



ACHIEVING CLASS A

BUSINESS EXCELLENCE

An Executive's Perspective

**DENNIS GROVES
KEVIN HERBERT
JIM CORRELL**



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Praise for Achieving Class A Business Excellence: An Executive's Perspective

From day one, the three overarching principles of The Oliver Wight Companies have been:

- advocate only the proven processes, often the latest, but leave the untested theories for academia to debate.
- consult only with companies truly committed to succeed in transforming their business to be the best it can be.
- only coach the company's people, through knowledge transfer, so that they, not us, can lead and make the changes.

Many years and thousands of companies later, these principles still differentiate our associates.

This book continues this successful formula. The authors have created people you'll recognize, dealing with problems that confront all companies. It may be entertaining to read about their struggles; the greater value, however, is to grasp how they changed from an out-of-control operation to an effective team capable of achieving ambitious company goals.

Accomplishing this dramatic journey of change is demystified; no longer a reactive hit or miss effort. What is presented to you as foresight comes from the collective experiences of the authors and their colleagues, 20/20 hindsight, in helping companies avoid the pitfalls and focusing them on the prerequisites in order to make smart decisions and timely progress. To ensure the many events are done in the proper sequence, even a road map is included!

Armed with helpful advice always makes a tough task easier, yet implementing company-wide change remains a major challenge. Staying on course is vital—the tenacity of the leaders will be frequently tested.

Although this representative company and its characters are “figments of the authors' imagination,” take good notes as the lessons are real.

**—Walt Goddard
Chair Emeritus, Oliver Wight International**

“An excellent book! The issues identified here are the kind that can keep business executives awake at night; however, with identified critical tasks and a proven path, the resultant change can be both transformational and sustainable. This book clearly articulates the manner in which this type of change takes place and a method for achieving that change.”

**—Jason Thorne
Director, ABeam Consulting USA**

“Multi-national operating companies, global brand proliferation, outsourced design and manufacturing, and mass-customization capabilities, enabled by multi-language/multi-currency enterprise-scale information systems . . . this is the arena in which senior management is innovating and competing, irrespective of industry or geography.

Achieving Class A Business Excellence articulates a contemporary, pragmatic, and comprehensive example for business model innovation. Leaders who equip their senior management team with these catalytic mechanisms, and oversee the deployment and execution, will transform companies and cultures.”

**—Jim Denney,
President, CAP, Inc.**

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Published by John Wiley & Sons, Inc., Hoboken, New Jersey.
Published simultaneously in Canada.

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Library of Congress Cataloguing-in-Publication Data:

Groves, Dennis, 1942-

Achieving class A business excellence : an executive's perspective / Dennis Groves,
Kevin Herbert, James Correll.

p. cm.

Includes bibliographical references and index.

ISBN 978-0-470-26034-0 (cloth : acid-free paper)

1. Management. 2. Strategic planning. 3. Leadership. I. Herbert, Kevin
(Kevin P.) II. Correll, James G. III. Title.

HD31.G7645 2008

658.4'09—dc22

2008012266

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

This book is dedicated to William Doug Burns, a valued Oliver Wight Principal colleague and friend, who died far too prematurely. He supported us in the early days of writing this book with the same extraordinary technical expertise and commitment he provided to all his clients. We'll remember you always, Doug.

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Prologue

Service Industries

We begin with an explanation for readers who have a service industry background. Although this book relates a story about a manufacturing company, the principles, processes, and cultural aspects apply equally to the service sector. Our work with service companies, including financial institutions, law enforcement, driving license bureaus, even local government, shows that very little tailoring of the *Class A Business Excellence Checklist* content is needed, and is mostly confined to the details in the chapter dealing with managing internal supply. Even there, tailoring may be a question of changing the terminology to words that are more familiar in service industries. The major concepts of product, demand, and supply are universally acceptable. So we encourage you to read the book and to mentally align the manufacturing terminology to service terminology where necessary.

Introduction

Six months into his new job, Greg is desperate. The list of problems he faces might signal the end of his career as president of the Cosmetics Products division of Amalgamated Consumer Products Corporation, Inc.

Imagine coming to work and facing these conditions day after day:

- Revenue and profit falling short of commitment
- Dreadful customer service, resulting in sales managers spending more time apologizing to customers than in building the customer base
- New products introduced late, and then not meeting share, revenue, and profit expectations
- Inventories expanding outside the walls of the warehouses, while orders are shorted, and expired and obsolete products are scrapped
- Functional managers who are operating as silo managers, and are at each others' throats
- Marketing campaigns repeatedly beaten by the competition

Whether you are a senior executive or a mid-level manager with aspirations to reach the senior management ranks, you can empathize with Greg. Without robust, integrated management processes, disasters like these are all too common.

