

APPENDIX

CORPORATE VALUE ADDED VERSUS CORPORATE VALUE DESTROYED

SURVEY INSTRUCTIONS

1. Preliminary remarks

- You will need less than 15 minutes to complete the questionnaire
- All information provided will be treated as strictly confidential
- Individual responses will be processed anonymously and will not be used for commercial purposes
- You will be asked questions on value creation (positive impact) and value destruction (negative impact)

2. Guidelines

- We are interested in activities of value creation and aspects of value destruction within your company
- While answering the questionnaire, please use a general perspective on your company
- Try to answer the questions by comparing your company to your main competitors
- Do not hesitate to provide us with estimates—we are interested in your personal judgment
- A fully completed questionnaire is very valuable to us

3. Benefits

- We offer to guide you through the questionnaire in a phone call upon request
- We send you an executive summary covering the key results of our study
- We discuss the specific conclusions for your company in a follow-up phone call upon request

Thank you for your time and effort—we highly appreciate your cooperation.

If you need more information, please contact Matthias Krühler at kruehler.matthias@bcg.com.

A.1. Value creation of the Corporate Headquarters (HQ)

Corporate headquarters (HQ) stand between their Strategic Business Units (SBUs) and the external capital markets. In this way, they may provide additional value as compared to the SBUs as stand-alone entities that are individually exposed to capital markets.

Strategic guidance and support

HQs can add value by fostering better strategic decisions than SBUs as stand-alone entities. *How relevant are the following activities as sources of value creation for the SBUs in your company (0 = "Not at all" to 5 = "Extensively")?*

	0	1	2	3	4	5
HQ provides an overall vision or strategic direction to the SBUs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs are supported by the HQ with specific strategic expertise (e.g., strategic planning process/methods)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HQ actively promotes SBUs' M&A projects (e.g., through active involvement in the deal process)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Company resources are allocated efficiently by the HQ	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HQ staff reduces value-destroying behavior of SBUs through tight performance monitoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Operational performance is improved by HQ interference (e.g., manager replacement, turnaround help)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs can pursue longer-term perspectives due to protection from external capital market pressure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HQ actively fosters cooperation between SBUs (e.g., in operations, marketing, or research)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs are encouraged by the HQ to share knowledge and talent (e.g., through corporate initiatives)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
→ HQ creates significant value to the SBUs through strategic guidance and support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Central resources and services

In addition, HQs can reduce costs by establishing central functions and by providing SBUs with cheaper access to markets. *How relevant are the following activities as sources of value creation for the SBUs in your company (0 = "Not at all" to 5 = "Extensively")?*

	0	1	2	3	4	5
SBUs benefit from central assets provided by the HQ (e.g., brands, patents)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HQ provides essential capabilities to the SBUs (e.g., risk management)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs realize cost advantages by using centrally bundled functions (e.g., procurement, IT)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs benefit from short-term internal financing to avoid expensive external debt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HQ offers lower cost of external funding than SBUs could achieve (e.g., greater negotiating power)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs benefit from tax optimization across the corporate portfolio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External reporting requirements for the SBUs are minimized due to consolidated disclosures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs benefit from a higher attractiveness as an employer (e.g., career opportunities)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs benefit from a broader pool of management talent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
→ HQ creates significant value to the SBUs through central resources and services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

A.2. Value destruction of the HQ

HQs can also harm the SBUs in the corporate portfolio, resulting in worse strategic decisions or higher costs. In contrast to the activities of value creation, we will now address potential reasons for value destruction by the HQ.

Negative influence

The first area of disadvantages to the SBUs may derive from a negative influence of the HQ. How relevant are the following aspects as sources of value **destruction** for the SBUs in your company (0 = "Not at all" to 5 = "Extensively")?

	0	1	2	3	4	5
HQ has insufficient expertise and skills with regard to the critical success factors of the SBUs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Central decision-making is predominantly driven by political matters (e.g., justification of past decisions)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HQ prefers investing in SBUs that corporate-level management is familiar with	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HQ favors growth over value creation (empire-building)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HQ favors corporate risk diversification over value creation (minimizing own job risk)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
As being part of the corporate portfolio, SBUs are eluded from beneficial capital market pressure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ongoing HQ interference decreases SBU managers' motivation (e.g., central overruling practices)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
→ HQ creates significant value to the SBUs through strategic guidance and support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Overhead costs

In addition, central resources cost money—direct costs of central departments and transaction costs due to inefficient process. How relevant are the following aspects as sources of value **destruction** for the SBUs in your company (0 = "Not at all" to 5 = "Extensively")?

	0	1	2	3	4	5
HQ offers services which are not needed by the SBUs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overhead charges are too high given the scope and quality of the services offered	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Some SBU resources are only needed to fulfill HQs' requirements (e.g., reporting obligations)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HQ requirements prevent SBU managers from running their businesses effectively (inward focus)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complex HQ processes reduce flexibility and slow down decision-making	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
→ HQ destroys significant value to the SBUs through overhead costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B.1. Value creation from linkages with other Strategic Business Units (SBUs)

In addition to the direct HQ value creation individual SBUs may also benefit from interaction with other SBUs of the corporate portfolio, i.e., synergies.

