



The following materials are key exhibits from the book that may be helpful in teaching
Please contact us with any questions, requests or comments!

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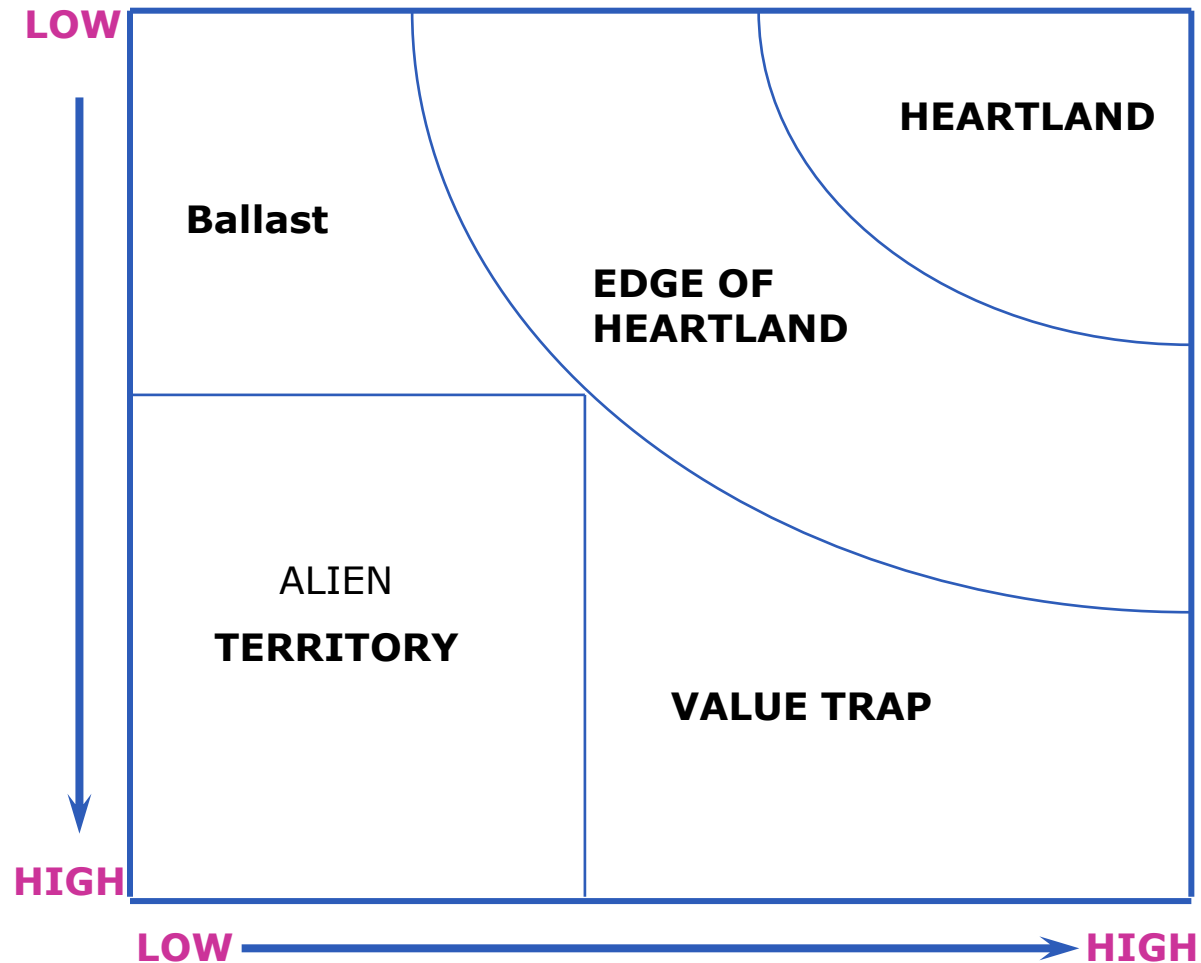
CHAPTER 1

Business Attractiveness Matrix

Market profitability	High			
	Medium			
	Low			
		Significantly disadvantaged	About the same	Significantly advantaged
		Competitive advantage		

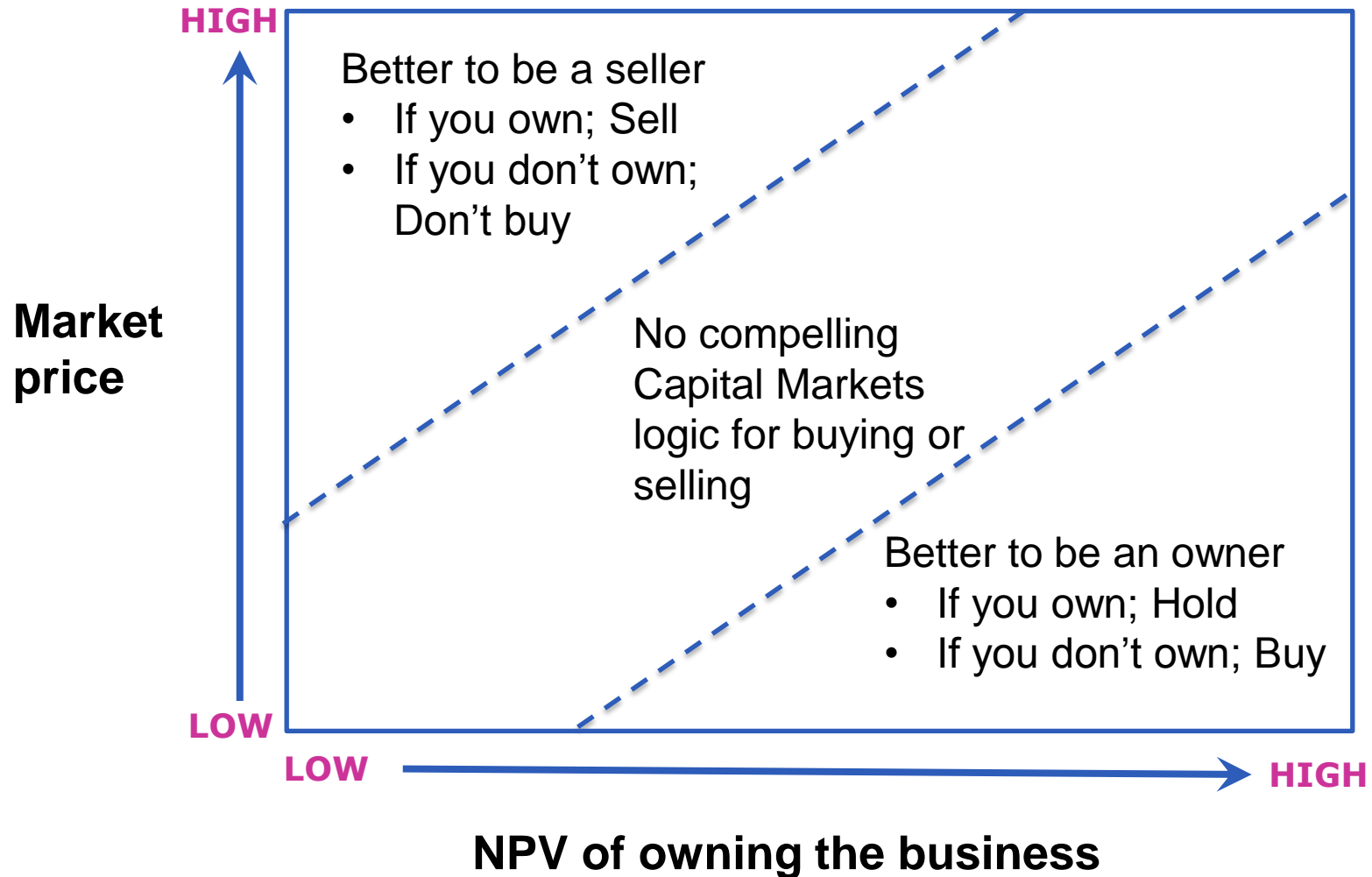
Heartland Matrix

Risk of subtracting value from a business due to misunderstanding of or failing to adjust to the situation in the business