We hope you have avoided the simultaneous convergence of all these conditions. Greg has not been that lucky. He has to deal with all of them.

In this book, you'll look over Greg's shoulder as he confronts and overcomes these conditions. You'll watch him make some traditional, expedient, and very counterproductive decisions as the pressure to improve business results increases. You'll watch as he learns to think differently about his company's business processes and their impact on the entire supply chain. He will learn how to integrate those business processes to meet the needs of his customers while simultaneously improving service to his suppliers, employees, and shareholders. No software or any other magic bullet or quick fix can deliver the turnaround that Greg needs. Instead, Greg learns that excellent business

results depend on a system of well-designed and fully integrated business processes operated and managed by knowledgeable and committed people. Greg's journey will change the way he manages Cosmetics Products and will change the way every employee operates within that business. The journey from near failure to becoming the "best of the best" is long. There are no easy solutions to the problems Greg is dealing with. You may be tempted to stop reading when you come to a potential solution for your latest nagging problem. We encourage you to resist that temptation and keep reading to get a vision of what is possible.

Amalgamated Consumer Products Corporation and the characters in this book are figments of the authors' imaginations. But the people, the businesses, the situations, the challenges, the conversations, the conflicts, and the outcomes are based on our experiences, the success of our remarkable clients, and the collective knowledge of our esteemed colleagues in The Oliver Wight Companies. We hope you benefit from Greg's journey and, like Greg, develop a new, comprehensive way to think about and improve your company's business results.

OPPORTUNITY

Be careful what you complain about; it just might become your responsibility.

“I want you to be the new President of Cosmetics Products.”

Susan Barnett, Chairman and Chief Executive Officer of Amalgamated Consumer Products Corporation, had been eagerly looking forward to her 10:00 A.M. meeting with Greg Sanders. She had worked with Greg about 10 years earlier at Hillcliff Cosmetics, which owned a number of popular brands. She had held him in high regard then and had followed his career ever since. They still ran into each other at various management forums where they shared their career experiences during breaks. While at Hillcliff, Susan occasionally had dined with Greg and his wife Penny in their home. Susan and Penny had a natural rapport. Now Susan planned to offer Greg the position of President of Amalgamated’s Cosmetics Products division and hoped he would consider the offer too good to refuse.

Despite the unusually blustery and gray March Monday morning in Atlanta, Greg arrived for his meeting on time. They chatted first about family, friends, former colleagues, and general economic conditions. “I appreciate your continuing interest, friendship, and support over the past 15 years. I can’t tell you how much I enjoyed the time we worked together; I learned a lot from you, Susan. But I was really surprised by your call last week. Fortunately, I’m vacationing at home, so it was easy to make the trip downtown.”

“I’m glad you could make it. Now, let’s get down to business. I know I was a bit vague on the phone last week, and I appreciate your patience. At the time, I wasn’t at liberty to tell you very much about why I asked you to visit.

Now I am, and I want to come right to the point. As you know, we have a new Cosmetics Products division that didn't exist three years ago. I need to give you a little of its history first. Cosmetics Products is a small but viable division that we created through the acquisition of four companies and several additional spin-off brands. Product Categories acquired for the Cosmetics Products portfolio include Hair, Lips, Eyes, Face, Body, all for women; and Shaving, Grooming, Cleansing for men. We also have an Accessories category. Along with new brands, Amalgamated acquired the human and capital resources of the smaller companies. As often is the case, none of the individual companies used the same business language, procedures, or tools.

"After rationalizing the disparate manufacturing and distribution sites, Cosmetics Products has ended up with plants and distribution centers in Atlanta and Dallas, and additional distribution centers in Los Angeles and Lititz, Pennsylvania. In these cities, Cosmetics Products uses space in distribution centers already operated by Amalgamated's other divisions.

"Cosmetics Products represents \$200M in sales; it's actually our smallest business unit, but it's the Amalgamated business with the greatest potential growth. The current President, Stu Tillman, is about to retire, and I want you, Greg, to be the new President."

After sitting in stunned silence for what felt like an eternity, Greg looked at Susan. "I see you've not lost your sense of timing or directness, but you just threw me a real curve. I'm not even sure how to react. I actually thought we'd be talking about improving the working relationship between your company and mine. You know that we've been complaining about Cosmetics Products' poor customer service for the past two years. I'm not exaggerating when I tell you that you've delivered less than half our orders complete and on time since we started buying from you.