Sales and managerial synergies

SBUs in the corporate portfolio may profit from sales and managerial synergies.
How relevant are the following activities as sources of value **creation** for the SBUs in your company (0 = "Not at all" to 5 = "Extensively")?

	0	1	2	3	4	5
SBUs increase sales through cross-selling to the same customer base (i.e., sale of complementary goods)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs increase sales through bundling of products from different SBUs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs benefit from sharing capabilities with each other (e.g., customer knowledge)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs benefit from sharing market-related experiences with other SBUs (e.g., product launches)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs benefit from joint development of new strategic assets and capabilities with other SBUs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
→ SBUs create significant value through sales and managerial synergies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Operating synergies

SBUs in the corporate portfolio may profit from operating synergies.
How relevant are the following activities as sources of value **creation** for the SBUs in your company (0 = "Not at all" to 5 = "Extensively")?

	0	1	2	3	4	5
SBUs realize economies of scope due to cooperative actions within an integrated value chain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs realize economies of scale from combined activities (e.g., joint sales force, product platform)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs benefit from pooling assets among each other (e.g., utilization of production facilities)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs have cost advantages through combined purchasing power on supplier markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs benefit from lower internal transfer pricing compared with arm's-length transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
→ SBUs create significant value through operating synergies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B.2. Value destruction from linkages with other SBUs

SBU linkages may not only add value to the involved units—they can also have a negative influence. In contrast to the activities of synergies discussed above, we will now address potential reasons for value destruction caused by SBU interactions.

Resource competition

Value destruction results from SBUs competing for the same scarce resources provided by the HQ. *How relevant are the following aspects as sources of value **destruction** for the SBUs in your company (0 = “Not at all” to 5 = “Extensively”)?*

	0	1	2	3	4	5
Marginal SBUs are deprived of management attention at corporate level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strong SBUs have to subsidize weak SBUs in terms of CAPEX allocation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs have to play a specific role in the portfolio that prevents them from realizing their value potential	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
→ SBUs destroy significant value through resource competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Cost of complexity

Value destruction results from additional costs due to intensive SBU interaction. *How relevant are the following aspects as sources of value **destruction** for the SBUs in your company (0 = “Not at all” to 5 = “Extensively”)?*

	0	1	2	3	4	5
SBUs are wasting resources on additional coordination efforts for internal corporate processes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decision-making processes are slowed down due to high coordination requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal power struggles lead to wrong decisions and prevent SBUs from realizing their value potential	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SBUs are wasting resources and time on tactical maneuvers for influencing HQ decision-making	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
→ SBUs destroy significant value through cost of complexity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C.1. Overall assessment

In this section, you will be asked three questions that aggregate all discussed activities of corporate value creation, all aspects of value destruction, and that reflect your overall perception total net value added.

HQ net value creation

Please bring to mind all previously discussed activities by the HQ (value creation *and* value destruction).
How is the **net** value creation for your SBUs through HQ activities (-3 = "Highly negative" to +3 = "Highly positive")?

The net value creation for the SBUs through **HQ activities** in our company is... -3 -2 -1 0 1 2 3

SBUs net value creation

Please bring to mind all previously discussed interactions among SBUs (value creation *and* value destruction).
How is the **net** value creation of our SBUs from linkages with other SBUs (-3 = "Highly negative" to +3 = "Highly positive")?

The **net** value creation for the SBUs from **linkages** with other SBUs in our company is... -3 -2 -1 0 1 2 3

Number of SBUs

How many SBUs does your company have? # of SBUs

SBU relationships

Which of the following statements best describes the relationship of the SBUs in your company?

- Focused operations, more than 70% of our revenues are generated by one SBU
- SBUs are related to each other, but no single SBU contributes more than 70% to our total revenues
- There is no major relation between our SBUs, and no single SBU contributes more than 70% to our total revenues

Total net value creation

Finally, please bring to mind all discussed activities of value creation as well as aspects of value destruction (HQ *and* SBUs).

What is the **total net** value creation in your company—measured as the fair conglomerate **premium** (+) or conglomerate **discount** (-)?

< -30% -20% -10% ~0% +10% +20% > +30%

C.2. Follow-up

For the exclusive purpose of calibrating responses according to specific backgrounds, we finally ask you for some personal data.

Management level

Please indicate your management level within your company.

- Executive board (C-suite) 1 below board level 2 below board level < 2 below board level

Organizational affiliation

Please specify your current organizational affiliation within your company.

- Corporate Headquarters (HQ) Division/Segment Strategic Business Unit (SBU)

Corporate function

Please indicate your current function within your company (*multiple answers possible*).

- General management Strategy Corporate development M&A Finance and controlling HR IT Marketing and sales R&D Other

Follow-up process and contact details

Please indicate whether you are interested in the following follow-up processes.

- Summary report Follow-up phone call

Name:

Company:

E-Mail:

Thank you very much for your participation!