Potential to add value to a business from parent skills and resources

Fair Value Matrix

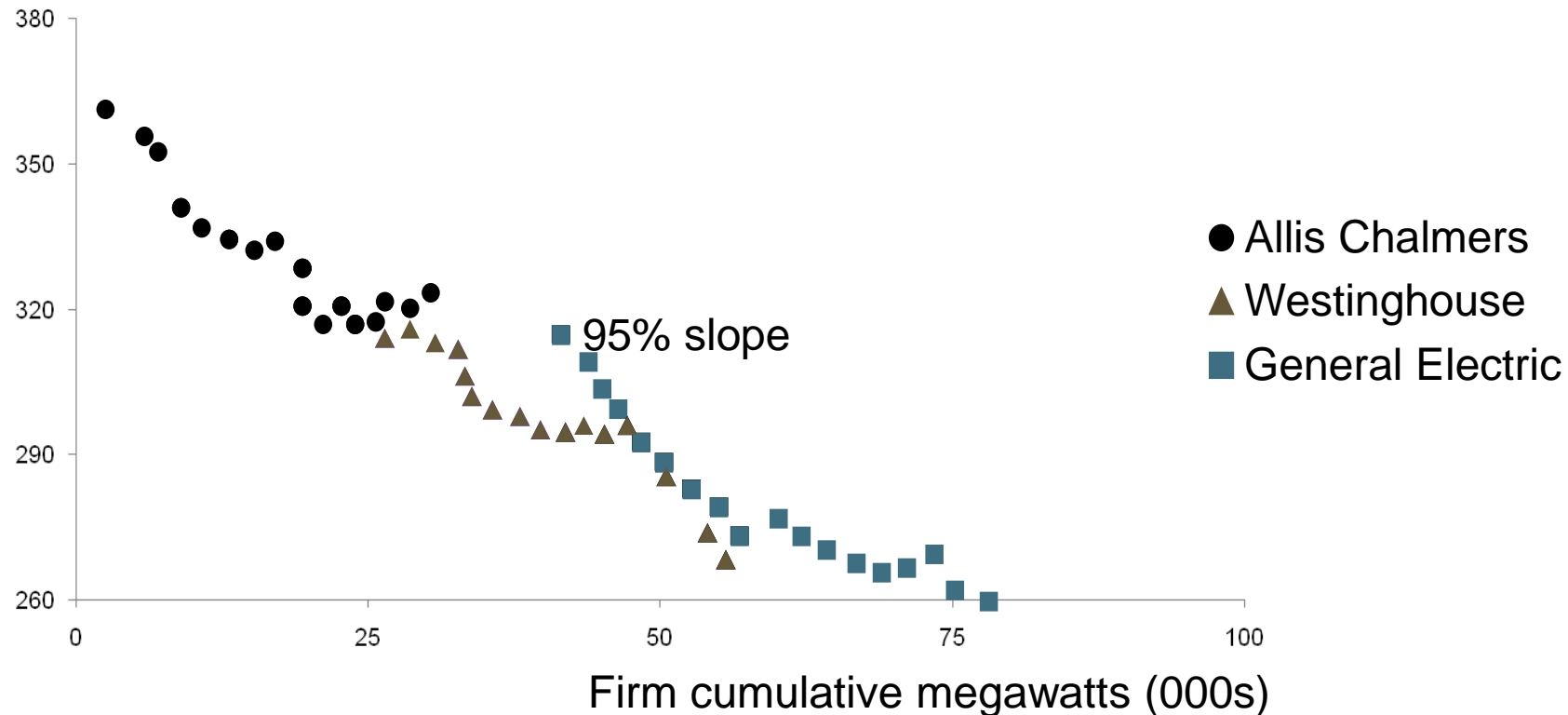


CHAPTER 2

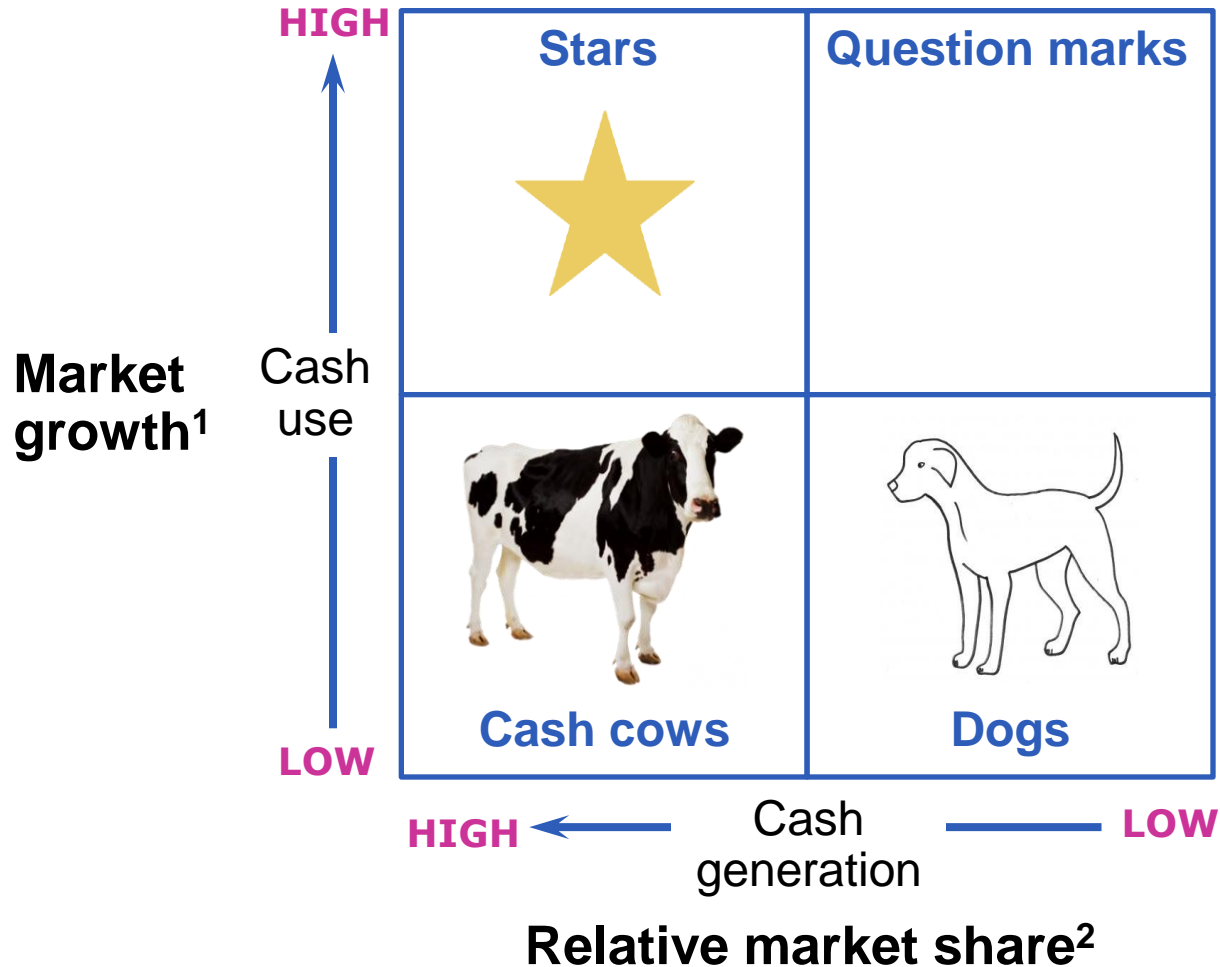
Experience curve: Costs decline with Cumulative Experience

