case study 1

Learning to Walk in the Customer's Shoes

Problem: Like most high-tech companies, semiconductor giant Texas Instruments rode the technology boom in a state of bliss. As customers waited in line for its products, TI became more product- and technology-centric, and admittedly less concerned about its customers. Then came the bust. TI was suddenly forced to compete for new business, yet elements of its management simply wouldn't adjust to the market's new demands. How could TI jolt its people into a renewed awareness of the customer?

Solution: Texas Instruments called on BTS USA, a global supplier of computer-based simulations for learning. The provider developed a customer loyalty course for TI's top 300 executives aimed at raising awareness about customer-centric thinking. The course was so successful that it was expanded to an additional 2,000 TI managers and earned BTS a coveted Supplier Excellence Award from a grateful TI.

They call it a "Customer Loyalty Boot Camp." The title is appropriate because much like the army's indoctrination for recruits, it represents the Tough Love approach to employee learning. And for Texas Instruments, it seemed that nothing less would do.

Picture the scene: a classroom of 25 TI executives, all chastened by a stern lecture from the company's senior vice president of worldwide sales and marketing, Jeffrey S. McCreary. "This company is broken," McCreary railed. But the audience wasn't getting the message. The year was 2001, the bottom was dropping out of the semiconductor industry, and TI's fortunes were plummeting along with it. It was no time for the company to be dismissive of its valued customers—or perceived as such.

Also in the classroom were consultants and trainers from BTS USA. BTS had been invited to help develop and deliver a course for TI executives on customer loyalty. The two-and-a-half-day course had been painstakingly created by BTS following extensive interviews with TI executives, key account managers, and customers to gain an accurate picture of the problems facing the company. The customized course was designed and created with active participation from TI's training department.

The twenty-five assembled managers were divided into five teams, each assigned to simulate executives of a fictitious company called Streaming Wireless Video (STREAVO). The concern "manufactured" a handheld product that included chips supplied by another fictitious company called Terrific Instruments (TI). It was now time for the TI managers to walk a mile in their customer's shoes.

Each team was responsible for a different department within STREAVO, including engineering, finance, supplier management, manufacturing, and marketing. Using laptop computers and a simulation to analyze data, such as engineering specifications, financial statements, and customer and market reports, they pondered the purchasing decision for three hours before hitting a button named "commit."

"Little did they know that upon return from their coffee break, the teams would walk into a valley of darkness," recalls Daniel Parisi, senior vice president of BTS USA and general manager of its San Francisco office. Parisi was in charge of the seminar, and was about to make their lives miserable by delivering information about Terrific Instruments' execution missteps, including failure to meet time, cost, and performance commitments.

The simulated learning concept he was using got its start in 1985, when Swedish entrepreneur Henrik Ekelund launched BTS to help companies meet strategic business

goals. Ekelund found simulation to be a useful tool to communicate complex business strategies to executives, and apparently clients agree. BTS has since expanded to the United States, the United Kingdom, Finland, South Africa, Australia, and Spain.

At the heart of the learning exercise are custom-designed computer-based simulations that replicate the actual business processes of the client company. Each management team is assisted in the decision-making process with a laptop on which they can perform budgeting and "what-if" analysis and scenarios. Over the course of a three-month development process, the simulation was co-created by BTS and the client and inserted into a platform of Excel and Visual Basic software. "It simulates the technical and business interrelationships that exist between TI and its client," says Parisi. "In this case, the semiconductor's performance and functionality are realistically linked into the handheld's design specifications," he says. "Also, the impacts of the supplier execution missteps are extremely realistic," adds Parisi.

The concept often uses a kind of shock therapy to jolt executives into reality. At Texas Instruments, for example, many executives were not sensitive to the impact TI's execution missteps could have on the customer. There also were gaps in their knowledge regarding their customers' drivers of profitability and competitive advantage. In many cases, they lacked a long-term view of TI's customer relationships.

When the TI executives returned from their break, Parisi was there to greet them, a scowl on his face and a baseball cap that read Terrific Industries on his head. "There are problems with your order," he told the assembled "STREAVO" management teams. Not only would there be a five-week delay in delivery, but alas, the chip would not meet specifications, he told the horrified group.

