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WEEKLY INSIGHT
Turnover at the top of New Economy companies
Movement among top executives of communications, telecom and technology companies that in recent years revolutionised the management scene is still going on. Jean-Marie Messier (Vivendi), Thomas Middlehoff (Bertelsmann), Bernie Ebbers (WorldCom)... are some of the names in a long list of top executives who have fallen during the summer. Michel Bon, president of France Telecom, has been the last to depart. And doubts are hoovering over Steve Case’s head, chairman of AOL-Time Warner and one of the few survivors of the giant’s dotcom era.

Highlights
- According to a Booz Allen and Hamilton survey, 231 chief executive officers of the world’s 2,500 largest publicly traded corporations left office during 2001. The study shows that the succession of CEOs has increased by 53% in the last few years. The main factors behind these changes are mergers and bad results (or those below forecasts).
- Last week, Michel Bon, Chairman and CEO of France Telecom, submitted his resignation to the French government after the board of the telecoms group failed to reach agreement on plans for emergency refinancing. The company had recorded first-half losses of €12.2bn, due to Bon’s aggressive expansion policy. Among other operations, Bon signed the Mobilcom and NTL acquisitions, which were disastrous for the French operator’s finance.
- On the other hand, bad results from AOL-Time Warner’s merger have driven the company to undergo massive organizational changes. The New York Times reported that board directors might seek Case’s removal soon.

Press Review
From New York Times at SiliconValley.com
“Once promoted as an engine to turbo-charge Time Warner’s old media business with digital distribution, the merger has instead dragged the company down as AOL’s growth has stalled. And this summer, the Securities and Exchange Commission and the Justice Department started investigations into whether AOL improperly inflated its results before the merger.
Gerald M. Levin, the former chief executive of Time Warner who agreed to the merger, resigned as chief executive of the combined company in January. Than this summer, Robert W. Pittman, the chief operating officer and Case's outspoken lieutenant, resigned as well. With Pittman gone and the accounting investigation advancing, the company's disgruntled shareholders have increasingly refocused their criticism on Case, the last executive from AOL among the company's top management. [Full Story]

From Wired
“While Case has taken a more active role in recent months, critics have said he has been too hands-off, adopting instead the role of visionary, charting longer-term strategy -- especially at a time when the company he helped create struggles with slowing growth at America Online and federal probes into the accounting practices at the Internet division.

Chief executive Richard Parsons said last week in London that Case was not involved in management decisions, but his contribution as a "thought and strategy partner" was valuable. He said he hopes Case is around for a long time.

In recent months, Time Warner veterans have taken over most of the top ranks, nearly two years after AOL completed its takeover of Time Warner for stock.” [Full Story]

From Expansión
"The least among them became the manager of the year. Others were real icons for young entrepreneurs. Even some of them reached the category of legend. Two years after the technological and stock exchange boom, that shot them to the top, everything has been crushed. (...)

Overestimated prospects led to a frenetic growth through millionaire acquisitions, with the Internet and new technologies lurking in the background. The stock exchange fizz did the rest. In March 2000, the vicious circle was broken, demonstrating that all was an illusion. The screening out had begun. (...)

Visionaries have paved the way for a new way to do business, that focuses again on the most conservatives methods, based on prudence.”

From Economist
"Of all the management changes that have shaken AOL Time Warner in recent months, none captures the shift in the balance of power within the troubled media giant better than the recent elevation of Don Logan. This time a year ago, Mr Logan presided over a demoralised Time Inc publishing empire, whose staff feared that their distinctive editorial culture was being trampled on by the eager young upstarts from AOL, led by Bob Pittman, to whom Mr Logan reported. A year on, Mr Pittman has been ejected from the group, and Mr Logan has been promoted to run one of its two new umbrella divisions under Richard Parsons, the chief executive. His responsibilities include cable, magazines, book publishing and interactive video. But his biggest headache will be sorting out all those former antagonists at the struggling AOL.

There is a delicious irony in this appointment. (...)

It would be foolish to underestimate the job that Mr Logan and Jonathan Miller, AOL’s new boss, have taken on. The company needs stability, yet the pair have already begun to conduct purges. (...)

He and Mr Miller are a good match: the antithesis of celebrity executives. As AOL Time Warner battles to restore credibility and turn AOL round, the man who never sought the media limelight will now be squarely in it”. [Full Story]

Commentary by...
Paddy Miller, IESE professor
Changing scene in CEOs' turnover
One has to be careful when comparing CEOs' turnover. Some of them (Bernie Ebbers from MCI-Worldcom, for example) are accused of misleading shareholders and incorrect reporting. Others (like Ron Sommer from Deustche Telekom) have simply been unable to produce.

There is no explanation necessary for crooks -once these guys are cornered they must suffer the consequences. They stole from shareholders and now they await due process to take its course.

In the case of others, (France Télécom’s Michel Bon, for example) they have been unable to deliver on promises they made to shareholders. It is obvious that these commitments were made in a different economic climate and appeared
reasonable at the time. In previous times, a leader such as this would have been given the opportunity of riding out the storm and been left to achieve moderate results given the prevailing economic times. Now there is no such luxury. Hence, Bon has been unable to produce and his time is now up. What is quite startling in his case is that he was appointed by government to do this job. In old times that would have meant a job for life. Now it doesn’t.