Steam turbine production cost example (1946–1963)

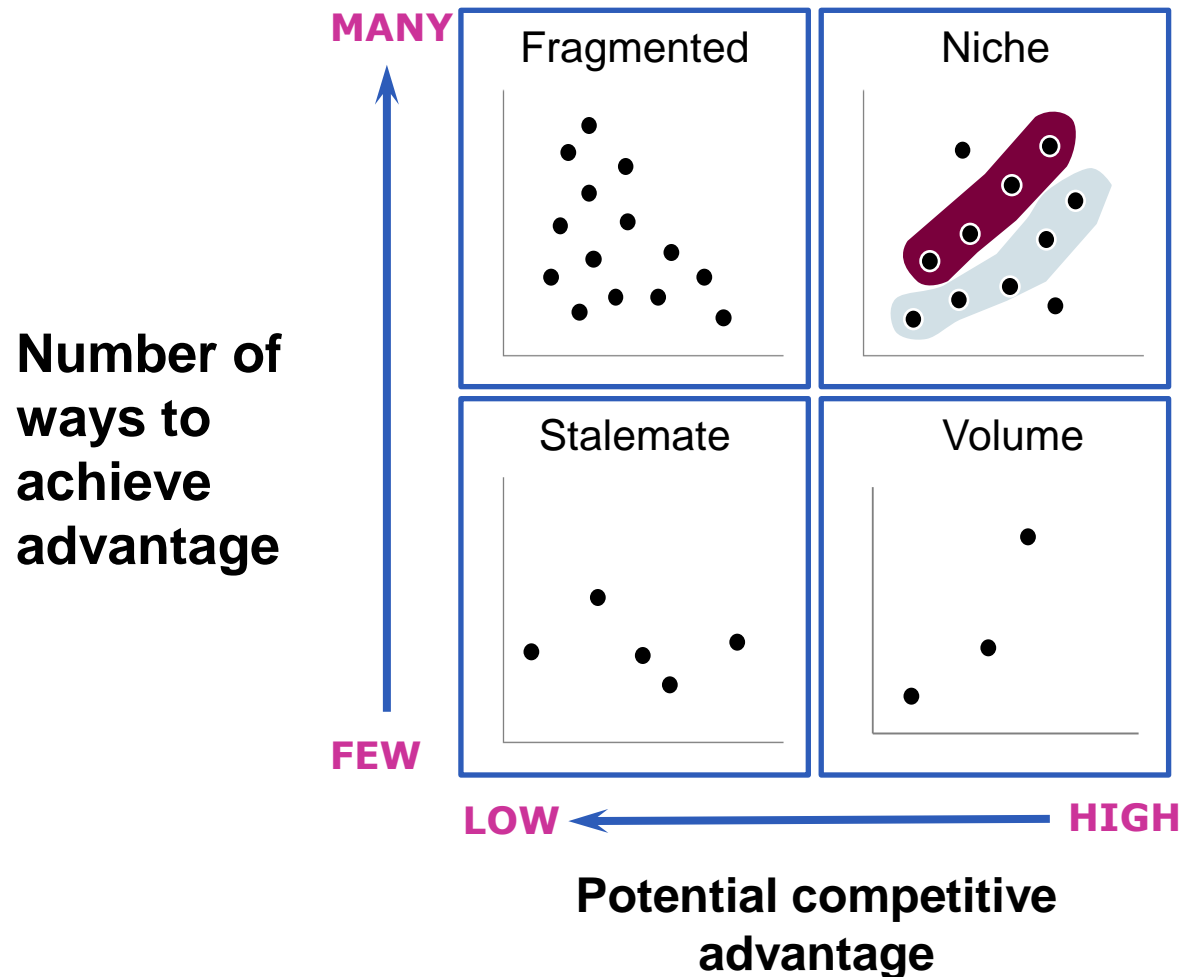
Direct cost per megawatt for three different competitors (constant \$)



