

The Competitive Fitness of Global Firms 2002
Breakfast Briefing
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2002
The Test of Business Capabilities?

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The Competitive Fitness of Global Firms

CFGF 2002

- **Business Capabilities in 2002**
- **Findings on the 12 CFGF Business Capabilities**
- **Findings on the E-Business Capability**
- **Top Firms in the 2002 Report**
- **Key Points**

Drivers of Value Creation

- **Financial Engineering**
- **Sector Effects**
- **Cost Improvements**
- **Business Capabilities**

Some Characteristics of Business Capabilities

- Intangible
- Difficult to measure
- The ultimate competitive differentiator

e.g.

Human Resources

Customer Orientation

Innovation



Sponsors CFGF 2002

- Human Resources



- Customer Orientation



2002: The Test of Business Capabilities?

- **Technology Slowdown**
- **Recession**
- **September 11th**
- **The EURO**
-

and....

Business Capabilities Two Contrasting Stories

ENRON

HP

Value of Value Creation Drivers?

- Financial Engineering
- Sector Effects
- Cost Improvements
- Business Capabilities

**How Much is it Worth Knowing More
On Business Capabilities???**

The report

Competitive Fitness of Global Firms

CFGF 2002

Objective: Intangible market-based capabilities

Target: 500 largest firms in Europe/USA

Participation: 1225 executives in 335 firms

Methodology: Multiple respondents from each firm

Evaluation: 182 indicators for 12+1 capabilities

Publisher: Financial Times Prentice Hall, London

Information: www.insead.edu/cfgf

www.corvaltec.com

Business Capability Profiles on 326 Firms in 8 Sectors

- **Automobiles & Automotives**
- **Computers & Electronics**
- **Consumer Goods**
- **Engineering & Machinery**
- **Finance & Insurance**
- **Pharmaceuticals & Healthcare**
- **Process Industries**
- **Services**

CFGF 2002

86 Firms

“World-Class” on Capabilities

The 12 CFGF Business Capabilities



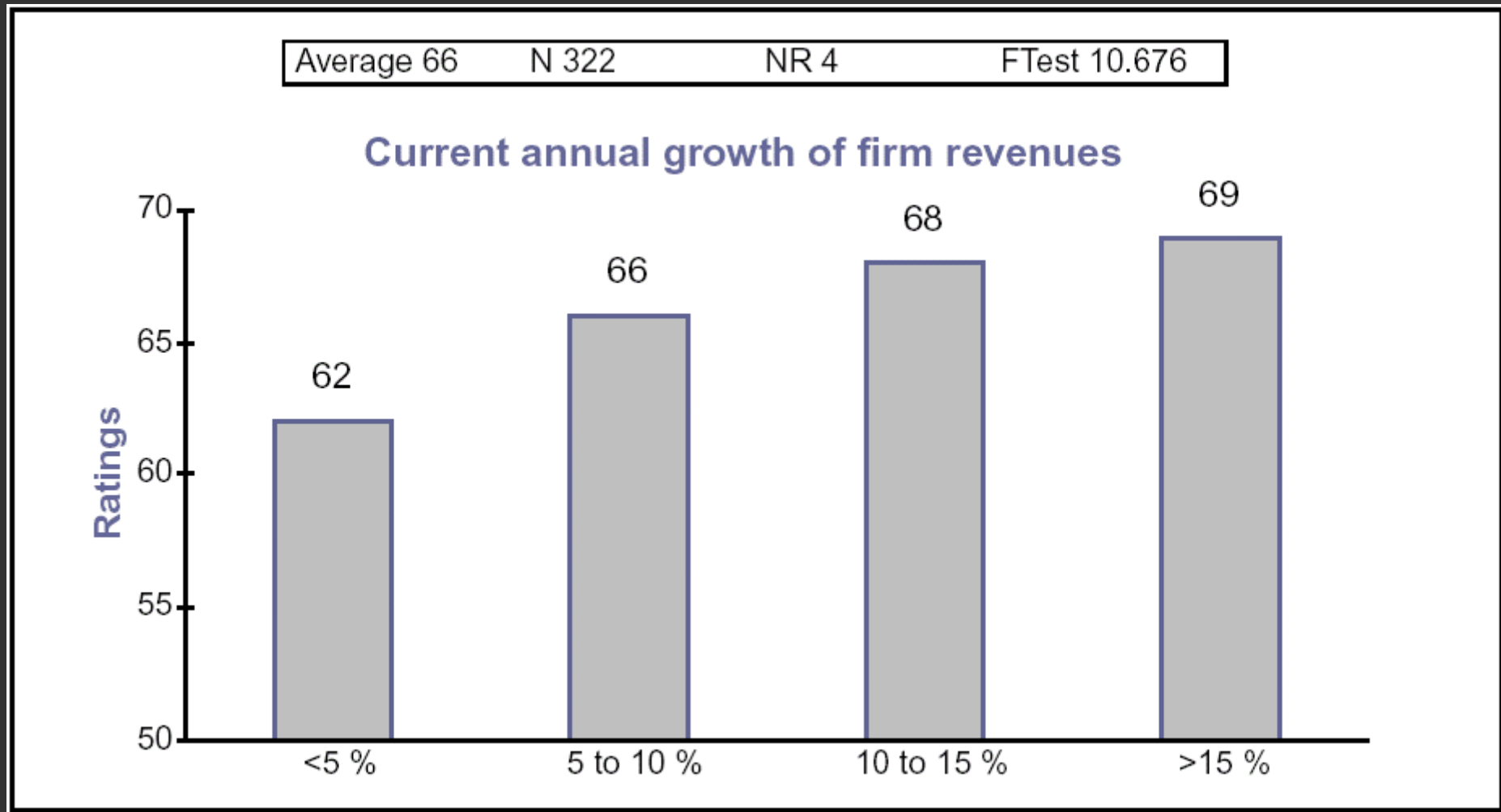
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Dramatic Differentiation Between Firms



