

SCENARIO: Best Snacks Inc.

COMPANY OVERVIEW

Over the past ten years, the snack food industry has become increasingly commodity-based. Customers are more likely to buy a product based on price than brand loyalty, and with so many options, differentiation between competitors is eroding.

Best Snacks, Inc., a 150-year-old company which has been held publicly for more than 100 years, has traditionally held the number one or two positions in the snack market, providing an excellent and stable investment for stockholders. But in the past several years, Best Snacks sales have been slipping, market share has decreased and, particularly in the past two years, stock prices have taken a dive. This year, the company will finish a very weak second, and with several smaller competitors emerging as major players in the snack industry, Best Snacks is in danger of losing its long-held premier standing in the snack market.

Because it enjoyed such success, Best Snacks has been hesitant to stray too far from its tried-and-true research, development and marketing activities. There have been no product or service innovations in the past five years; instead, previously successful marketing methods have been improved or extended. For example, the most recent product introductions had new package sizes.

Best Snacks CEO Elizabeth Fairchild has asked the Vice President of Organizational Development Sabrina McKay to initiate a corporate cultural change program designed to increase employees' creative thinking skills. The CEO has several goals for the program, and wants to see a comprehensive proposal that includes clear definitions of the new skills employees will develop, organizational strategies for supporting these behaviors, an implementation plan and a timeline for introduction. While the CEO recognizes that this type of change is complex, she wants to see initial results within 12 months.

THE PLAYERS

Elizabeth Fairchild, Chief Executive Officer: Six months ago, following the retirement of the former CEO, Elizabeth became the first CEO in Best Snacks history to be recruited from outside the organization. She comes from the consumer electronics industry, where innovation and creativity are vitally important to ongoing success. Since Elizabeth came on board, she has been busy assessing the organization, talking to customers and evaluating the competition. Her informal evaluation has convinced her that to continue to thrive, the company must develop more innovative products, as well as new and innovative ways to reach the market. She is determined to make Best Snacks the first consumer snacks company to make radical innovation and creativity a vital part of the organization's culture.

Sabrina McKay, Vice President of Organizational Development: Ten years ago, Sabrina was hired as an organizational development specialist. Following several promotions, she now manages a team of eight organizational development specialists, each of whom works with one of the major business units at Best Snacks. Throughout her tenure, Sabrina has been involved in several organizational development initiatives and is well-respected for her participative leadership style and her ability to work effectively with all operating divisions.

Bill Santoro, General Manager, Beverages: A 20-year veteran of Best Snacks, Bill has marketing, sales and operations experience with beverages, groceries and convenience foods.

Jennifer Heartwell, General Manager, Convenience Stores and Vending: Three years ago, Jennifer was recruited from Alexander's Fine Foods to become Vice President of Marketing for the Convenience Stores division. She held the position for 18 months before being promoted to her current position.

Martin Hernandez, General Manager, Groceries: Martin has been with Best Snacks for 27 years, and has worked in the groceries division for the past 15. He is responsible for developing sales and marketing strategy for the groceries division.

Dale Chin, General Manager, Institutional Sales: Dale was brand manager and vice president of marketing for eight years, and has held his current position for two years.

Steve MacIntosh, Chief Financial Officer: A 23-year veteran of Best Snacks, Steve is very concerned about the decline in revenues and profitability that the company experienced in 2005.

Malcolm McGarrity, Executive Vice President of HR and Organizational Development: A former colleague of Elizabeth Fairchild, Malcolm is new to the company.

Sophia Canfield, Executive Vice President of Research and Development: Twenty-two years ago, Sophia began her career with Best Snacks as a product developer, and she still believes that her department has been very successful in introducing new products.

Sam O'Neal, Executive Vice President of Operations: Sam is a 32-year veteran in the company with vast experience in food manufacturing and logistics.

May 8, 2006

MEMO TO: Executive Team

CC: Sabrina McKay

FROM: Elizabeth Fairchild

RE: Building Our Organization's Capability to Innovate

Over the past six months, I have had the opportunity to meet with employees throughout our company and to review several indicators of organizational success. While we have many things to be proud of at Best Snacks, I am concerned about our history of innovation over the past four years. I am convinced that our future lies in developing an innovative organization that can regularly introduce new products and services to our current markets, and also identify new markets that will expand our consumer base.

I have called a meeting of the Executive Team for next Monday to discuss my observations and to chart a course of action. Before the meeting, I would like you to review our operating income statements and our record of product and service introductions for the past four years. Our marketing and finance department has prepared a competitive analysis of key products and services introduced by two of our major competitors during the same time period (attached), and I would like you to also review this, as well as the comparative financials for these two companies.

Please come prepared to discuss ways our organization can become more innovative and creative and, more importantly, how we can do it quickly. Sabrina McKay will most likely be the point person on any innovation initiatives, so I've asked her to join us.

I am looking forward to our meeting.

Elizabeth

May 15, 2006

Meeting to discuss CEO's desire to create a more innovative culture at Best Snacks.

Elizabeth: Thank you all for coming. I know that you are all well-prepared and I'd like to get right to it. As you know, I've spent the past six months talking with employees, competitors and customers to try to get a handle on our company's position and potential future. Best Snacks

definitely has some excellent products, and even some new ones, but we're clearly lagging behind our competition. Our financial results have not been good, especially when compared to our two major competitors. I'd like your thoughts on what you see as the primary issues affecting our profitability and our ability to introduce new products and services on a regular basis. What were your thoughts as you read through the financial and competitive analysis?