The Growth Share matrix

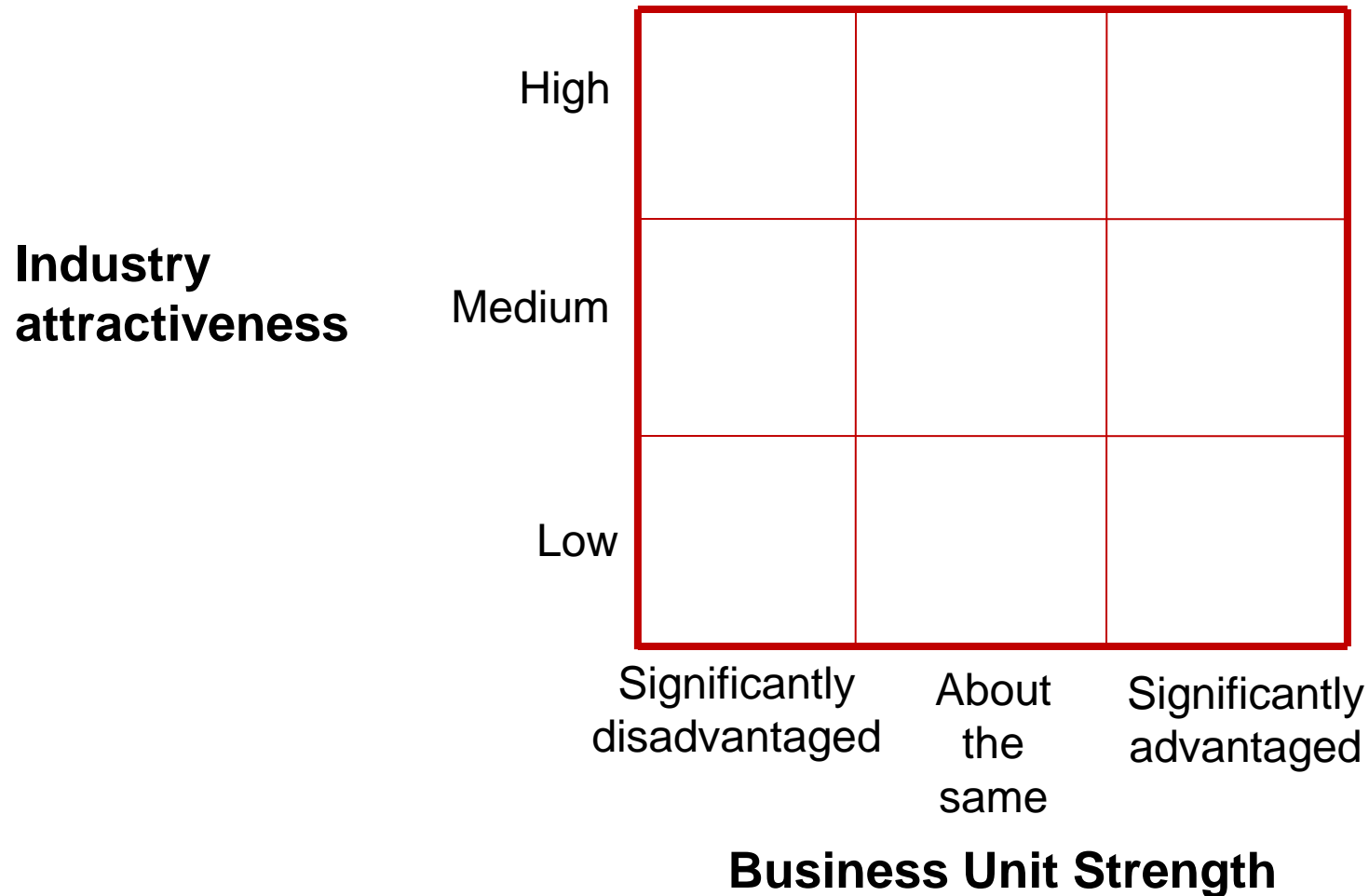


The competitive environments matrix



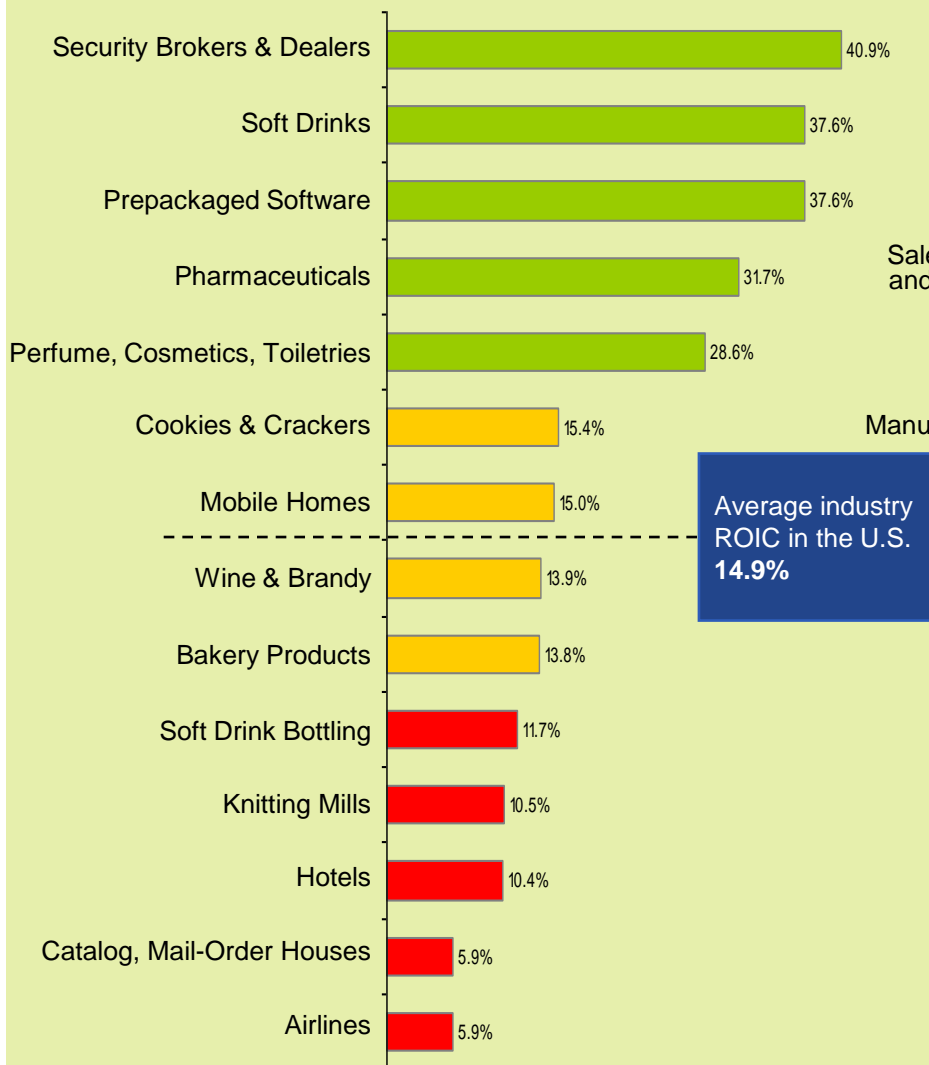
Graphs in each of the 4 boxes show how profitability of incumbents (y axis) varies with size of the company (x axis)

The GE/ McKinsey matrix

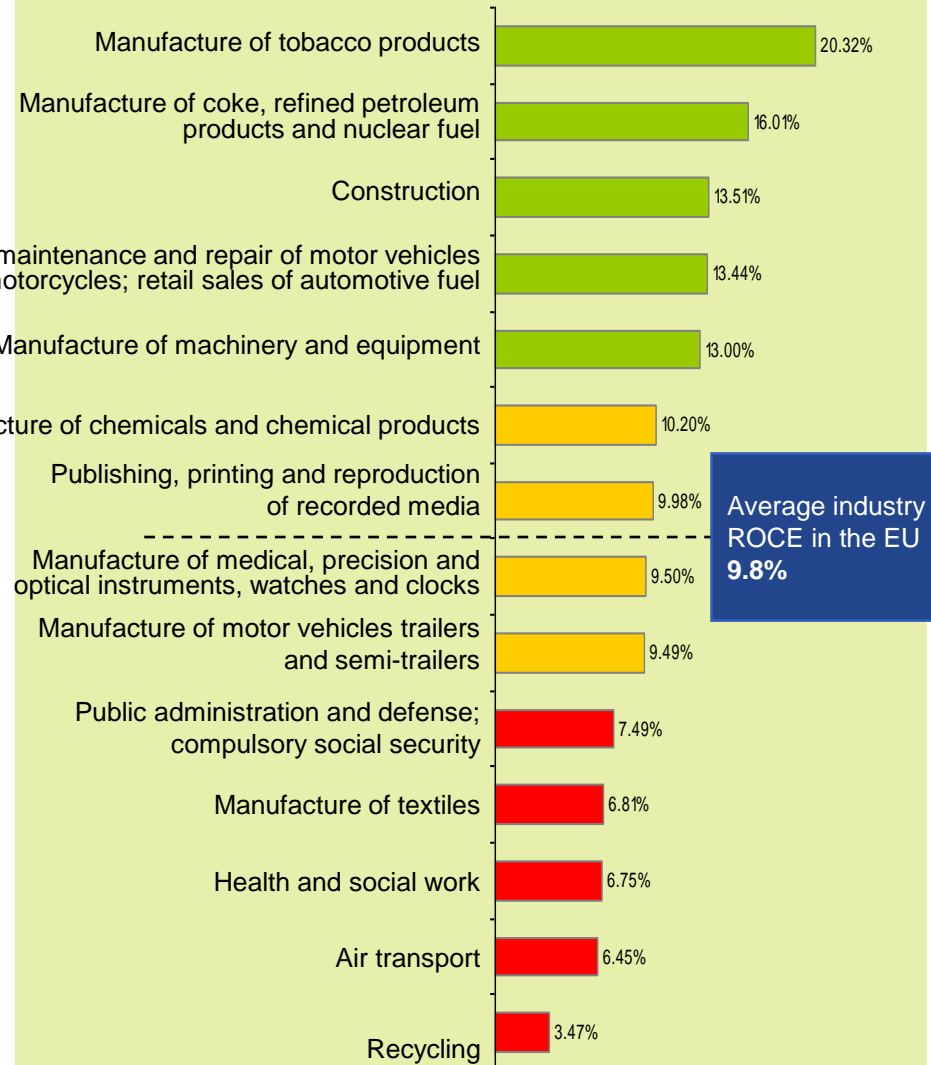


CHAPTER 3

Profitability of selected U.S. industries Average ROIC (Return on Invested Capital) 1992-2006¹⁾