"My very first boss must have been prophetic. He told me to be careful what I complained about, because it might just become my responsibility to fix it some day! Okay, I know you'd prefer a simple yes or no answer, but I have a million questions. How much time can you spend with me today?"

"I've cleared my agenda through lunch, Greg, and I would like you and Penny to join my staff for dinner tonight if you can manage it. Sorry for the short notice, but it would be good for both of you to meet some of the characters you might be working with. Greg, I'll be happy to answer all of the million questions you have, but first let me put all my cards on the table. I'm offering you the smallest operating division, granted, but it's also the hope for the future for Amalgamated. And, to be very clear, it's in a real mess. I created the division. For that reason alone, setting aside for the moment the business imperative, I want it to be successful. I know you've met Stu Tillman, the current division President, during our recent meeting with key customers. Stu has done a great job of pulling together the semblance of a unified division. More than once he's told me he feels as though he's herding cats, but he has built an operating division, and we're in business. Although his folks don't know it yet,

he's very close to retirement and fully supportive of your becoming the new President. Quite frankly, the business isn't doing nearly as well as I'd hoped; the division's in serious trouble. As much as I like and respect Stu, I think this change at the top will do us a world of good. But before I get into the details, I want to influence your decision even more."

Susan handed Greg a document approved by the Chairman of the Board detailing the proposed salary and benefits package for the new President. He studied the details at length and again sat silently for a moment. "Susan, I'm a sales and marketing guy, and take pride in never being speechless. Twice in the past half-hour you've left me speechless. This is far more than generous; I'd say it's astounding. It's well beyond my current salary and benefits package. Are you telling me that I get the ego satisfaction of having the title of President and all this, too?" Susan smiled.

"Okay, you've successfully influenced my decision, but the size of the offer leads me to believe that you either have some very big plans or some huge problems! Mother regularly told me that there's no such thing as a free lunch."

Over the next two hours, Susan described Amalgamated's structure, products, operating and financial results, strategic direction, key people, and key initiatives. She discussed her excitement about creating the Cosmetics Products division and her more recent disappointment in its operating results and contribution to the company.

"Look, I've said it several times already, but I want to reinforce it again. Stu did me a great favor in stepping out of his comfort zone in Personal Products to take the reins of this new business. He has extensive experience in marketing and is greatly respected there, but he has never really learned how to manage this business. He seems out of his element in trying to provide guidance to the supply side. Costs continue to rise; you know very well that our customer service track record is about the worst in the industry; profits are eroding quickly; our warehouses are bursting at the seams; and the only consistent aspect of our new product introductions is that they're unpredictable, and full of unwanted surprises.

"I need the person at the top to be a true business leader, to pay attention to and orchestrate all parts of the business. In his role as President of Personal Products, Stu knew enough about the industry to be successful, and he had an experienced leadership team and organization running pretty much on automatic. However his knowledge didn't translate to the Cosmetics Products business where we're facing different problems."

Greg interrupted, "Let me get this clear in my own mind. In addition to the sales and marketing responsibilities, you'd also hold me accountable for the performance of product development, finance, supply, and distribution operations? You know my background is sales and marketing, and, as with Stu, I know very little about the supply and the technical sides of the business. That feels like a real leap for me. On top of that, you've told me the business is 'in a real mess,' to use your words. I now understand the size of the compensation

package a little better. Guess Mom was right after all. There really is no free lunch! Seriously, why do you think I'm the person for you, given the scope of what you want the new President to accomplish?"

Susan paused, and then she continued, "I've heard from others over at Blackstone that your management and problem-solving abilities are still alive and well. The skills and energy you bring to the table are exactly what we need to get this new business moving." She leaned forward and spoke in a measured voice, "I know you can succeed in this role. I need you to succeed in this role and will do everything possible to support you. I'm offering you complete control of the business." She leaned back in her chair and continued, "Clearly, what we are currently doing is moving us in the wrong direction. Do what you need to; go where you need to in order to learn; even change the staff, products, and services if you believe it will help. Just stay within your budget, which I think you'll find to be very generous. In fact, let me go a step beyond that. If you have any specific funding needs that would take you beyond your budget, come to me and I'll see what we can do. Bottom line, I view Cosmetics Products as my creation, and I need it to be successful. The Board sees Cosmetics Products as the key to Amalgamated's future, and they also need it to be successful . . . but soon. We all have complete confidence in your ability to make it happen."

Greg thought for a moment before responding. "This looks to be an incredible challenge, and I'm confident I can meet your expectations . . . if I accept the offer.

"The idea of a group dinner tonight is a good one. It'll be great to meet your staff, especially in a casual setting. That makes it easier to learn about the situation and the people behind the positions.