What's more, Parisi was brutally unsympathetic to the customer's predicament. "Count your blessings," he sneered. "After all, we're Terrific. We're Number One." Then came the clincher: an ultimatum from STREAVO's retail customer, "Circus City," which was affected by Terrific's delays. "We don't care about your problems," grumbled Circus. "You will either help us or we will cut you off."

The effect of the simulation exercise was written on the faces of the Texas Instruments executives, who felt betrayed and frustrated at the arrogance on display. Some also felt that the excuses sounded distressingly familiar, as indeed they should have. To complete the session, Parisi played a five-minute video of comments from actual TI customers. "TI's own customers said almost exactly what the TI managers in the STREAVO simulation were saying," said Parisi. Indeed, hearing customers echo their own experience in the simulation "was like hitting them in the stomach," he said.

The boot camp was so successful that it has since been rolled out to more than 2,000 TI managers and engineers, says Parisi, who claims the results speak for themselves. "In 2001, TI had some dissatisfied customers. But at the end of 2003, it was receiving supplier excellence awards from the very same customers," says Parisi. "Within 24 months, TI turned the entire company in a much more customer-centric direction."

QUESTIONS

1. Do you think that TI took the right approach to achieving better customer satisfaction by training its executives first? Would TI have achieved quicker results by training its front-line employees prior to its executives?

2. If you were an HR manager at TI, to what sources would you have looked to find information with which to calculate the program's ROI?

case study 2

Kodak Gets the Picture in Executive Education

Eastman Kodak is changing dramatically to compete in a world of new technologies, emerging markets, and global customers. As a result, Kodak's efforts in executive education have pushed the limits to create innovative "learning events" for senior management. According to June Delano, Kodak's director of Executive Education and Development, these learning events are designed to be as dynamic and future-oriented as the company's business environment.

In the past, the highly successful Kodak was a citadel of stability. It enjoyed market dominance, worldwide brand recognition, extraordinary customer loyalty, and enviable profits. Understandably, few employees (or managers) wanted to do anything to upset the status quo as most of them looked forward to a lifetime of employment and security.

Then things changed. The company restructured in order to go head-to-head with competitors in a much tougher digital marketplace and, in the process, there has been a one-third reduction in executive positions. These events have driven complacency far from the environs of Rochester, New York, Kodak's headquarters city. *Agility* has replaced *stability* as the watchword of the future.

As a consequence of Kodak's transformation—not to mention the personnel changes—the majority of senior managers have been in their positions for less than three years. Executive education is viewed as a critical tool for improving the managerial ranks. But Delano believed that the development programs needed to be as active, innovative, and future-oriented as the company. Off-the-shelf materials were out, as were case studies, lectures, and other passive learning approaches. A new approach meant inventing from scratch, letting go of control, and taking monumental risks. Skills in anticipating the business, pushing the culture, and networking were demanded. Delano wanted executive education to optimize opportunities to think collectively and to experiment and explore implications as a team. These objectives led to the creation of three new programs for the senior management team:

- *The Kodak Prosperity Game.* This program was developed in partnership with the Prosperity Institute and was conducted in June 1996 using staff drawn from industry and academia. Focusing on the imaging industry, the program innovatively teamed fifty Kodak executives with twenty-five peer executives from other companies. These "reality-based" teams worked on meaningful, implementable strategies, alliances, and deals.
- *The Digital Executive.* This program consisted of a "scavenger hunt" exploring Kodak's digital present and future. Using digital products and the Internet, small teams researched digital competitors and interacted with a consumer focus group via videoconferencing. One innovative feature of this program was the upward mentoring of the participants by technology "whiz kids."

- *The Future of the Company.* This was a two-part program, developed in partnership with the Global Business Network and focused on learning about possible futures for the industry and the company. Part I was a two-day "conversation" about Kodak and its environment in the coming years. Industry scenarios for growth were developed in small team discussions involving Kodak executives and customers, alliance partners, and futurists. The resulting scenarios launched Part II, in which additional outsiders and provocative thinkers mixed ideas with the participants. The outcomes were a set of new ideas and potential strategies for the Kodak businesses.