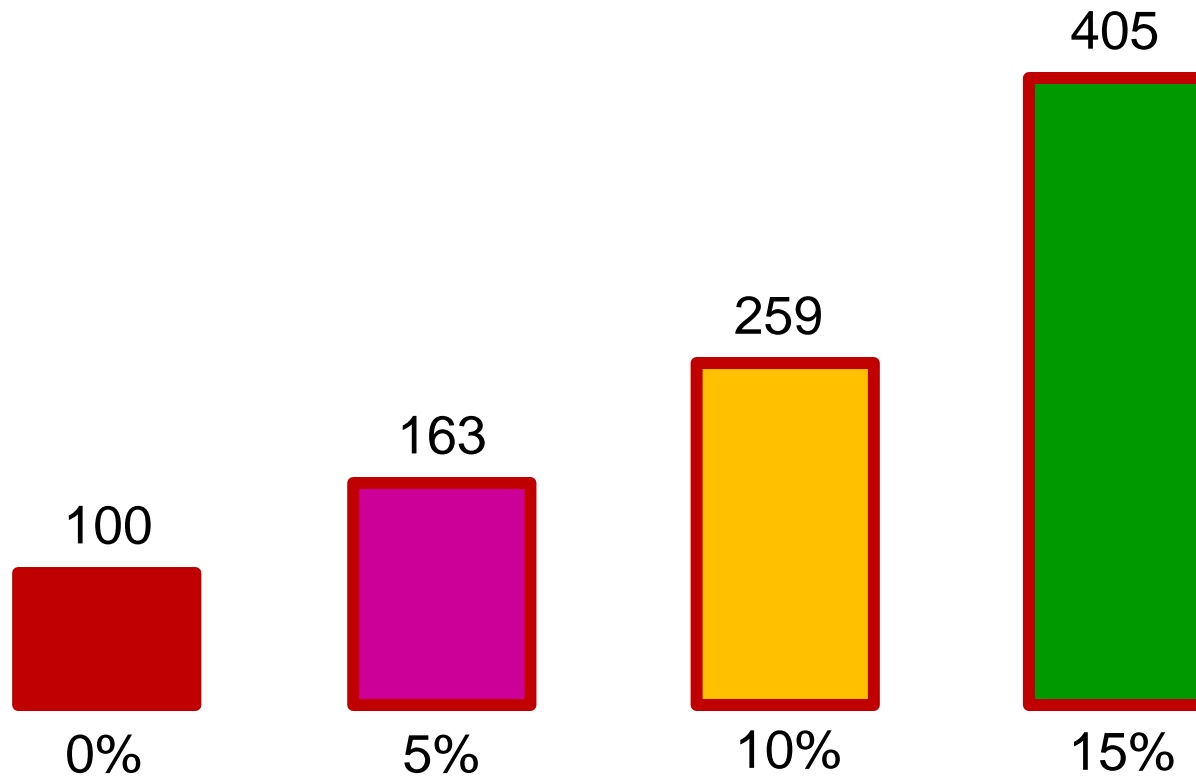


Profitability of selected EU industries Average ROCE (Return on Capital Employed) 1997-2006²⁾



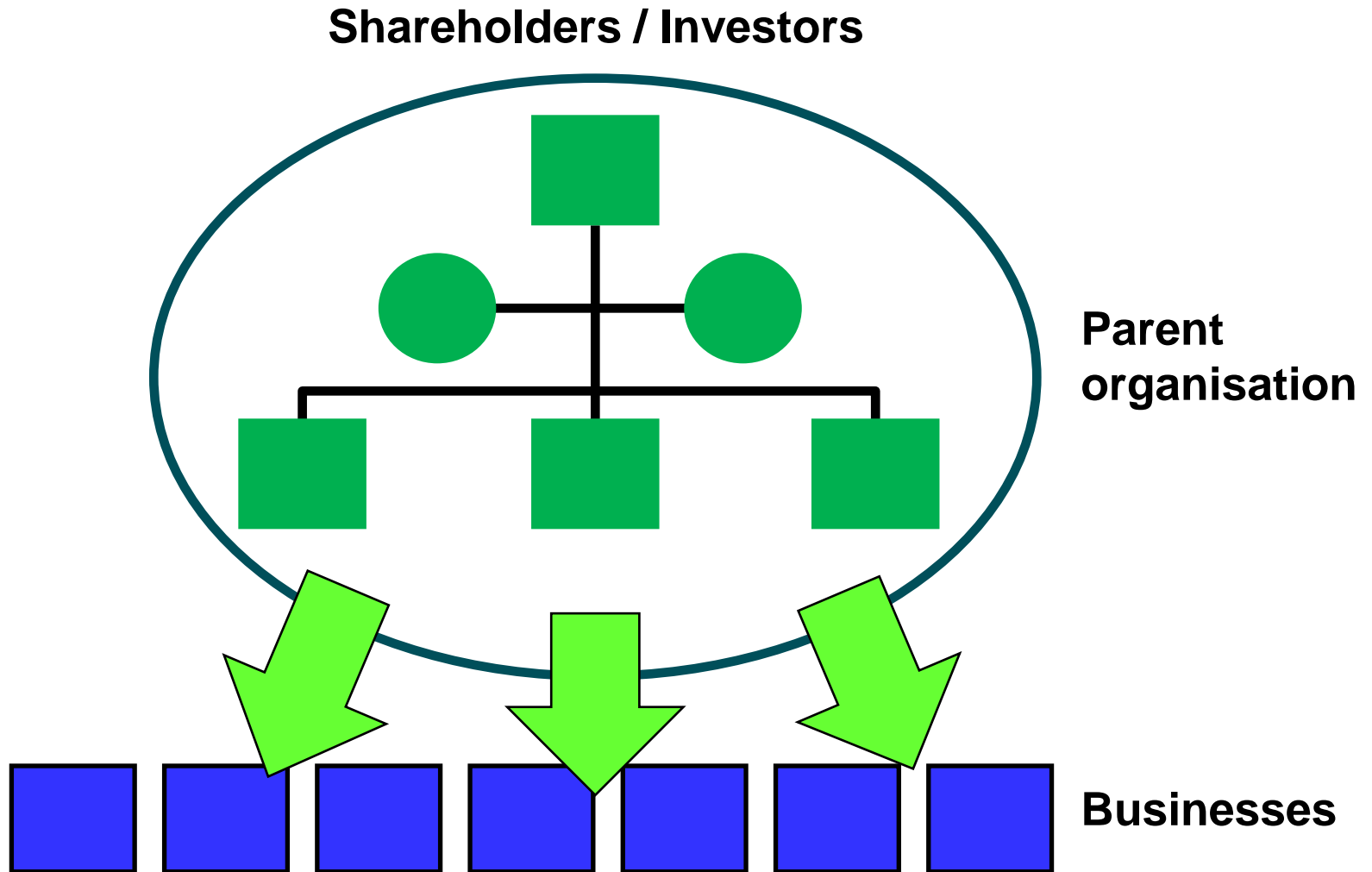
Why grow?