"Speaking of your staff, I'd appreciate your observations about the players, their roles, and how they operate with the business unit Presidents and Senior Vice Presidents. I'd also like your perspective on the Board of Directors and what they expect of you and the senior management staff."

Susan went on to describe how Amalgamated was organized.

She gave Greg an organization chart [Figure 1.1] and a thumbnail sketch of the people on the Board and on her staff. Amalgamated's Board was made up predominately of people outside the company, with Jim Richards III (grandson of the founder, James R Richards) as the Chairman Emeritus. The Board gave her and her Executive Committee plenty of room, but paid close attention to strategic plans, company image, shareholder and employee relations, government relations, product performance, and profitability. Susan told Greg that the Board was extremely supportive of branching out into the cosmetics industry, but was clear about its expectations for profitability and growth. Lately, she explained, Board members had been asking some unusually probing and uncomfortable questions about the future of Cosmetics Products and about the missed expectations. There was no question about their still being supportive, but they were looking for a return on their investment and were becoming impatient.

Amalgamated Consumer Products Corporation, Inc.
 Founder: James R. Richards Established: July 1, 1936
 Corporate Offices in Atlanta, GA.
 Sales : \$1.7B

Organization Chart

CEO
 Susan
 Barnett

Operating Divisions:

Personal Products \$700M
 Home Products \$500M
 Food Products \$300M
 Cosmetics Products \$200M

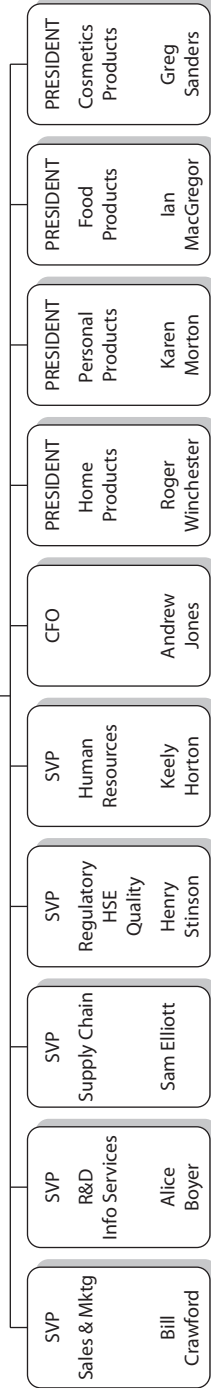


Figure 1.1 Corporate Organization Chart

In terms of her Executive Committee, Susan explained that the Senior Vice Presidents (SVPs) gave her guidance and support, and also provided guidance and support to operating division functional leaders. One of their primary functions was to ensure uniformity across all operating businesses. Her organization was much like a matrix in which, for example, a business unit's Human Resources (HR) Vice President reports directly to the business unit President, but also has a dotted-line relationship to Senior VP of Human Resources, Keely Horton.

"On the one hand, Greg, you'd provide direction to your VPs and call all the shots for Cosmetics Products. You'd conduct the performance reviews and make salary and career decisions for your staff. On the other hand, I'd expect the Senior VPs to be a resource for you and your staff. I look to them to deploy strategic priorities uniformly, develop and deploy common key performance indicators across all businesses, calibrate salaries, and make sure Amalgamated is taking advantage of leading-edge thinking. That's the role of the Senior VP's, but they know that Karen Morton runs Personal Products, Roger Winchester runs Home Products, Ian MacGregor runs Food Products and, hopefully, Greg Sanders runs Cosmetics Products."

"That sort of structure worked pretty well for us at Hillcliff, Susan. But remember all the major turf issues that erupted when a manager got caught between his or her line VP and the staff VP? Any of those problems here?"

"I think we're well past the start-up problems that surfaced when we implemented this structure three years ago, Greg. At first I saw many of the same problems that we saw at Hillcliff, but we solved them quickly. The new roles and responsibilities took some getting used to. But now I think you'll find the Senior VPs to be very supportive of this way of operating as well as of change in general, providing there's a compelling business case for making a change. Don't let your VPs blame the Senior VPs for getting in the way of change. If they do, just sit down with the appropriate Senior VP and explain what Cosmetics Products wants to do and why. I'll get involved if I need to, but that should be a pretty rare event. In fact, that's an excellent topic to discuss with the Senior VPs at dinner tonight. Test their openness to change; ask them what changes they've made recently. Ask them what types of change in Cosmetics Products they'd want to know about in advance. I think you'll be very pleased; I know I am. It may be that Stu spent too much time trying to reconcile detailed differences in the ways his people did things in their old companies prior to acquisition. In fact, even now you might be hard pressed to identify the 'Amalgamated way' of doing things among his staff. Each acquisition company brought its own way of working. Some procedures were better than the Amalgamated way, others worse, but there's still little consistency. People tend to rely on what they already know and resist anything that's 'not invented here.' All that is well and good, but in the Cosmetics Products division it seems almost pathological. It's as if we've lost sight of the fact we are supposed to be saving the ship, not rearranging the deck chairs.