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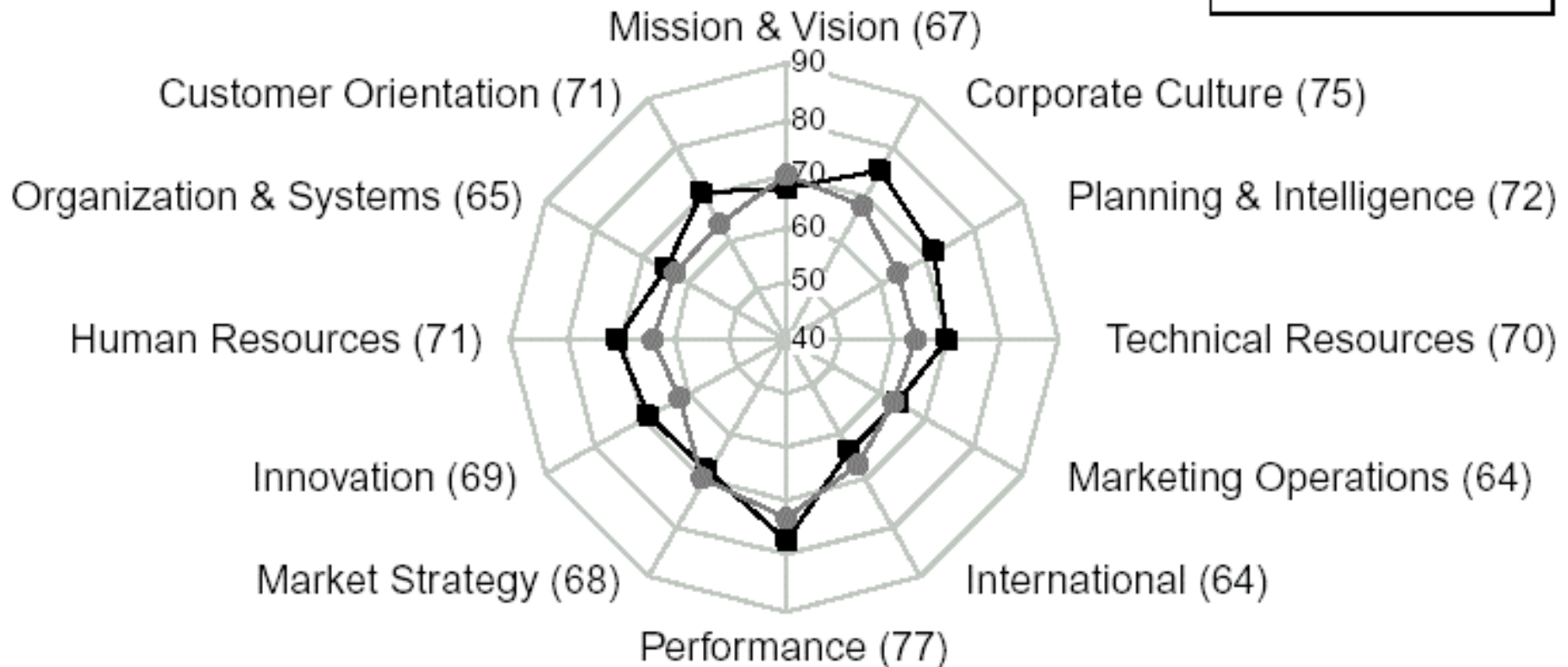
Short Term Growth and OMEC