\$100 growing at 5%, 10%, and 15% for 10 years



CHAPTER 4

Parent as Value Adding Middleman

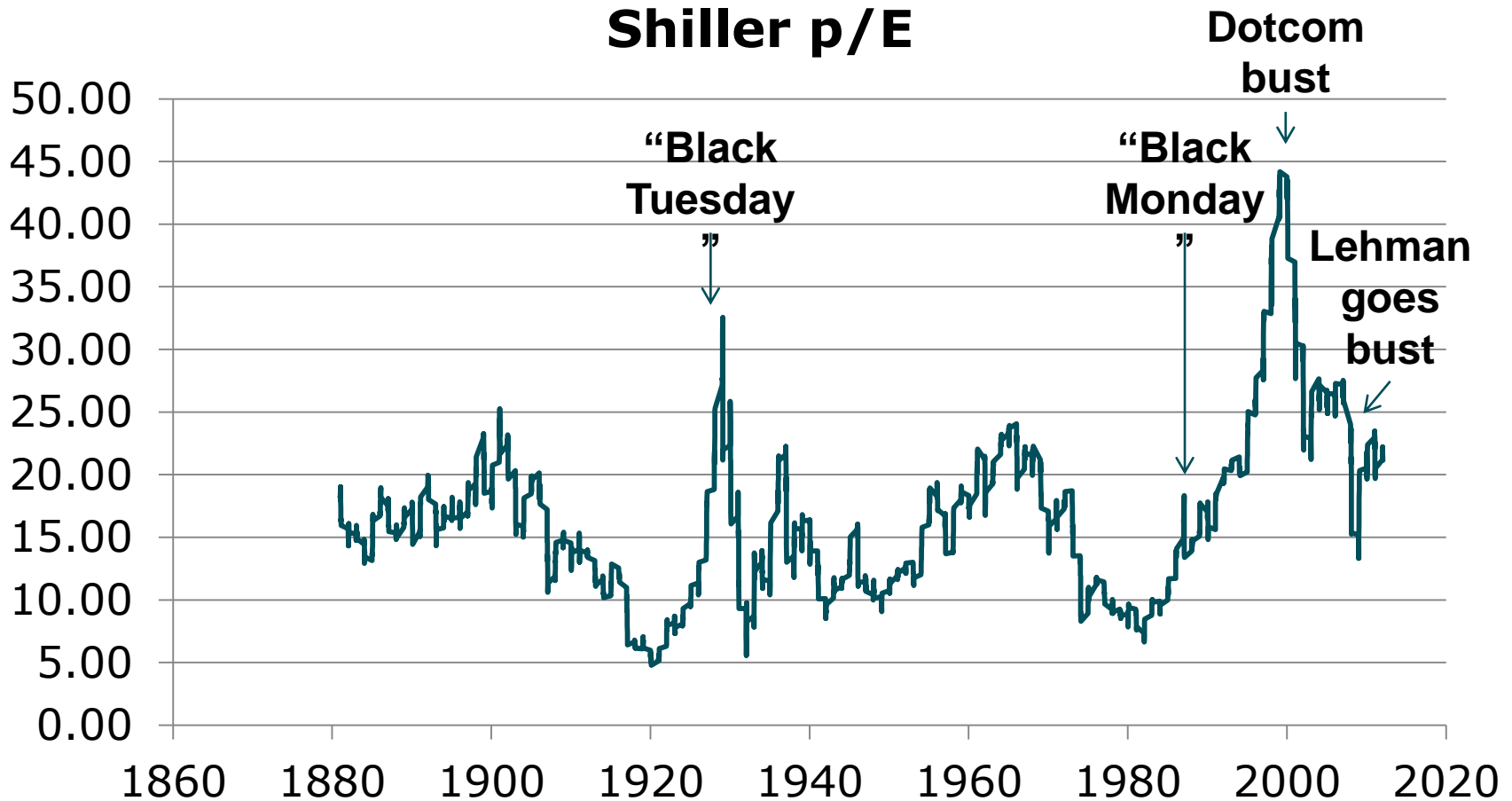


Comparing critical success factors (example)

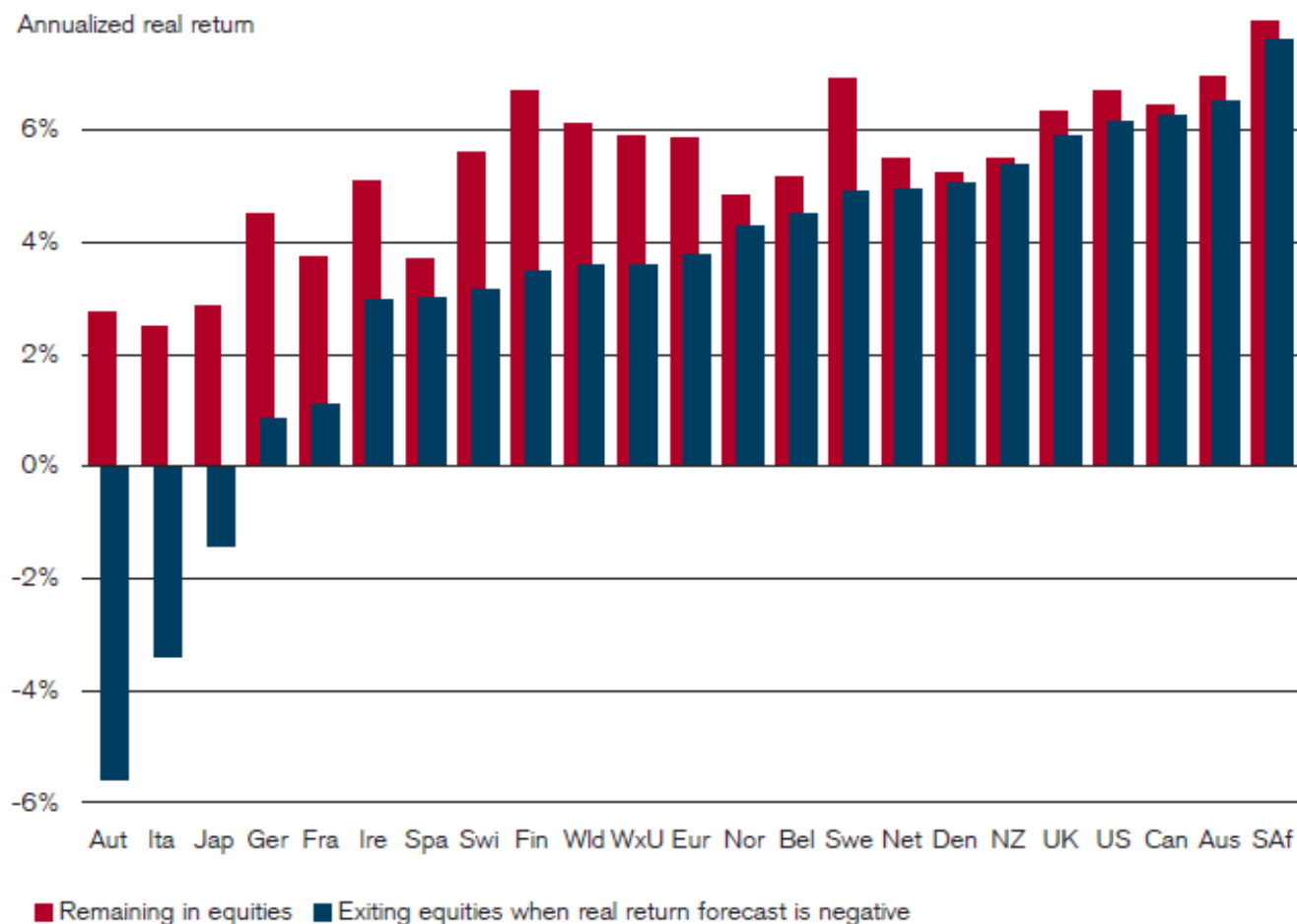
Critical success factors	Core business: Restaurants	Proposed new business: Local Hotels
Skills at designing the brand	High	Medium
Skills at communicating the brand	High	Medium
Cooking and cheffing skills	High	Medium
Service management skills	High	High
Consistency across sites	High	Low
Supply chain management	High	Low
Selling skills	Low	High
Balancing different profit centres	Low	High

