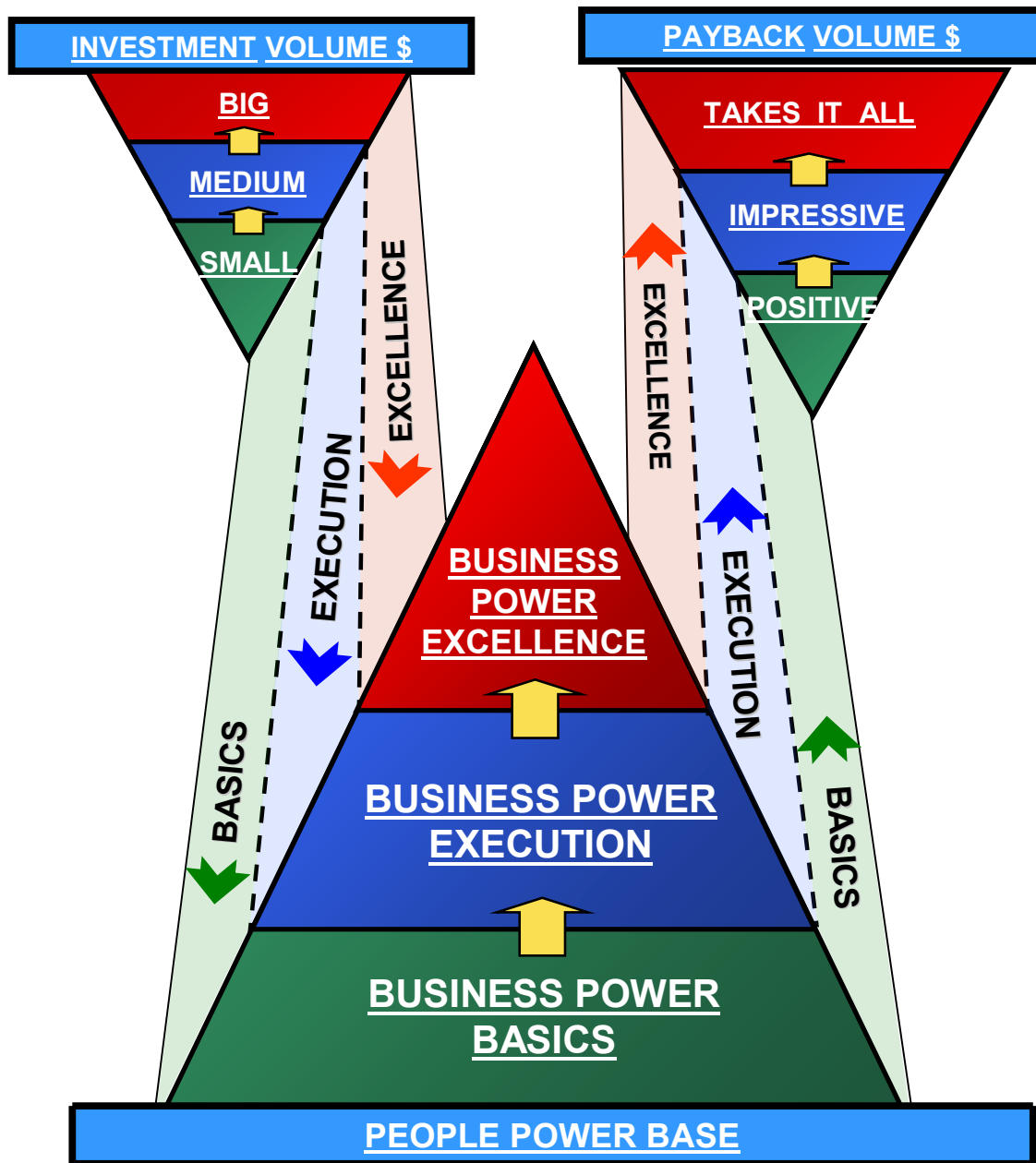
The fundamental adaptive change (defined by Prof. Ron Heifetz, Harvard Kennedy School of Government) and power shift following the introduction of the Brand & Customer company strategy will surely trigger very strong resistance from traditional departmental organizations. This resistance can only be overcome through both economic motivation, as described above, and strong leadership. Time will tell.