CFGF 2002 – Example of Capability Profile

Hewlett-Packard

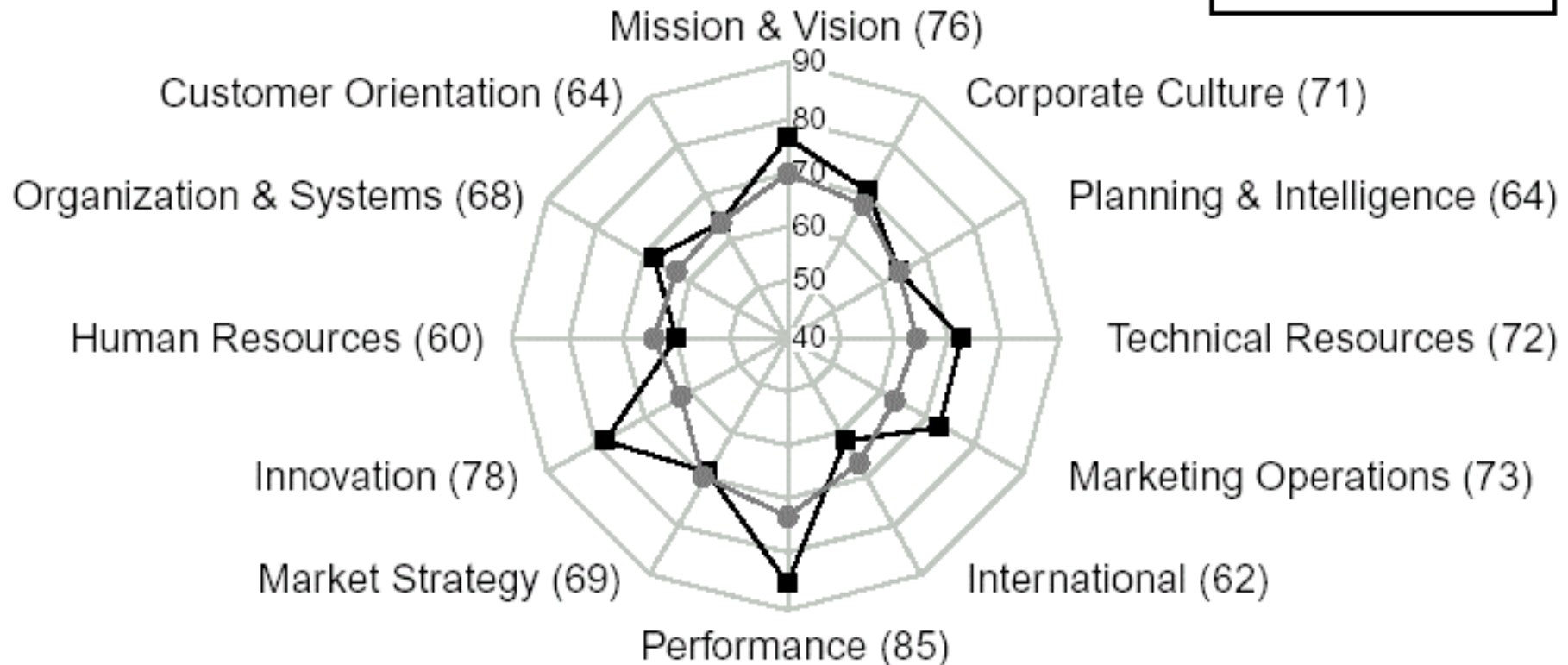
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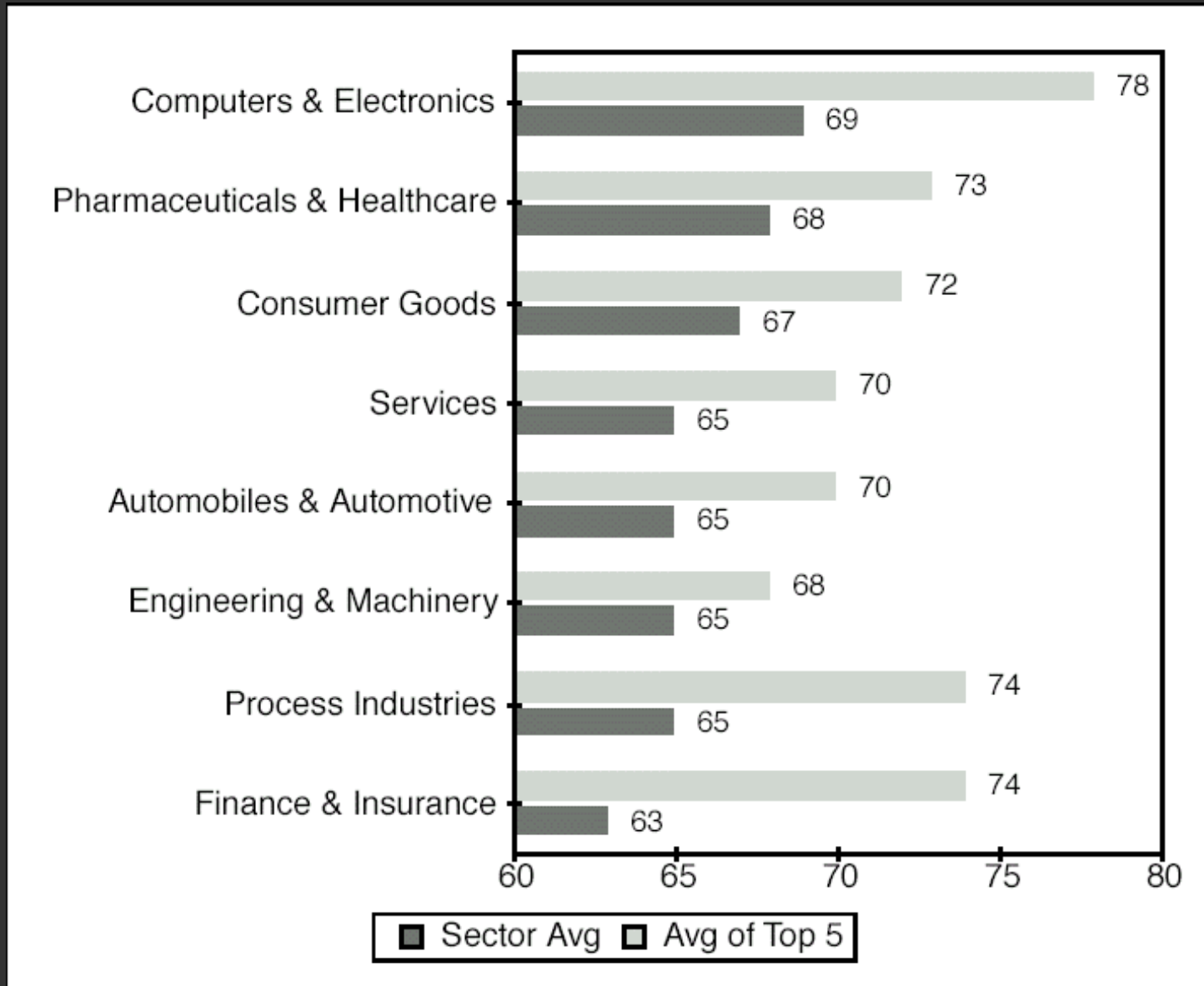
CFGF 2002 – Example of Capability Profile