CHAPTER 5

Schiller Price Earnings Ratio



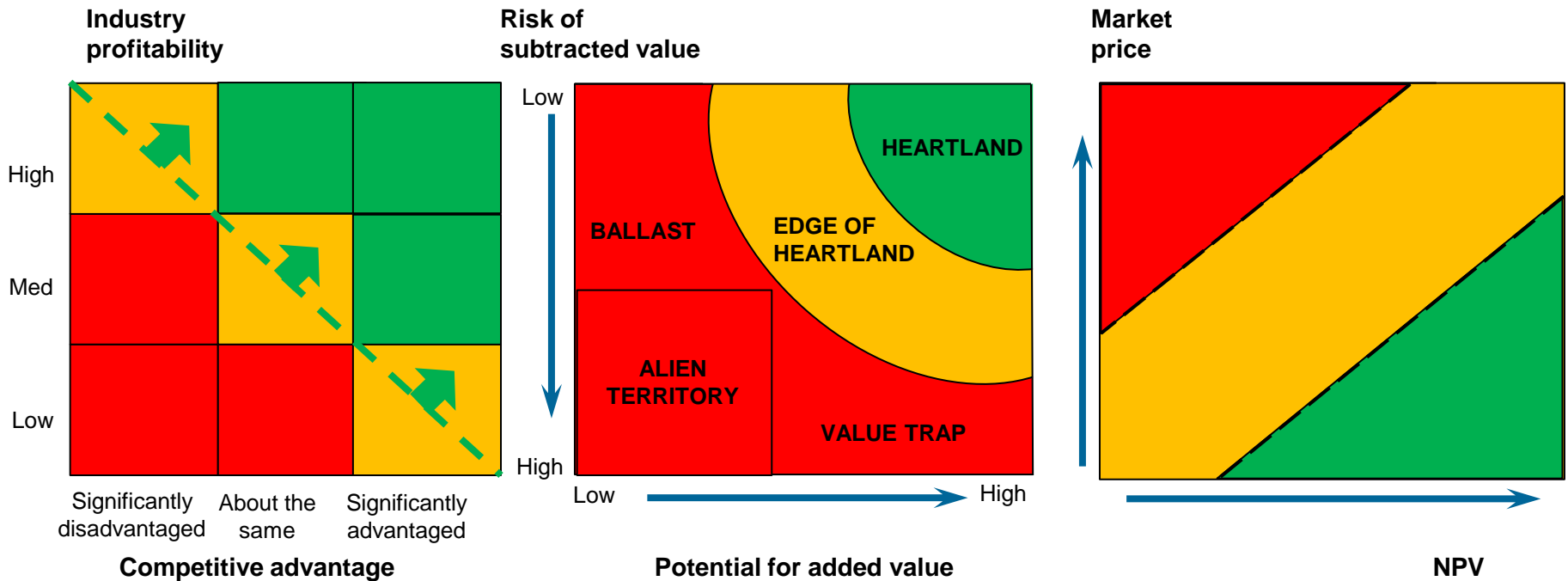
Real returns: Portfolios based on mean reversion, 1900-2012



Source: Elroy Dimson, Paul Marsh and Mike Staunton, DMS database.

CHAPTER 6

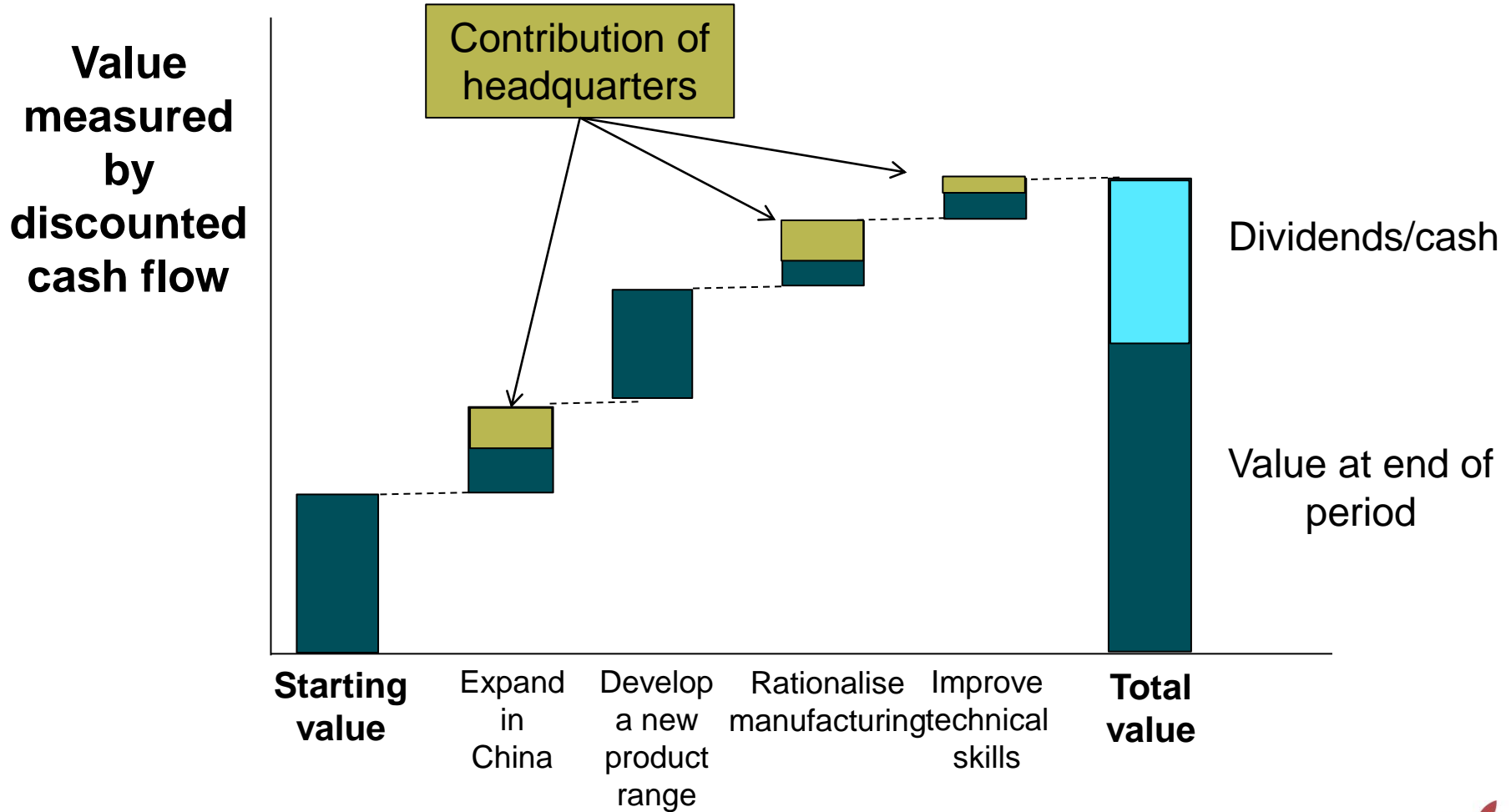
Many different situations possible



Green implies “buy” or “hold”. Red implies “sell”