Strong change leadership is clearly one of the fundamental challenges and the indispensable foundation for enterprise change management when managing business timing in fast moving markets. Prof. Heifetz argues, “steering organizations through adaptive change is the real work of leadership.” Dr. Change can only agree and recommends you read his books (*Leadership Without Easy Answers* and *Leadership On The Line*), and all the others. This is a vast subject with many good books.

The picture on the left speaks for itself. **Dr. Change** and Mr. Progress are convinced that organizations preparing for fundamental adaptive changes should use outside consultants/integrators to better understand and arbitrate the complex change processes in order to manage power shifts and avoid corporate warfare and/or being blocked by old systems and problems.

BUSINESS POWER LEVEL BALANCE

BUSINESS POWER LEVEL MANAGEMENT STRUCTURE



STRIKING THE RIGHT BUSINESS POWER LEVEL BALANCE

BUSINESS POWER MANAGEMENT IS LIKE A MULTI-STAGE ROCKET, WHICH HAS TO BE RE LAUNCHED ALL THE TIME TO REACH AND STAY ON TOP.

INVESTMENTS IN BUSINESS POWER MUST CORRESPOND TO ENTERPRISE OBJECTIVES AND TO POWER LEVEL OBJECTIVES IN ORDER TO DRIVE FULLY THE CORRESPONDING PAYBACK PROCESSES.

BUSINESS POWER LEVEL BALANCE

Business power management is like a multi-stage rocket which has to be repowered and re-launched continuously to reach and stay on top. New business activities simply have to start on the basic level before being systematically scaled up to the machine and excellence levels, as we learn and progress, in order to step by step take full advantage of enterprise business power potential.

The secret of business power management excellence is to combine the right strategies with the right tactics at the right time to jointly maximize/optimize business power and win the best business.

I will now try to explain further below how it works. However, this is clearly only a schematic picture of the infinitely complex real world situation, which is used to make management processes as tangible as possible in order to support the best possible management actions.

The fundamental management strategy is to improve enterprise business power through targeted investments, which require payback and this is what I call management of business power level balance.

The fundamental structure of the payback process corresponds to enterprise power levels, as shown on the left. Investments must simply not only correspond to enterprise objectives but also to the structured power level objectives in order to fully drive the payback processes.

Basic schematic key management strategies and step by step action processes for the payback process have already been described in the “Keep It Simple” chapter. I will not explain the details again.

Real world payback processes are evidently not standardized. They require a lot of management talent and years of field experience to manage them effectively. There are simply no easy solutions.

The only true business power management constant is customer focus which has to be driven by the President together with the top management team and shared by every person in the enterprise. We are all business power contributors. Business power balance excellence is simply either shared or non-existent.

Business power management is, in addition, a never ending transform active management process which must be paced appropriately to avoid that the organization becomes dysfunctional. Change must simply be both managed and supported throughout the organization in order to avoid FUD (fear, uncertainty and doubt), corporate warfare and chaos, which both will block change processes.