Oracle

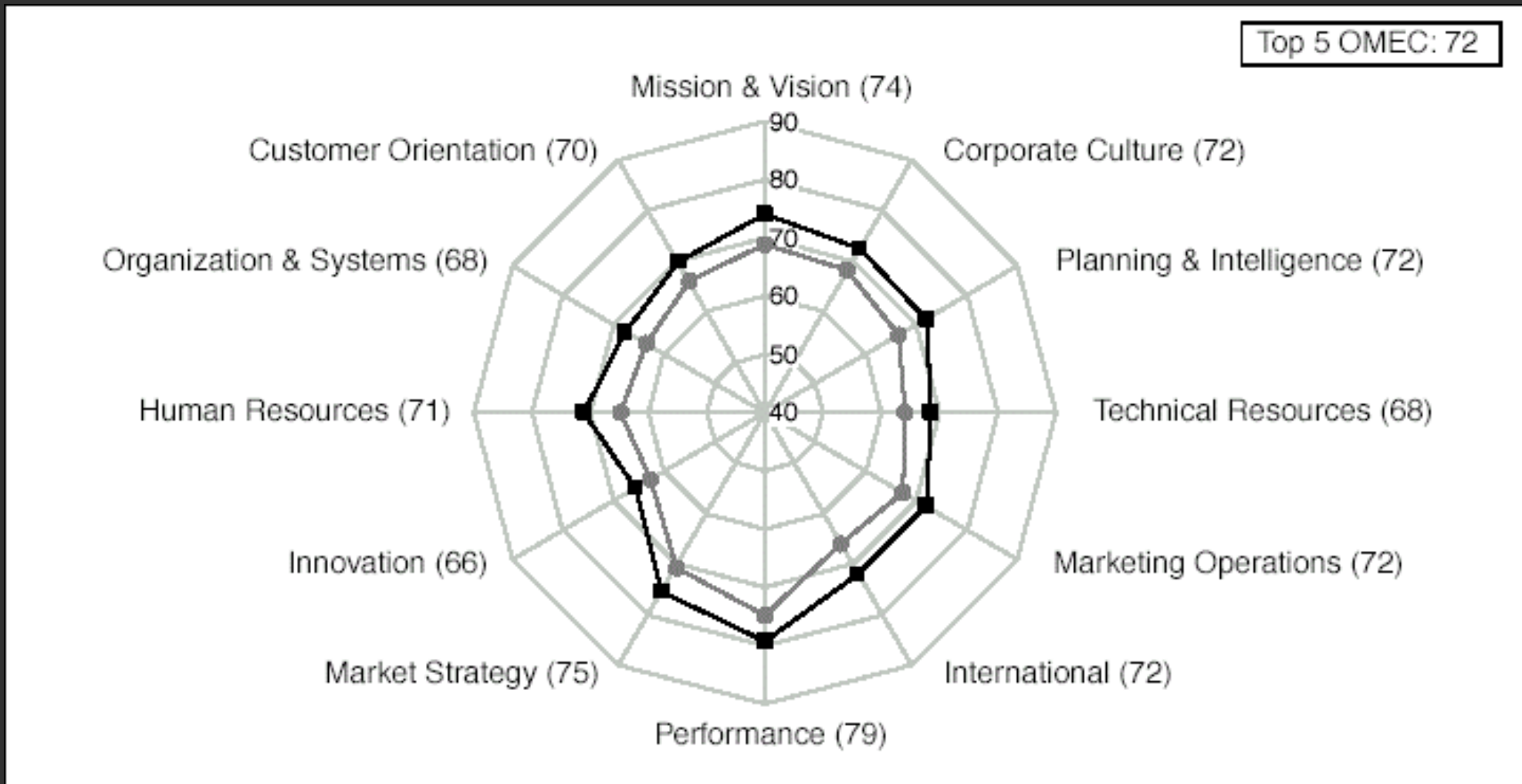
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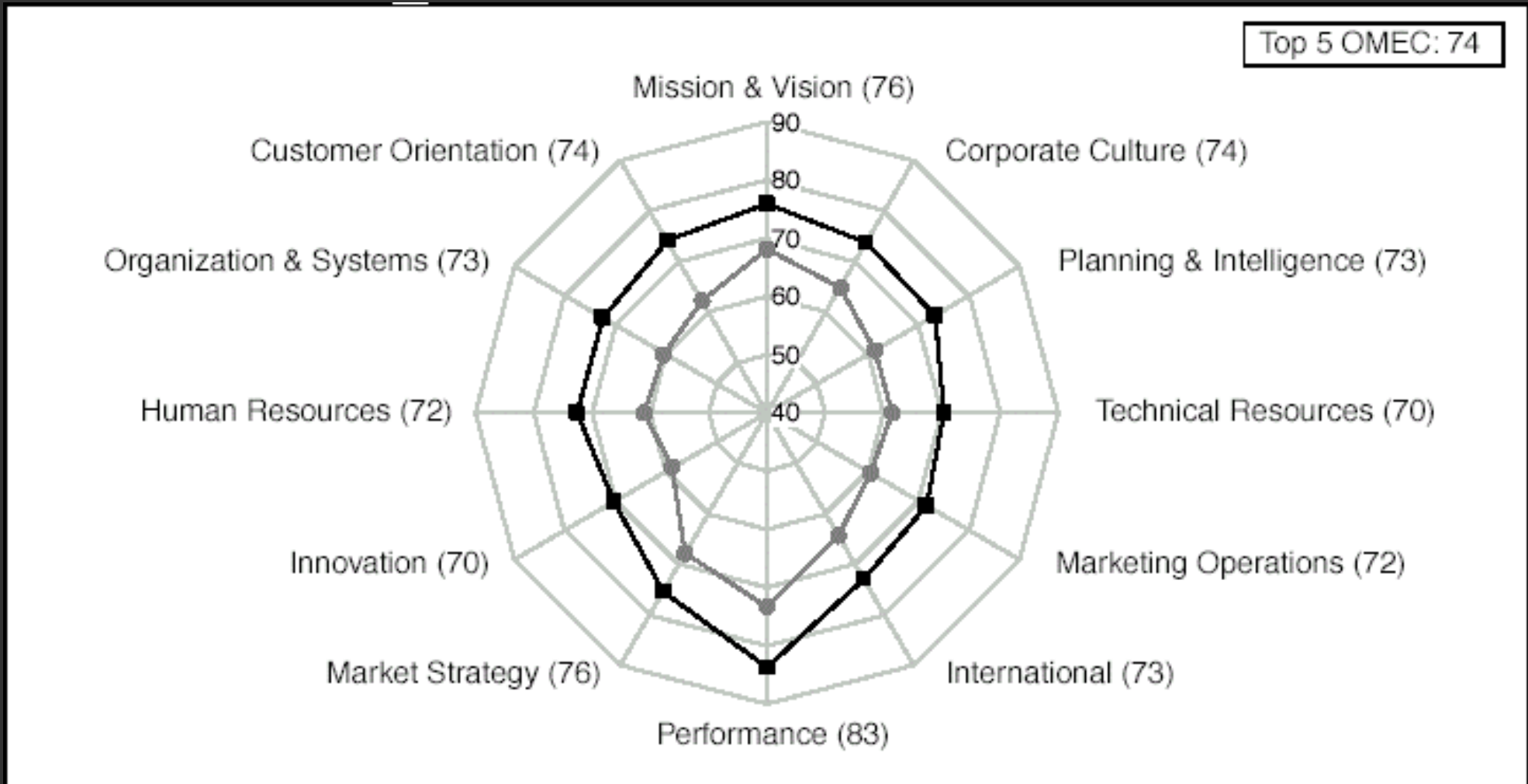
CFGF 2002 Inter-Sector Comparisons



CFGF 2002- Capability Gaps Consumer Goods



CFGF 2002 - Capability Gaps Finance & Insurance



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Leading Capability Indicators