So far, the program seems to be working for the company that invented consumer photography more than a century ago. After Kodak's executives committed to an all-out digital strategy, the company's revenues climbed. In 2004, Kodak surpassed Sony, the market leader, in the number of digital cameras shipped in the United States.

Sources: William G. Stopper, "Agility in Action: Picturing the Lessons Learned from Kodak and 23 Other Companies." Adapted with permission from *Human Resource Planning*, Vol. 21, No. 1 (1998). Copyright 1998 by The Human Resource Planning Society, 317 Madison Avenue, Suite 1509, New York, NY 10017, Phone: (212) 490-6387, Fax: (212) 682-6851; "Kodak Overtakes Sony in U.S. Digital Camera Shipments," *Kyodo News International (Tokyo, Japan)* (via *Knight-Ridder/Tribune Business News*) (February 3, 2005).

QUESTIONS

1. What can you tell about how Kodak did needs assessment for executive education? What recommendations would you give June Delano for improving this analysis?
2. From what you read, what principles of learning do you believe are embedded in the three new programs?
3. How would you go about evaluating the effectiveness of these educational experiences? Do you believe that company profitability should be used as a criterion?

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case study 1

Siebel: Forcing the Issue

Siebel Systems, a U.S.-based developer of customer and employee management software, has built its forced-ranking system on the back of corporate objectives that cascade down from the top of the company. On the first day of each quarter, chairman and CEO Tom Siebel publishes his corporate objectives, generated from an off-site executive meeting. By day 3, senior managers will have reviewed the objectives and created their own targets for their specific divisions. By day 15, all 8,000 employees of the company will have created their own sets of objectives in conjunction with their managers. According to Anthony Deighton, director of Siebel Employee Relationship Management (ERM), these objectives are reviewed on a frequent basis through the quarter at both an individual and team level.

At the end of the quarter, employees write a self-assessment and discuss how effectively they hit target with their line manager. Their performance is measured against each objective, culminating in a 1-to-5 overall ranking. Managers have the ability to override the automated ranking calculation to take into account specific factors that may have influenced performance, such as an extended sickness. In addition to the formal ranking, the review also covers a range of other factors, including soft measures that are not objective-based.

Siebel employs three techniques to ensure that the ranking process is carried out as consistently as possible across the company: The HR department supplies relevant documentation, web-based training and an employee helpdesk in an effort to standardize the objectives and measurement techniques. Additionally, all objectives are reviewed by the next layer of management. Finally, the company's employee management software generates a ratings and distribution report, which highlights bands and trends. "If someone has given everybody 5, you make them justify it," says Deighton. "If the manager sees something is skewed, they can drill down, see details and reject a review."

This ranking system forms the basis of Siebel's six-monthly "cull" of the bottom 5 percent of employees. "We do the analytics, get the names, and then go and interview them to find out if this is the right 5 percent, or if there is a different set," says Deighton. "This is not math, it is people's lives. That 5 percent is a blurred boundary."

Although the process may seem ruthless, Deighton argues that it is ultimately constructive. Few people who fail to make the grade are "bad" employees—maybe one-quarter or half a percent of an organization, he believes. Most of them, however, are simply in the wrong job for their skill sets, and it may be there is no suitable alternative opening within the organization.

"There has always got to be a bottom performer. You are forcing managers to think about their people—who is more of a drain than a plus? It is certainly seen as positive by the people who remain. If you do not do it, the star performers will get frustrated and leave."

Source: Keith Rodgers, "Grade," *Personnel Today* (April 2, 2002): 21.

QUESTIONS

1. What do you think are the pros and cons of using a forced-ranking system such as Siebel's?
2. Does it make any difference that Siebel develops and sells performance management software?

3. If you were the owner-CEO of Siebel's, would it change your view on forced ranking?

4. Do you believe Deighton's claim that some of the star performers at Seibel will leave if the bottom 5 percent of employees aren't cut?

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