

**THE
COMPETITIVE
FITNESS OF
GLOBAL FIRMS
2002 Guide to Results**

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INSEAD

This pdf contains supplementary information to the 2002 *Competitive Fitness of Global Firms* results presented on the www.corvaltec.com website.

OVERALL RESULTS

OMEC ratings can be calculated for entities ranging in size ranging from a single person to a sample population. All Capabilities and the OMEC rating are rated on the same scale (0 to 100) and interpreted using the following guide.

Ratings Guide	
> 80	Exceptional
65 – 79	World Class
50 – 64	Average
35 – 49	Weak
< 34	Critical

The OMEC rating is a way to integrate the Capability level of a firm into a single number — a value that can be used to make easy comparisons. OMEC is similar to a numerical average of the 12 Capabilities but it is actually calculated directly from the Indicators.

What the OMEC rating does not account for is the relative importance of each Capability in different situations. The relative importance of each Capability should be determined on a case-by-case basis. For example, in a strategic consulting business the importance of effectively managing human resources might outweigh the value of building an international presence, whereas for a distribution-based firm its priority would be building a global infrastructure.

Thus, according to the situation, specific Capabilities may be more or less significant. All are important and informative, but some may require different weightings in different situations.

CAPABILITY RESULTS > INDICATORS

Each question on the questionnaire serves as an Indicator of corporate competitive fitness. There are 182 question-based Indicators that fall into three classifications:

- ❑ Core Indicators, of which there are 134
- ❑ Optimum Indicators, of which there are 22
- ❑ E-Business Indicators, of which there are 26

The scoring of each question is rated on a scale of 0 to 100. For the Core and E-Business indicators, the higher the rating, the better. However, for Optimum Indicators, which probe areas where more is not necessarily better, a rating of 50 is most desirable.

These Indicator ratings help highlight strengths and weaknesses of particular firms and, thus, identify areas that can be exploited for competitive advantage or critical areas where improvement is needed.

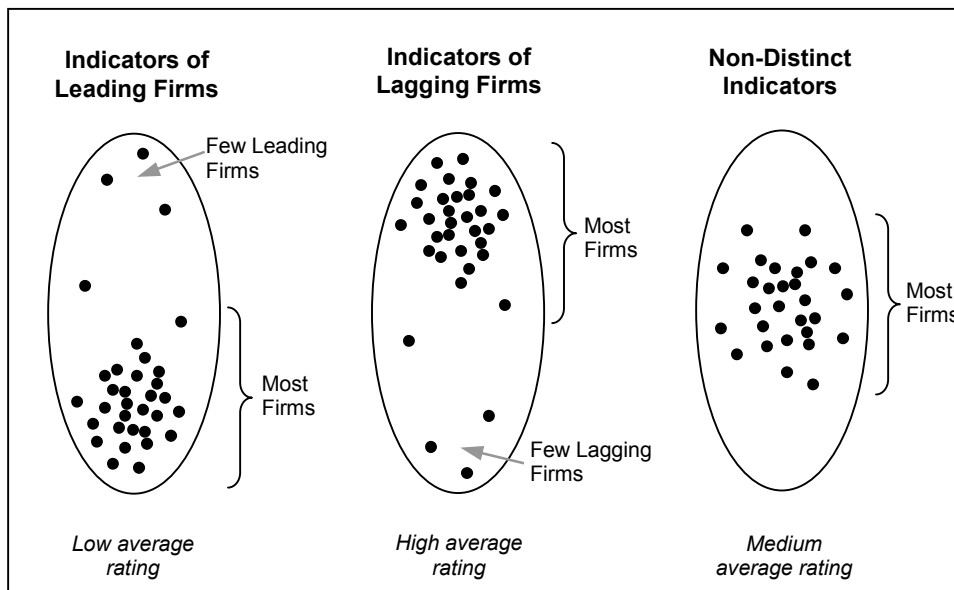
Chart Description

- *2002 Ranking* orders Indicators by lowest or highest ranking in this year’s survey.
- *Description* of the Indicator that is being ranked.
- *Average Rating* for 2002 and for 2001.
- *Change* in score from 2001 to 2002. A “+” signifies an increase in score from 2001 to 2002 and “-“ denotes a decrease.