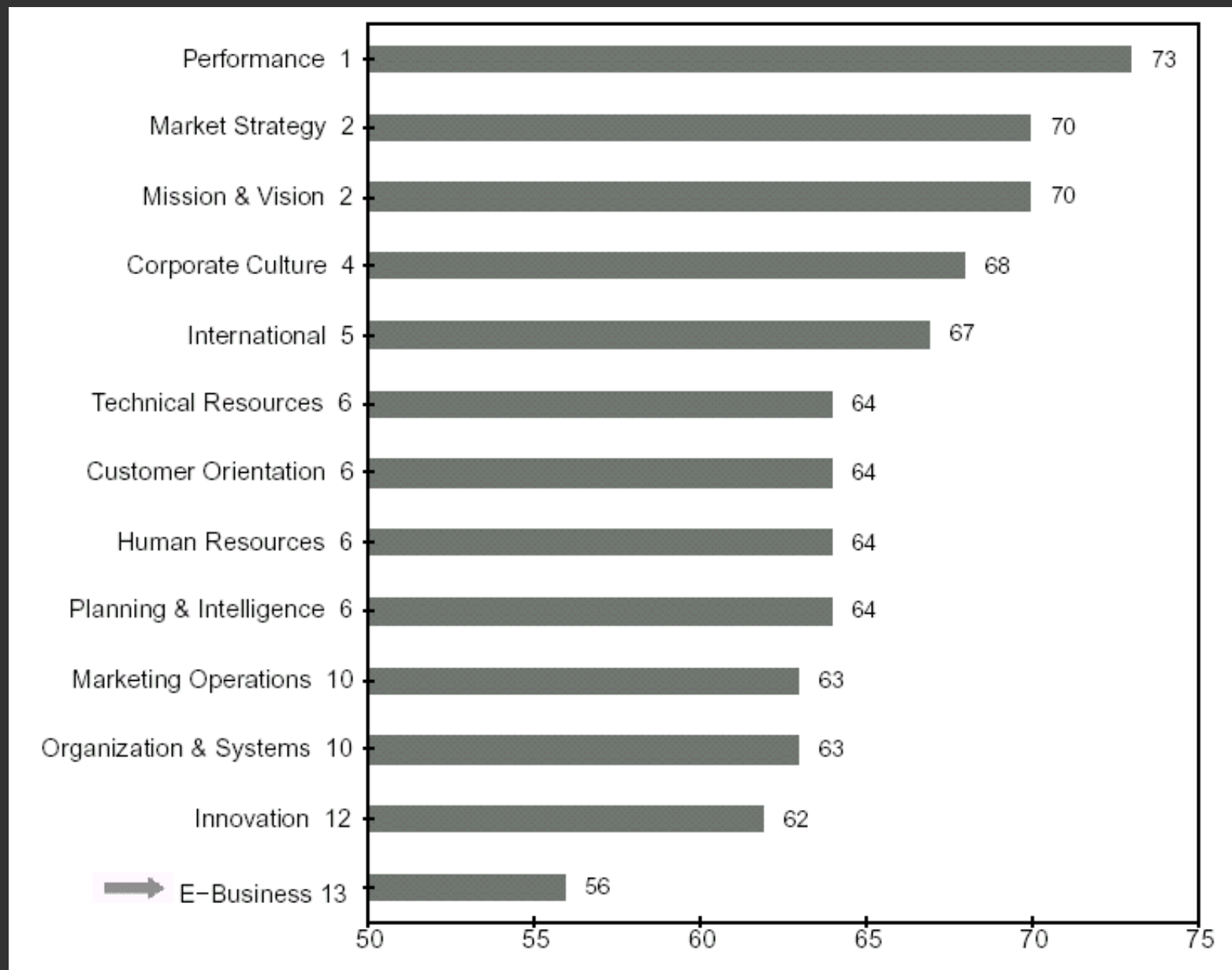
2002 Ranking		2002 Avg.	2001 Avg.	Change
1	Lifetime customer value	48	48	0
2	Management presence in the field	51	53	-2
3	Support from headquarters	53	51	+2
3	Innovative customer communication	53	56	-3
5	Multi-cultural management	54	55	-1
5	Benefits linked to market performance	54	53	+1
7	Cust. satisf. measures widely available	55	52	+3
7	Lost customers tracking	55	53	+2
7	Practicing innovative marketing	55	63	-8

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Lagging Capability Indicators