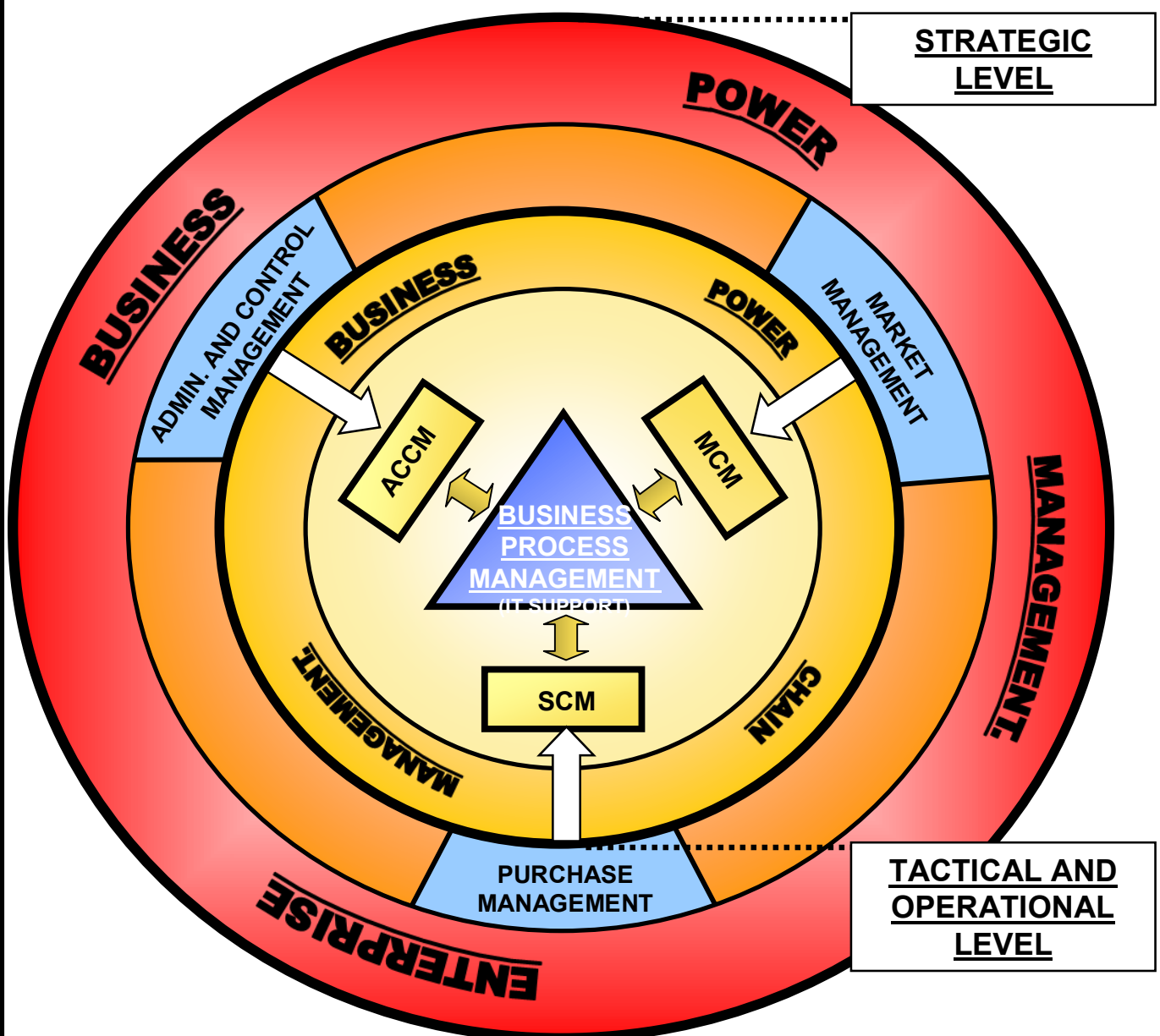
Striking the right business power balance is fundamental both for the overall performance of the enterprise and to optimize corporate investment in tangible and intangible assets.

Business power management is a part of corporate change management, which must be built into enterprise design to be effective. This is one further reason for implementing the Brand & Customer company strategy.

BUSINESS POWER CHAIN MANAGEMENT

BUSINESS POWER CHAIN COMPONENTS

THE BIG THREE MANAGEMENT CHAINS (ADM. AND CONTROL, SUPPLY AND MARKET CHAIN) ARE THE MAIN COMPONENTS OF THE BUSINESS POWER CHAIN, BUT THERE ARE ALSO OTHER POSSIBLE COMPONENTS SUCH AS QUALITY CONTROL AND RISK MANAGEMENT.



BUSINESS POWER CHAIN COMPONENTS MUST BE PERFECTLY INTEGRATED / FUSIONED TO FUNCTION EFFECTIVELY, WHICH REQUIRES PERFECT KNOWLEDGE OF BOTH THE BASIC CHAINS AND HOW THEY INTERACT.

BUSINESS POWER CHAIN MANAGEMENT

Powerful enterprises must be purposely built to be optimized. Business power chain management is a way to structure enterprise management backbone in order to maximize/optimize business power with minimum investment.

The departmental business process management battle started over 45 years ago in the 1960s with the administration and control chain battle. In the management school of Royal Technical University (Stockholm/Sweden) we called it “Information Processing and Administrative Data Management” and it was seen as a type of data processing production challenge. Since then, we have come a long way and today’s hyper markets with over 100,000 products would be impossible to manage effectively without IT supported administration and control chain management systems.