Steve: You already know what I'm concerned about, Elizabeth. More than the slide in revenue, I'm worried about the slide in operating income percentages. In the past two years, we've lost all of the gains we had made from 2002 to 2003. We're back at a 12% operating profit, which simply isn't good enough, especially with ComCo sitting at 18% and Alexander's Fine Foods at 16.1%. Our margins are really starting to impact the investment community. I'm concerned that we are investing more and more into Marketing, which doesn't seem to be paying off in terms of either revenue or profitability.

Jennifer: Wait a minute, Steve. I don't think this is just a matter of investing too much in marketing expenses. I think we've got bigger issues, which have to do with the lack of creativity in this company. I see very little coming from R&D that is really going to wow our customers. Meanwhile, our operations costs keep going up, and so do our distribution costs. Look what's happened to cost of sales over the past two years! We've got to find ways to increase revenues and decrease costs in all areas of the company, not just marketing.

Bill: I tend to agree, Jennifer. I think this is an issue we've got address at a very high level. You know, this used to be a place where ideas were encouraged. Back in the '90s, we were introducing new products all the time and we were growing like wild. What happened? Why are we so afraid of taking risks now?

Sophia: We've introduced five major new products in the past three years. We've got four major projects in the works for next year. Why are you saying that we're so far behind?

Malcolm: Because if you look at the number of process innovations -- like the automated packaging system -- compared to the number of process innovations some of our competitors reported in their annual reports, it's obvious not only that we're behind, but that it's not just an R&D issue. Bill may be on to something when he says that we seem to be afraid to take risks.

Elizabeth: I agree; it's not just a product issue. In the consumer electronics industry, innovation was our lifeblood, and it involved everyone in the company. From what I've seen here, not many people seem to understand the importance of innovation. Worse, they seem to have forgotten how to develop and implement creative ideas. That's actually why I asked Sabrina to join us at this meeting. I've already met with her privately, and I'm pleased to tell you that she's agreed to take on a one-year special assignment for me. She's going to develop a proposal for changing the organization's culture with the goal of increasing our capacity for creativity. She'll be starting tomorrow, and I'm asking for your full support as she begins to assess the environment. Sabrina, would you like to say something about your plan of attack?

Sabrina: I'd be happy to. I'm really excited about this project because I believe there's a lot we can do, quickly, that can make a real difference. But I'll caution you that there are other changes we need to make that could take a while, and we'll have to be committed to make some of those changes stick.

The first thing I want to do is conduct an organization-wide survey that will give me some data about how employees feel the climate for innovation is, feedback that might answer Bill's question about risk-taking. That information should help us determine where to focus first. While the survey is going on, I'll be meeting with key leaders in the company to see how they support or discourage creativity and innovation. Elizabeth has asked me for an initial assessment in just four weeks, so there isn't much time. I'd like to ask all of you let your staff know about this project and its priority, so that they are ready to work with me. Thank you.

Elizabeth: Thanks, Sabrina. I'm sure you can count on the full support of everyone here.

May 16, 2006

MEMO TO: All employees
FROM: Elizabeth Fairchild
RE: Organizational Announcement

As you all know, we live in a rapidly changing world. For Best Snacks to enjoy continued success, we need to keep up with those changes. In the past few years, we've seen consumers become increasingly conscious of healthy eating. We've also seen increased price pressure on our products not just from our major competitors but from private labels. These are just two changes that require us to adapt and respond in order to remain competitive. Companies that are going to be successful in the future must lead the way with creative and innovative products, services, processes and solutions.

To that end, I am pleased to announce that Sabrina McKay, Vice President of Organizational Development, will be initiating a special project designed to increase creativity and innovation throughout our organization. Over the next four weeks, Sabrina will be conducting an organizational assessment so that she can determine key areas of focus for the next several months. Please join me in congratulating her. More importantly, please offer her your full support as she begins her new assignment.

June 7, 2006

MEMO TO: Executive Team
FROM: Sabrina McKay
RE: Organizational Analysis

As you know, I recently conducted an employee survey with the goal of assessing the creative climate at Best Snacks. I've attached the survey results, which identify several areas for us to explore as we make our plans to promote a creative culture within our company.

Much of the research on innovative companies points to the importance of management practices that support creative employees and their ideas. I've attached a number of the key management practices and policies that we currently use at Best Snacks. My third attachment describes key policies related to performance management, training and development, and incentive programs. Finally, I have attached a copy of our corporate mission and values statement because I think it is important for us to discuss our next steps with this statement in mind.

I would like you all to review these documents before the executive committee meeting next week, and come prepared to discuss issues that you see in the data as well as possible ways to address those issues. I will also be presenting a proposal for several organizational initiatives designed to increase creativity. We will certainly have a lot to talk about; see you there!

Sabrina

June 12, 2006

MEMO TO: Sabrina McKay
FROM: Elizabeth Fairchild
RE: Organizational Analysis

Sabrina,

I'm pleased with the level of detail you've provided in your organizational analysis, and I'm looking forward to your proposal at the Executive Committee meeting. As we discussed on the phone, I would like your proposal to include the following information.

1. What are the characteristics of innovative/creative companies?
2. How do we stack up? In other words, what does your analysis tell us about Best Snacks' current situation? Where do we need to improve?
3. What steps do you believe we need to take to transform the organization?
 - a. What initiatives, specifically, do you propose?
 - b. What, if any, training and development activities do you recommend?
 - c. What, if any, changes will be required in our organizational systems?

Along with your recommendations, I'll need estimates of the time commitment, budget estimates and descriptions of the role that you expect the Executive Committee to play in this process. And if there's any information you can provide regarding return on investment, that would be great.

Thanks so much!

Elizabeth