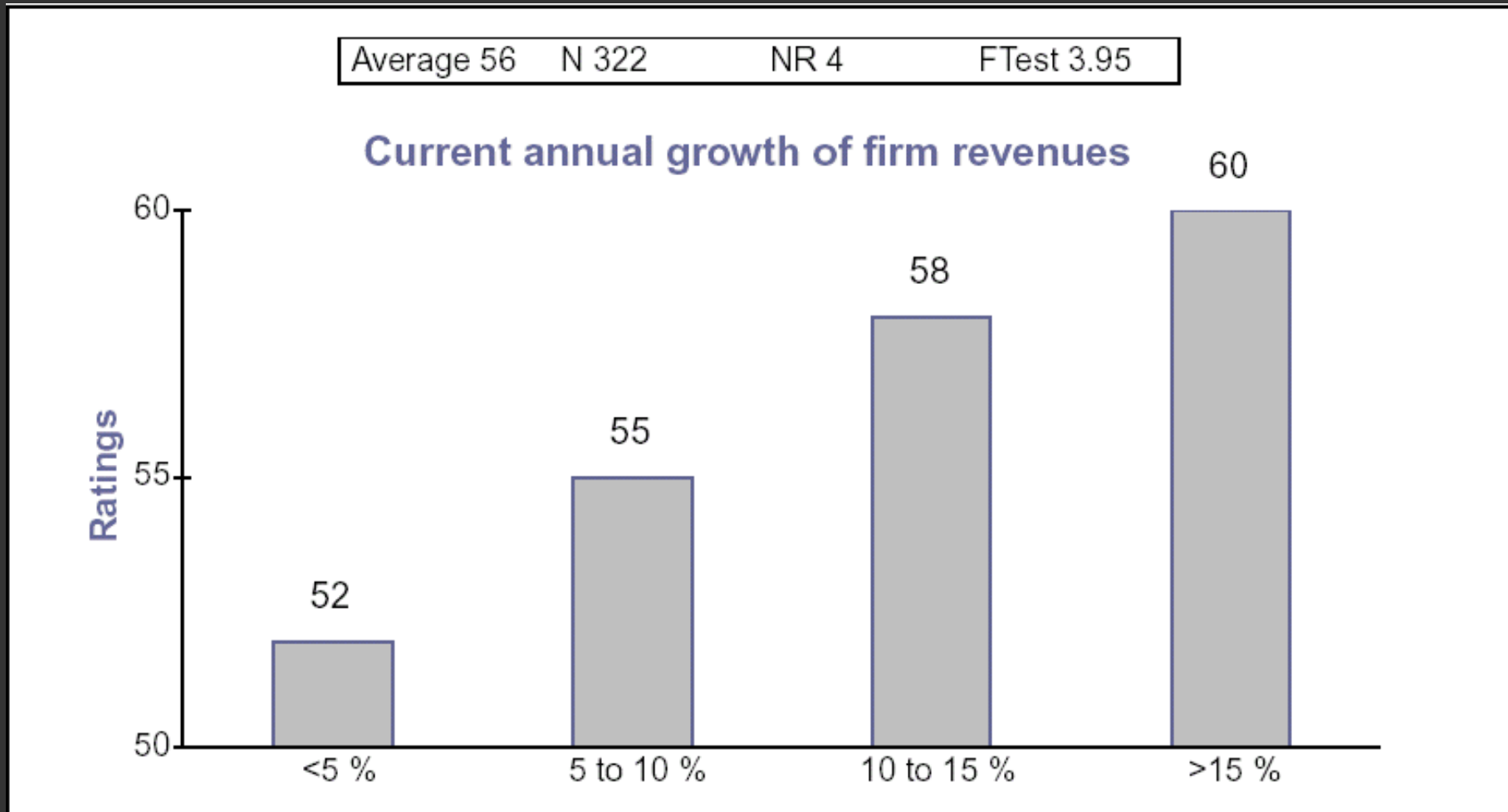
2002 Ranking		2002 Avg.	2001 Avg.	Change
1	Future financial performance	81	81	0
1	Quality of products & services	81	77	+4
3	Strong will to improve	80	79	+1
4	Monitoring of results relative to plans	79	80	-1
4	Market effectiveness as priority	79	77	+2
6	Delivering high quality products	77	75	+2