Supply chain management (SCM) with enterprise resource planning (ERP) and enterprise resource management (ERM) (about 25 years ago), which also includes the administration management chain, is the starting point of trans-departmental enterprise business process management. Implementations of the SCM systems have significantly increased our knowledge about business process management and enterprise re-engineering. In addition, we are starting to see customer relationship management (CRM) and call center management extensions to supply chain systems, but there are today to my knowledge no installations of integrated market chain management (MCM) systems.

Business power chain management is the operational business process management level of strategic business power management, as shown in the picture on the left. Business power chain management is vital for supporting enterprise business operations management, which has already been explained in the Introduction together with the “New Start Points” chapter.

The big three traditional management chains: administration and control, supply and market chains are the major components of the business power chain. But we will surely have to add other specialized chains like quality control and risk management. Time will tell, but there are many interesting possibilities.

The integration of business power chain components and departmental business processes requires in-depth knowledge of both the basic chains and how they interact. This is the major technical management challenge in the Brand & Customer company.

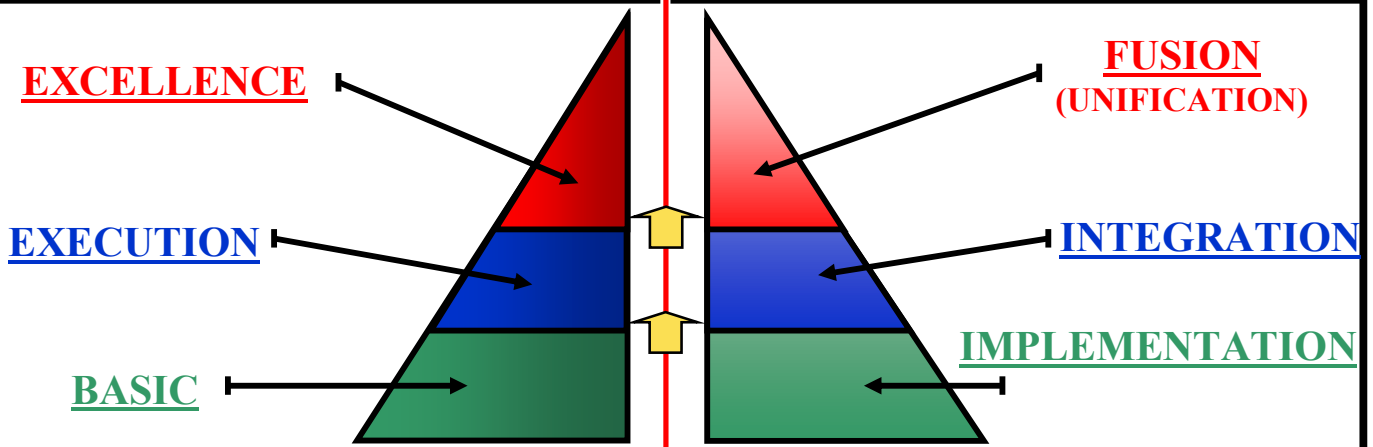
New tailored front line teams and cross over bridge management teams, which consist of specialists from many disciplines and departments, must also be united in order to make available all enterprise business power resources to maximize/optimize its business power and to complete the integration process.

The root of complexity is simplicity and the root of IT supported business power chain management in the Brand & Customer company is again in a type of multi-stage rocket. We must start with the business process structure before designing the management backbone and IT architectural structures. Hypermarkets (Carrefour), Japanese printers (OKI) and Telecom (Vodafone) simply have totally different business process, management and IT architectural structures.

BUSINESS POWER FUSION

BUSINESS POWER LEVELS

AND IMPLEMENTATION REQ.



MINIMUM REQUIREMENTS FOR THE IMPLEMENTATION PROCESS VARY WITH THE BUSINESS POWER LEVELS, AS SHOWN ABOVE.

NO ENTERPRISE BUSINESS POWER FUSION NO BUSINESS POWER EXCELLENCE

BUSINESS POWER CHAIN MANAGEMENT IS USED TO JOINTLY MAXIMIZE / OPTIMIZE ENTERPRISE BUSINESS POWER AND ITS ASSETS (TANGIBLE AND ACTION TANGIBLE) THROUGH MAINLY RETURN ON ACTION / INVESTMENT PROCESSES.