CHAPTER 10

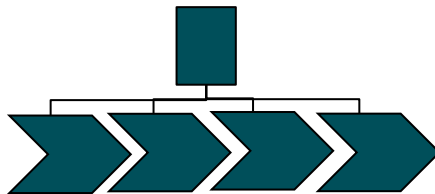
The value staircase



CHAPTER 11

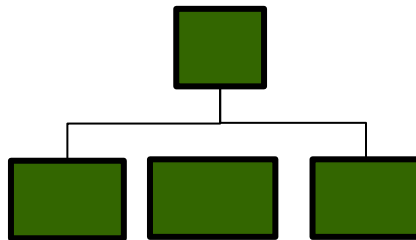
Three ways to structure operating activities

Value Chain



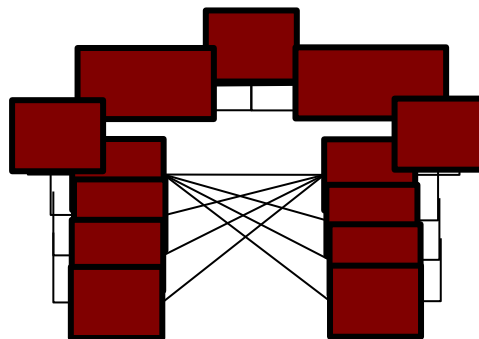
- Function
- Process

Business Units



- Geography
- Customer
- Product
- Project
- Asset

Matrix



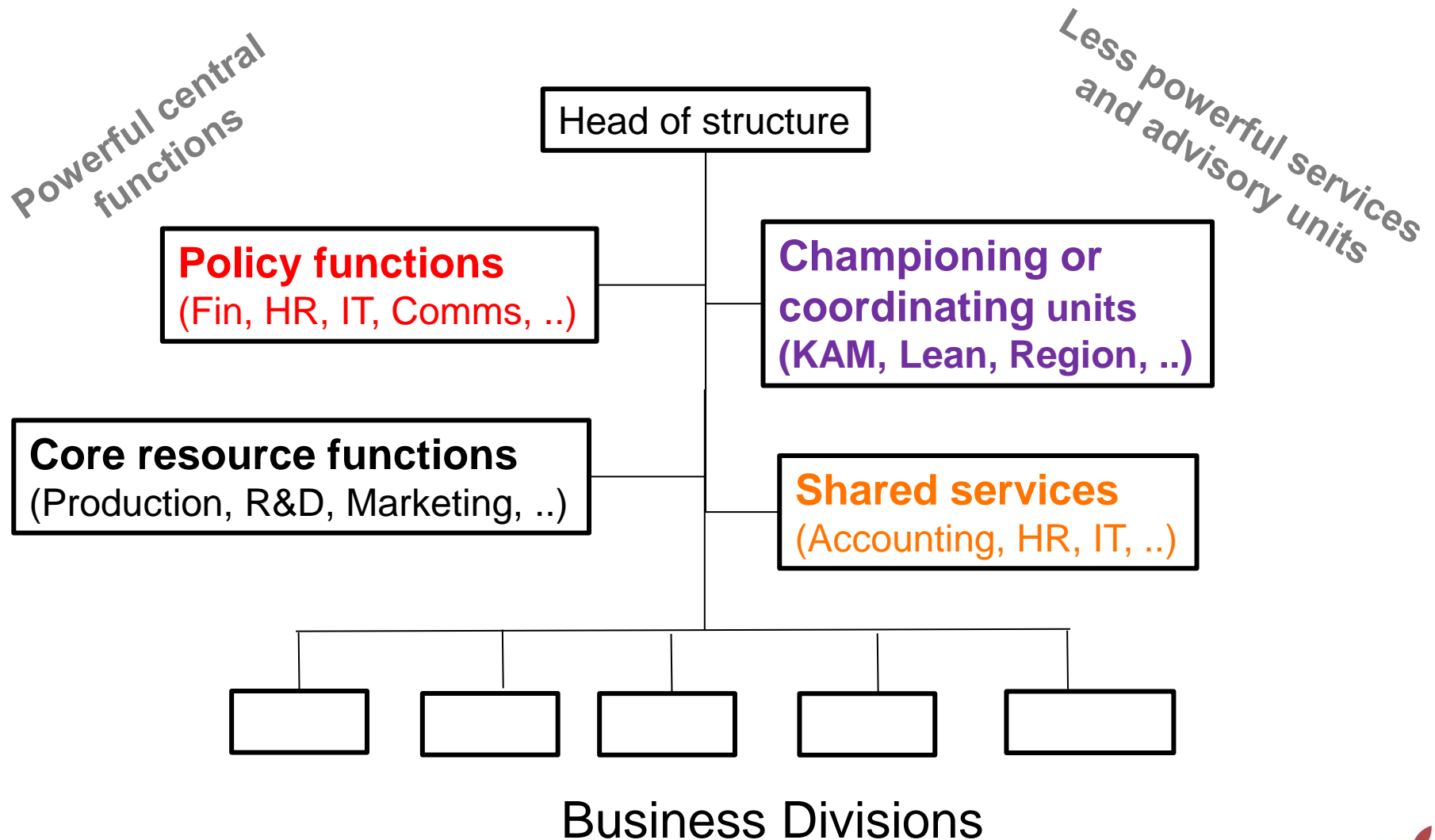
- Two boss matrix
- Front/back

CHAPTER 13

Table showing HQ role against added value

HQ functions, roles and processes	1. Give guidance on business models, operating challenges and major decisions	2. Coordinate relationships with main customers, such as DoD, MOD, UN, ...	3. Coordinate operations in selected countries	Etc
CEO	<ul style="list-style-type: none"> Lead the process of developing and delivering guidance 	<ul style="list-style-type: none"> Be available for interactions with any major customers Be the lead contact for DoD 	<ul style="list-style-type: none"> Be available to act to resolve conflicts between divisions 	...
CFO and Finance Function	<ul style="list-style-type: none"> Ensure that Bus provide accurate information on the profitability of contracts and lines of business 	Limited	Limited	...
IT	<ul style="list-style-type: none"> Give guidance on IT operating issues 	<ul style="list-style-type: none"> Ensure systems are compliant with customer requirements 	Limited	...
HR	<ul style="list-style-type: none"> Give guidance on HR operating issues 	Limited	<ul style="list-style-type: none"> Lead the coordination of recruiting and compensation issues Facilitate movements 	...
Other functions
Executive Meeting	<ul style="list-style-type: none"> Individuals expected to volunteer advice based on their experience 	<ul style="list-style-type: none"> Each major customer to be discussed at each Executive 	<ul style="list-style-type: none"> Coordination issues not addressed in Executive Meetings 	...
Business Review Process	<ul style="list-style-type: none"> Major challenges, decisions and changes to business model should be flagged at these Reviews 	Limited	<ul style="list-style-type: none"> Help identify businesses that need special support 	...
Etc

A way of drawing organisation models



The size and role of the corporate centre varies widely

Headquarters staff