6	Employees proud of products offered	77	76	+1
8	Availability of financial resources	76	76	0
8	Market segmentation strategies	76	72	+4

The E-Business Capability is Weakest



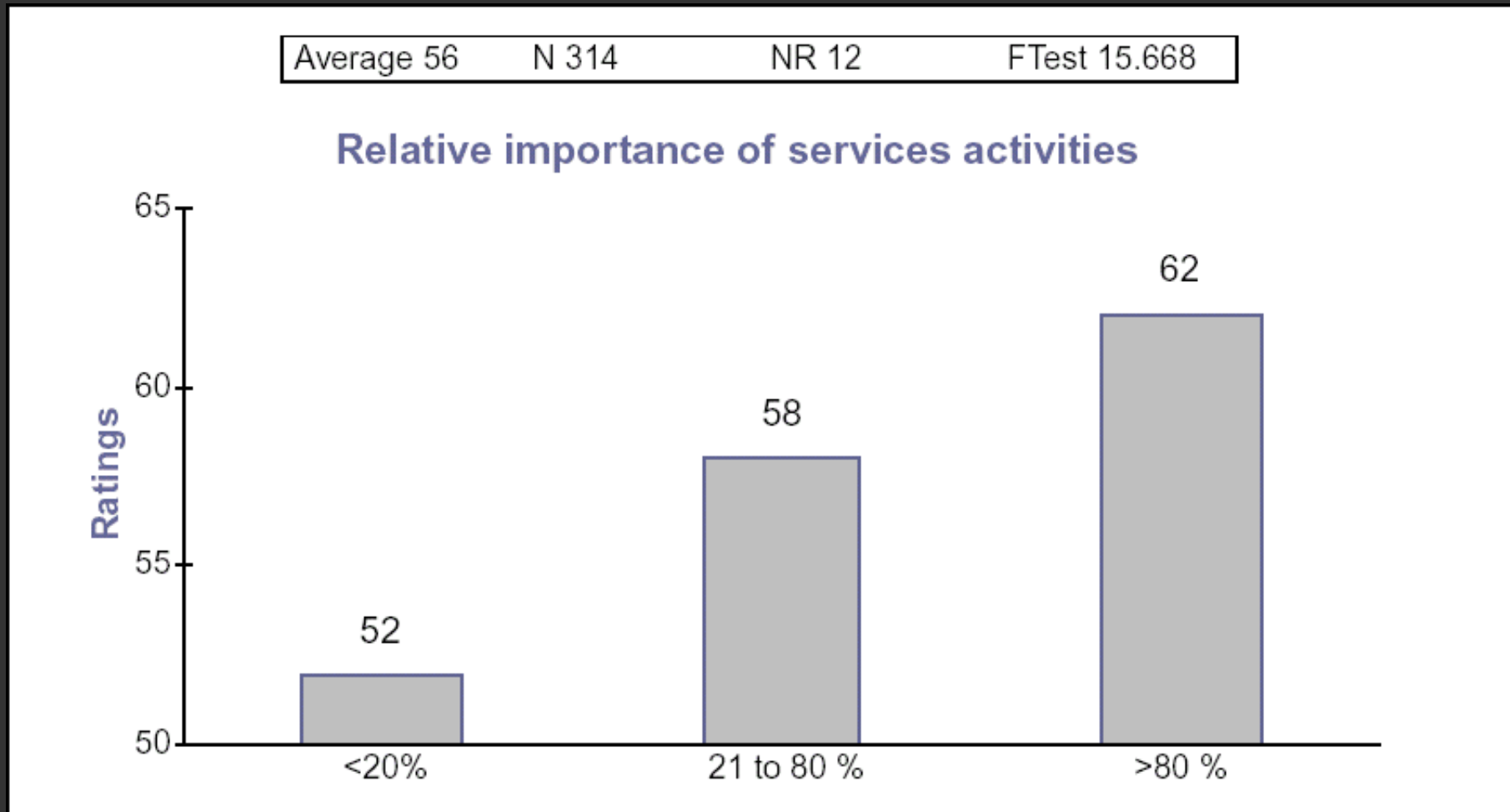
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Short Term Growth and E-Business