RETURN ON ACTION MANAGEMENT IS INDISPENSABLE BOTH FOR DIRECTING BUSINESS POWER TOWARDS ACTION TANGIBLE ASSETS AND FOR EVALUATING THE IMPACT OF ACTIONS FROM A PROFIT CENTER MANAGEMENT PERSPECTIVE.

THE BRAND AND CUSTOMER COMPANY'S BUSINESS PROCESS MANAGEMENT STRUCTURE IS AN INDISPENSABLE PLATFORM FOR OPERATIONS AS WE CANNOT BLEND TOGETHER DEPARTMENTS WITH DIFFERENT MANAGEMENT STRUCTURES, OBJECTIVES AND FUNCTIONAL RESPONSABILITIES.

THE BUSINESS POWER FUSION PROCESS IS FINALLY INDISPENSABLE FOR BLENDING TOGETHER ALL ENTERPRISE TEAMS AND FOR MAKING AVAILABLE ALL BUSINESS POWER RESOURCES WHEN MAXIMIZING ENTERPRISE BUSINESS POWER.

BUSINESS POWER FUSION

Mr. President. We have now come to the last page of the last chapter.

The business power fusion process is indispensable for reaching the business power excellence level and it also requires the Brand & Customer company's new business process management structure, as we cannot blend together departments with separate management structures, objectives and functional responsibilities.

Ok, Dr. Change. The above is also clear to me and I see the key points as follows.

The purpose of business power management is to jointly maximize/optimize business power, enterprise assets and return on investment in fast moving markets. However, this maximization process is simply impossible in a traditional organization and it requires a totally new business process focused management strategy. The main achievement of this book is to explain the new bigger picture and how to put it all together. That is the new Brand & Customer company strategy.

Enterprise business power management is now the President's new main mission. The new business power level concept **makes it easier:**

- 1) **To understand how to win in business.**
- 2) **To explain how to maximize business power** throughout the enterprise.
- 3) **To learn from the military** real-time interactive battle management and from world class sports. The fusion process is, for example, used to unite football teams. It is a smart way to reuse field tested solutions.

Closed loop asset management perspectives are vital for understanding the new global asset management strategy and the management of action tangible Brand & customer assets. Closed loop management will evidently not cover 100% of marketing investments but it will greatly help improve the evaluation and management of Brand & Customer assets.

The enterprise's new business process management structure, which now includes the market chain, is carefully explained. This is very important as it also gives a first glimpse of what the new IT supported enterprise business process management systems will look like.

Both SAP and Oracle are trying to make global IT system platforms function. Bits and pieces already exist but the total system, which includes the three major chains, is not yet operational in spite of massive investment. Time will tell.

The hard but simple reality has two sides:

- 1) **Major market changes** together with major management challenges exist and we have no choice but to go for it.
- 2) **There are rich rewards** for those, who can master the new situations and manage effectively their Brand & Customer assets in the roller coaster markets. We want to be a part of this group.

Thank you Dr. Change for presenting this new strategy. We will now have to nominate our own Dr. Change, the VP of Change, and get started.

4) GLOSSARY

360° management perspective:

The information collected by the Brand & Customer company's new business and marketing control and intelligence functions are indispensable for understanding business power changes and future solutions and for making all other types of profit center analyses. Dynamic asset management, with detailed tracking of investment in Brand & Customer assets is an important part of the information collection system. This is called the 360° management perspective, which is indispensable when benchmarking: understanding, quantifying and comparing advantages and disadvantages of old and new business solutions. This is vital for effective profit center management.

action coordination platform roadmap:

The action coordination platform roadmap is used to simplify and systematize management and control of operations. A typical example is the business and market roadmap.

actionability:

Business Power Asset Management is focused on actionability as opposed to traditional financial management (Accounting), which is focused on tangibility, as all assets on the Balance Sheet must follow accounting standards. The objective, however, of Business Power Management is to transform action tangible Brand & Customer Assets into tangible business results through their actionability.

agile company:

A company where the organizational structure is redesigned to define, coordinate and support the real-time business decision and action process.

action tangible Brand & Customer assets:

Customer empowerment, which is due to an abundance of quality products and services, has created the asset value balance switch. The value of external Brand & Customer assets are now dominating traditional tangible assets (on the balance sheet). This switch has created the need for more powerful dynamic asset management of what I call Action Tangible Brand & Customer assets, which is a new asset class.

asset value balance switch:

The value of external Brand & Customer assets are now dominating traditional tangible assets (on the balance sheet). This switch has created the need for more powerful dynamic asset management of what I call *action tangible Brand & Customer assets*, which is a new asset class.

brand assets:

Brand assets are interlinked with customer assets and correspond to business value of brand marketing power, which I agree is not so easy to calculate.

brand dimensions:

Brands can be designed to have several dimensions with the same or different brand structures. System dimensions can be seen as an extension of basic brand structure with the objective of increasing the brand's marketing power through closer integration with the customer decision processes or the market structure. Brand systems dimensions are used to improve brand marketing power through closer integration with: buyer's decision and/or purchase processes, market structure. Brand dimensions are consequently either directed towards decision makers that are the joint brand dimensions, or towards market structures that are cascade and pyramid brand dimensions. Brand dimensions are also used to profit from brand synergies and to position and support the new brand. This approach also makes it possible to stand on brand shoulders and work faster with short life-cycle brands like spring fashions.

brand magic:

Image and emotion equity or brand magic is the customer's subjective and emotional intangible assessment beyond the objectively perceived factual value in fact equity. Brand magic is clearly driven by what I call emotional logic, which is very hard to understand and analyze.

brand mixing:

Brand mixing is complex and all brands in the pyramid must imperatively have crystal clear missions in order to make brand synergies function effectively in the new composed brand. In addition, complex brands are both difficult to manage and expensive to implement.

brand promise:

The brand is the enterprise identity and what the enterprise stands for, which makes the enterprise special in the eyes of its customers. This is the famous brand promise, which is either what it promises to be or not to be. The brand promise is simply either validated or not.

brand reality model:

Customer brand reality is closely related to the enterprise's capability to bring value to their customers in order to support and validate consistently the brand promise. The enterprise branding process must be in phase with its brand objectives to support the business.

business and marketing control function:

The business and marketing control function, which covers both traditional tangible internal assets and external action tangible Brand & Customer assets, is used to understand the present status and the processes, businesses and others, which were used to get there. In a way it is a bridge between the two management disciplines and the past.

business and marketing intelligence function:

The business and marketing intelligence function is used to define future development and how to reach new objectives. Both the control and intelligence functions are fundamental parts of enterprise change management, as we must not only define the

enterprise of the future but also the processes to get there. The marketing intelligence function is a part of the bridge to the future.

business power chain management:

Ruthless global competition has created the need to hang on firmly to the best customer assets and this requires IT supported one-to-one business process management with a new enterprise management structure. I call this business power chain management, which not only covers trans-enterprise business processes but also how they interact. This is a very complex challenge, which goes much further than the traditional policy to just focus on customers.

business power:

The ability to make the business happen.

business power contributors:

Employees in the Brand & Customer company.

business power excellence:

The ability to make the business happen effectively. To optimize and unite the corporate business creation processes in relation to objectives, resources and market constraints.

business power levels:

The business power concept is complex and I have therefore chosen to divide it into three major business power levels in order to make it easier to understand and more tangible.

- 1) Business power basics level is used to get the basics right and to set a solid base for future business operations that is start point excellence.
- 2) Business power execution level is used to create a powerful business machine for high performance execution that is operational excellence.
- 3) Business power champion level is used to create a business power house, which can dominate the market and systematically win the best customers and best business: which gives us joint strategic and operational excellence.

business quality:

Business quality can be subdivided into profitability, risk, and predictability / robustness and brand impact. Profitability is straight forward, but hard to calculate. Risk management is interesting, as pushing business volume and/or profits has a tendency to increase risk. Predictability is at the heart of business dynamics, as it depends on pricing, customer relationships and competition.

business timing:

The technology revolution (IT and communications) has increased the business timing challenge due to the very high market and business paces. Enterprises must simply be capable of moving fast to follow rapid market changes and high business pace. They must now not only be open to change but also have a powerful change management structure to understand, drive and manage change processes effectively in order to benefit from future opportunities. This will change the very way we manage enterprises.

close operational support:

Close operational support strategy powers up the front line through effective and coordinated use of resources. The fundamental objective is to use total resources effectively that is to leverage firepower towards priority targets and this requires battle management centers, which can manage real-time interactive battle management and the close operational support (COS) in different forms (close air support, artillery).

closed loop asset management system:

The closed loop covers all asset classes and all business processes.

communications platform roadmap:

The communication platform roadmap (back to simplicity) is used to simplify and systematize the management picture in order to make the essentials understandable throughout the organization. This book is written in a type of management roadmap format, which is used for explaining complex management pictures.

customer assets:

Customer assets correspond to the business value of the customers' future business potential and are a measurable down to earth money asset.

customer business status matrix:

The customer business status matrix (business matrix) is used to show the customer's actual business status (customer value status) that is profitable or non-profitable in relation to customer business potential (potential customer value) as explained in the potential customer value strategies section.

customer lifetime value:

Enterprise customer asset value or customer lifetime value (CLV) or, for short, customer value corresponds to enterprise integrated customer market value and at this point we must also introduce a new factor that is effectiveness or hit rate of business processes, which will reduce the integrated profit in comparison with the optimal market value explained above. Nobody is 100% effective.

customer market value:

Customer market value represents the potential net profit of the customer's and/or prospect's (more or less heterogeneous) business potential during the customer's lifetime. Business lifetime can be very different for different products/services. Customer market values are complex to calculate due to synergy effects between product business processes.

customer rotation process:

The time required to repay the initial investment.

dynamic asset management:

Traditional static financial management and accounting uses a series of static pictures to capture flows such as payments and cost of production. This works well when managing tangible assets. Traditional accounting, however, fails to capture the true

value of the intangible or as I call them action tangible Brand & Customer assets, which requires a true dynamic asset management approach. Managing business dynamics is all about finding the business action keys to the assets, which makes them tangible, and this is the new dynamic asset management challenge.

dynamic profit center management:

The main objectives and advantages of dynamic profit center management in comparison to traditional profit center management are:

- 1) Business and profit forward management not only analyzes and manages present but also future profits through the business pipeline perspective (Brand & Customer assets). Brand & Customer assets correspond to future profits, which evidently cannot be estimated without effective profit center management, which incorporates business and market dynamics.
- 2) Joint return on action and investment management through the wider return on action (ROA) perspective, which also covers the impact of actions on action tangible assets in the business pipeline. This is explained further in the “New Dynamic Asset Management World” chapter.

everyone brand:

The everyone brand consists of the totality of individual one-by-one brands in a market segment. The segment brand is simply built up collectively by the individual brands and must be understood and managed as such. There are clearly neither average feelings nor average people and we must simply manage the individual brands one-by-one in order to manage the everyone segment brand.

external assets:

External assets, which in this book mainly stand for Brand & Customer assets, are simply outside the physical limits of the enterprise. There are also other external assets not covered in this book such as supply chain systems and product development systems.

information dominance:

Information Dominance Strategy creates and uses information power effectively. Instant information is instant power and information dominance strategy is based on real-time interactive data collection, communication and management systems so that all information can be collected, shared and used effectively in real-time. The objective is clearly to make informed decisions in real-time in order to know how to fight and when to run.

integrated operational support:

Integrated specialists should normally also be supported from specialized staff departments to make this team focused integrated operational support strategy work. Integrated operation support strategy is vital to make both front end teams and jointness strategy function correctly as the ultimate ownership for driving operations lies with front end operational teams.

joint vision:

The joint vision strategy is used to share and to make information understandable to all team members from the different services plus finally to coordinate actions. This is

what the message means and this is what I should do in this situation. The jointness enterprise team platform would simply not work effectively without a common understanding of missions, objectives, ways of working and information in heterogeneous combat teams. Joint vision is fundamental for making the whole action system function in a specified way.

jointness team management strategy:

Jointness team-focused organizational strategy is used to join and integrate all services into combat command centers and tailored combat units with all services/specialties working closely together. The rationale is twofold as we need both joint knowhow and real-time interactive battle management which are impossible in organizations without a joint control and command structure. The traditional military organization was based on dividing the armed forces into services: Army, Navy (plus Marines), Air Force and Space Systems.

marketing and sales program management process:

These real-time interactive management processes cover both push (marketing and sales programs) as well as pull (independent customer requests) through a multi-channel and media real-time interactive frontend marketing and sales system.

market chain management (MCM):

- 1) Market chain management comprises all market side direct and indirect activities leading up to and following through on sales and market chain management. It strives to integrate and coordinate these activities into a single process.
- 2) The finality of market chain management is to drive the business (sales), which corresponds to the capitalization process of Brand & Customer assets.
- 3) Customers in markets drive the market chain. The only true constant is customer business focus (apart from the famous change process).
- 4) One-to-one Brand & Customer asset management is the first key management focus of market chain management.
- 5) The market chain management structure varies with different types of business, markets and companies. There are many good solutions.

one-by-one brand:

The one-by-one brand is the individual customer's factual opinion/vision/feeling in relation to the enterprise plus its products, services and image. This customer centered brand definition is fundamental for understanding the brand management process.

operational excellence:

Operational excellence which implies that we are working in a truly real-time interactive business management environment.

outside integration:

Outsourcing and outside integration strategies are used to both upgrade business power and to reduce investment and risk exposure through the integration of external structures.

President's brand:

The President's brand is the way the organization, customers and shareholders see the President. Almost all successful business leaders have developed a strong personal brand, which they mostly share with top management teams.

proactive management modes:

Manage both the quality and speed of the reactivity of the enterprise management system.

profit sizing perspective:

This enterprise profit sizing perspective is used to show enterprise expected profit from customers in different market segments in order to enable enterprise management to maximize customer asset values.

start point excellence:

The business power basics level is used to build a solid and powerful base for future operations and we are now driving for what I call start point excellence.

strategic preparation for change:

Again, the corporate change management focus (to manage change effectively) and the new agile and flexible enterprise design (to minimize inertia) are both very important built-in components of the Brand & Customer Company's corporate management strategy. I call all this strategic preparation for change, which is a prerequisite for making the enterprise pilot capable and powerful in fast moving and highly competitive markets.

system dimensions:

Brands can be designed to have several dimensions with the same or different brand structures. System dimensions can be seen as an extension of basic brand structure with the objective of increasing the brand's marketing power through closer integration with the customer decision processes or the market structure. Marketing and sales processes must be adapted to complement and fully exploit brand dimensions in order to drive both the business and brand equity. The three types of system dimensions are: joint, hierarchy and pyramid system dimensions.

top management teams:

Top management teams are now flooded by information about new management strategies and IT platforms. The choice is bewildering. They are, however, primarily trying to answer three main questions that are, How can we:

- 1) Make more business and profits with the new strategies/systems?
- 2) Redesign the enterprise to meet new market and management challenges?
- 3) Manage change processes like training of personnel and integration of new management/IT systems?

trans-enterprise business process management:

My response to the triple shock and the business power chain management challenge is to create the Brand & Customer company with a trans-enterprise business process management structure.

transform active management mode:

The transform active management mode is simply used to upgrade the enterprise management functions systematically.

triple shock:

The fundamental market changes which have created the three enterprise shocks and new management challenges are:

- 1) Customer empowerment, which is due to an abundance of quality products and services, has created the asset value balance switch. The value of external Brand & Customer assets are now dominating traditional tangible assets (on the balance sheet). This switch has created the need for more powerful dynamic asset management of what I call action tangible Brand & Customer assets, which is a new asset class.
- 2) Ruthless global competition has created the need to hang on firmly to the best customer assets and this requires IT supported one-to-one business process management with a new enterprise management structure. I call this business power chain management, which not only covers trans-enterprise business processes but also how they interact.
- 3) The technology revolution (IT and communications) has increased the business timing challenge due to the very high market and business paces. Enterprises must simply be capable of moving fast to follow rapid market changes and high business pace. They must now not only be open to change but also have a powerful change management structure to understand, drive and manage change processes effectively in order to benefit from future opportunities. This will change the very way we manage enterprises.

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