Bon’s career is a quintessential French one - an auditor in the French Finance Ministry, then into banking, onto a top job in Carrefour and eventually the cash cow of French Telecom. But from then the plot is confused because of a dramatically changing sector. In terms of the theory of mission critical leadership, Bon should have left this job earlier: after 1,000 days in the job, when he was considered a star with French telecom flying; 2000 days in the job and he is considered (justly or unjustly) a disaster. My case rests.

REPORTS

Search engines and portals don’t satisfy users

Tittle: American Customer Satisfaction Index Q2 2002  
Source: ForeSee Results
Date: August 2002
Abstract: This edition of ForeSee Results “American Customer Satisfaction Index (ACSI)” added a new category of e-Business, which included web portals (measured by the ACSI since 2000), search engines and news & information sites (both measured for the first time). This new category had a satisfaction score of 68.7, compared to the current national ACSI average of 73.0. A similar ACSI category, e-Commerce, most recently had an overall satisfaction score 72.9.

Within the three sectors, news & information scored 73 and search engines and portals each scored a 68. That difference is because news and information sites have benefited from years of offline success, while portals and search engines do not have an offline history on customer wants and expectations which would allow them to improve customer satisfaction levels more quickly.

[Full Story] (A free subscription is required)

Spain, number 26 in terms of mobile and Internet technologies

Tittle: Internet for a Mobile Generation  
Source: International Telecommunication Union
Date: September 2002
Abstract: The International Telecommunication Union (ITU) has elaborated an index that measures how each of more than 200 economies are performing in terms of mobile and Internet technologies and how likely they are to be able to take advantages of new developments in this field.

Hong Kong (China) holds the first place, followed by Denmark, Sweden and Switzerland. Curiously, the United States is fifth. However, the ITU warns that it’s difficult because, on the one hand, countries that are doing well in terms of mobile services (for example, the Philippines) may not be doing so well in terms of Internet penetration. On the other hand, countries that are leaping ahead in Internet use, such as India, may have a sluggish mobile sector. According to the UIT, there are a number of factors that will enable the rapid growth of the mobile Internet. First and foremost is the timely deployment of high-speed 3G networks. Second is the availability and affordability of adequate Internet-enabled handsets. Finally, there is the development of unrestricted and non-proprietary mobile Internet content.

[Full Story]

Technology takes over half of worldwide investment

Tittle: Global Private Equity Report 2002  
Source: PricewaterhouseCoopers and 3i
Date: September 2002
Abstract: At least $100 billion of private equity and venture capital was invested globally in 2001 – a decrease of 50% on the 2000 record amount of $199 billion, according to a report of PwC and 3i. Investments in technology related companies were 53% of the total, down slightly from their 55% share in 2000 (but significantly greater than their 40% share ($61 billion) in 1999).

$62.8 billion of private equity and venture capital was invested in North America in 2001 – a decrease of 57% on 2000. This is equivalent to 0.58% of North American GDP. In Western Europe, $21.5 billion was invested in 2001 – a 33% decrease from 2000. This is equivalent to 0.26% of European GDP. Regarding Asia Pacific, $11.9 billion of private
equity and venture capital was invested in 2001 – a 3% decrease from 2000. The USA was also the country with the most investment in technology, $30.0 billion. Canada holds second place, with $2.9 billion. Behind them, there are United Kingdom ($2.4 billion), Germany and China ($1.6 billion) and Israel ($1.5 billion).

[Full Story]

COMPANIES
Napster to receive a dozen bids
More than a dozen bidders have expressed interest in buying the assets of bankrupt online music-swapping site Napster. Investment banking handling the bidding process said that the bids would be analyzed.
From News.com [Full Story]

Big brands will be in videogames
After integrating products into movies, television shows and even rap songs, advertisers want to use product placement in video games, letting users interact and play with them — and eat them. That is the case of Big Macs that will appear in The Sims Online. Its vendor, Electronic Arts, plans to announce contracts worth more than $2 million with McDonald’s and Intel.
From New York Times [Full Story] (A free subscription is required)

WE RECOMMEND
Managing in Real Time
For global corporations, business agility is not the same as speed, but it relies on information flow that lets executives and employees routinely think and work with immediate and accurate information. In this way, it is possible to optimize the assets and significantly to save money. However, in the today's global business environment, information is routinely delayed, distorted, incomplete, or simply never reaches its destination. Optimize recommends business managers work like engineering teams, who have practiced real-time collaboration in different forms for more than two decades. Also called concurrent engineering, the practice involves the continuous sharing and reviewing of distributed work components while keeping track of the interrelated outcome caused by or affecting any member of the team. To get it, the company has to count on a true digital-dashboard, that provides a continuous stream of such information.
From Optimize [Full Story]

Size is Not a Strategy
When the dotcoms died, old-line companies breathed again and thought that getting bigger is a precondition for success. However, although big companies were more likely than smaller ones to survive over time, the biggest grew the slowest.
According to Fast Company, business giants have only one way to become profitable: innovation. In this way, the author proposes that big companies form an open market for ideas, capital, and talent within the company, distributing the capability for innovation to every employee in every corner of the business. This is the theory of Gary Hamel, chairman of Strategos, who imagines the post-industrial organization like that-- a company that combines hierarchy with markets.
From Fast Company [Full Story]

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