Core Indicators

The most intriguing Core Indicator results are those rated highest and lowest for the average of firms overall. Evaluation of these Indicators helps executives identify areas where their firms are leading or lagging compared to the average firm. For this reason, results are presented for the 25 highest and 25 lowest rated Indicators.

Indicators with the lowest ratings are those where firms, on average, do not currently excel. The first shape in the figure below depicts this situation. While most firms will have low ratings on these Indicators, there will be a few firms rated higher, above the average. Firms that rate high on Indicators where most firms rate low are considered to be “leading” on those Indicators, since they are achieving above the average firm. Executives can potentially exploit this leading position, if competency on a particular Indicator increases market effectiveness.



The second shape in the figure above represents those Indicators rated high on average for most firms. Not all firms will achieve high ratings on these Indicators, and those that do not are considered to be “lagging” in those areas. In this scenario, executives can implement improvements to bring their lagging firm up to the average of firms.

The third shape represents the medium-rated Indicators where firms display mid-level competency on average. These Indicators provide less actionable insight for a firm since the average of firms performs well.

Optimum Indicators

The Optimum Indicators provide insights into areas executives feel have received too much emphasis, not enough, or the proper amount in the past. For these 22 Indicators, ratings near 50 are desirable while ratings above 50 imply too much emphasis and below 50 imply too little emphasis in the past. All 22 Optimum Indicators are presented.

E-Business Indicators

The 26 Indicators of E-Business do not factor into the OMEC rating. Due to its newness to the study and to the management world, e-business is covered separately in Part 2.

FIRM RESULTS

Capability Profiles

Capability profiles, which are shown in a scale from 40 to 100 where each ring represents a unit of ten, are designed to:

- ❑ Provide direct comparisons between Capability profiles of a firm and the overall average in a graphical manner. Thus, the shape of the profile reveals strengths (convex features) and weaknesses (concavities), and the gaps between profiles indicate whether the firm is superior or inferior to the competition.
- ❑ Show similarities and differences in the profiles that may be indicative of the nature of a firm's business or competitive advantages in the marketplace.

Firm Influences & Executive Biases

Identifying both firm influences and executive biases helps managers make different types of inferences.

Firm influences suggest an association between a firm characteristic and high ratings on OMEC or a Capability. This association is important because it demonstrates how well the MECA methodology relates to what is observed in the marketplace.

The key on all the variance graphs (*within Firm Results section*) refers to the following:

- ❑ Mean — The average rating for OMEC or a Capability.
- ❑ N — The number of firm responses included in the variance analysis.
- ❑ NR — The number of firm responses not included.
- ❑ FTest — The result for which anything higher than 2 can be significant. The higher the FTest value, the stronger the relationship.

Executive biases reveal the way in which individuals' preconceptions influence how they rate OMEC or a Capability. Executive biases are presented in the published report but not on the website.

SECTOR RESULTS

Chart Descriptions

- ❑ *Sector OMEC Trends* — The plotting of average sector OMEC ratings. (Because the number of available results varies for each year, these averages are representative.)
- ❑ *Firm Results* — Firm data by sector.

- *Sector Capability Profiles* — The sector average vs. average of the Top 5 firms within the sector.

Intra-Sector Comparisons

Within each sector section, the 2002 results provide many helpful benchmarks including sector results for E-Business.

Individual firms should:

- Target the average OMEC rating in their sector and identify those Capabilities that will help them win in the marketplace.
- Aim to target the Top 5 firms in their sector paying careful attention to the similarities and differences among the Capability profiles and their own firm and the Top 5.

Inter-Sector Comparisons

Benchmarking ratings across sectors can yield different insights due to the OMEC variations between sectors. A firm among the top in one sector can be compared to other firms in a higher rated sector.

Individual firms should:

- Target the top firms in any sector for each Capability to find models.
- Especially focus on a Capability that is inherently weak in its sector and watch sectors that are, for instance, handling E-Business well.