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Service Activities and E-Business



CFGF 2002 E-Business Capability: Leading Indicators

2002 Ranking		2002 Avg.	2001 Avg.	Change
20	Internet alliances with other firms	48	50	-2
20	Internet used effectively for recruitment	48	38	+10
20	Internet strategies for different customer groups	48	41	+7
23	Internet used to increase customer loyalty	47	42	+5
23	Management training on internet potential	47	47	0
23	Creating separate entities to exploit internet	47	44	+3
26	Customer support through internet	46	40	+6

CFGF 2002 E-Business Capability: Lagging Indicators

2002 Ranking		2002 Avg.	2001 Avg.	Change
1	Employees access to internet	81	74	+7
2	Impact of e-technologies on internal communication	69	73	-4
3	Mgmt productivity increased by e-technologies	68	60	+8
4	Resources committed to e-technology applications	65	57	+8
5	Product information on internet	63	49	+14
6	Effective purchasing activities through internet	62	52	+10
6	Project teams effectiveness through e-technologies	62	64	-2

Top Firms 2002

Overall Business Capability

N° 1

BMW & NOKIA

N° 3

PFIZER

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86 Firms “World-Class” on Capabilities

2002 OMEC Rating	Firm	2002 OMEC Ranking	Sector
82	BMW	1	Automobiles & Automotive
82	Nokia	1	Computers & Electronics
79	Pfizer	3	Pharmaceuticals & Healthcare
78	IBM	4	Computers & Electronics
78	Swiss Re	4	Finance & Insurance
77	Atlas Copco	6	Engineering & Machinery
77	Banco Comercial Portugues	6	Finance & Insurance
77	Microsoft	6	Computers & Electronics
76	Rio Tinto	9	Process Industries
76	SAP	9	Computers & Electronics
75	Diageo	11	Consumer Goods
75	ST Microelectronics	11	Computers & Electronics
75	Saint-Gobain	11	Process Industries

Top Firms 2002 E-Business

N° 1

ORACLE

N° 2

IBM & MICROSOFT

CFGF 2002

Only 24 Firms “World-Class” on E-Business

Rating	Firm	2002 Ranking	Sector
89	Oracle	1	Computers & Electronics
87	IBM	2	Computers & Electronics
87	Microsoft	2	Computers & Electronics
86	Compaq	4	Computers & Electronics
83	Telefonica	5	Services
82	Pirelli	6	Automobiles & Automotive
82	SAP	6	Computers & Electronics
80	Swiss Re	8	Finance & Insurance
79	Atlas Copco	9	Engineering & Machinery
79	J.P. Morgan Chase	9	Finance & Insurance
78	BMW	11	Automobiles & Automotive
78	Nokia	11	Computers & Electronics
76	Credit Suisse Group	13	Finance & Insurance
73	Hewlett-Packard	14	Computers & Electronics

The Competitive Fitness of Global Firms

Key Points

- 1. Business capabilities are more than ever essential to the long term creation of value.**
- 2. Major capability gaps exist between large global firms .**
- 3. Tremendous opportunities for improvement in the area of Human Resources, Customer Orientation and Innovation.**
- 4. The E-business capability is still very weak among large global firms, but improving rapidly.**
- 5. Challenge for the future: Capabilities up or Performance down?**

The Competitive Fitness of Global Firms

CFGF 2002

Further Information

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