“Let me remind you that one of the reasons you have the offer in front of you is because of your success at looking at businesses differently and improving results. Every one of the Senior VPs has heard that from me. They’ve seen the evidence from your career themselves and are eagerly looking forward to the energy and improvement you will bring. After all, part of their compensation is based on growth and profitability, so you’ll definitely find them supportive of changes that help the bottom line!”

“Sounds excellent, Susan. I’ll be testing your perceptions this evening, but it sounds as if you have a first-rate group of executives. Now, let’s turn to the people a bit closer to my potential new home. I’d value your thoughts about the performance of the Cosmetics Products division and the people who make up the senior staff. What keeps you awake at night when you think about that business? What are the problems you’ll expect me to attack and solve, again, if I accept the offer? By the way, if I don’t accept the offer, you can count on me to keep all the information you are sharing in absolute confidence.”

“I appreciate that, Greg, and never have had any concern about your keeping all of this in confidence. Let’s turn to the hard stuff closer to home, as you put it. I won’t put these in any order of priority except for the first one. It’s the one you’ve already experienced, and it’s the one that could conceivably sink us. Customer service is completely unacceptable. We receive complaints about incomplete orders and missed delivery dates on about 40 percent of our shipments.”

“You’re absolutely right about the need to solve the customer service problem. I can tell you first-hand, Susan, that your delivery performance on shipments to Blackstone isn’t even as good as 60 percent. My purchasing folks tell me that at least half the orders have been incomplete or past due. If you add billing errors to your measure of ‘on time and complete,’ your performance is well below 50 percent, and it’s driving our Blackstone Accounts Payable, Merchandising, and Purchasing people crazy. What are your folks telling you about the root cause of the problem?”

“It really depends on the situation and whom you ask, Greg. If you ask Kari Crawford, the VP of Sales and Marketing, it’s that Manufacturing is unreliable and inflexible. Ask Tony Caruso, VP of Manufacturing, and you’ll hear that the production planners change the schedule so much that Manufacturing’s most frequent activity is executing unplanned and lengthy product changeovers. If you ask David Simpson, the VP Supply Chain, you’ll get the answer that Sales can’t anticipate what the customers want and never saw an order they didn’t take even when we don’t have the product to ship. The external sourcing team will tell you that the suppliers are doing everything they can, but Manufacturing is changing the schedule so fast they can’t keep up. We did a supplier survey recently: the overwhelming response was that they have trouble meeting our needs because we don’t know what we need from one day to the next! And I haven’t even touched on new product introductions, quality issues, or the billing problem you mentioned. You want more, Greg?”

“Susan, I think that’s plenty to think about for now! And I believe you just introduced me to some of the cats that Stu has been trying to herd. Tell me, are these problems unique to Cosmetics Products, or do you also see them in the other businesses?”

“I would have to say they are present, but certainly not to the extent that we see them in Cosmetics Products. I suspect that’s because we built the other businesses more slowly, and from the ground up, so we had a chance to learn at a reasonable pace. Cosmetics Products came together quickly—some would say too quickly. Everyone followed his or her own way of operating to take orders and get product out the door quickly. The Senior VPs have done their best to bring some order out of the chaos, but there’s only so much they can do while also serving the other businesses.

“You now know a little more about the customer service challenge. As I said, it’s the problem that concerns me the most. We might have the best products in the world at half the cost of our competitors, but if we can’t get the right product in the right quantity and quality to the right place at the right time, we won’t have a need for any products at all. Any thoughts about what I’ve told you, Greg?”

“I couldn’t agree with you more about the priority of the customer service problem. I’ve talked about that issue directly with Stu; complained on any number of occasions. Interestingly, your service to Blackstone actually improved for a week or two each time we spoke; and just as quickly reverted to an unacceptable level. From what you said, it sounds as though people are spending more time blaming each other than looking for and eliminating the cause of the problem. There just seems to be a total lack of integration among the players. A bit of strong leadership with clear priorities would go a long way to fix this one, Susan, although I certainly don’t want to oversimplify the situation or take a cheap shot at Stu. I could bring a strong customer focus perspective, provide some horror stories to motivate the troops, and set some compelling priorities for the leadership team. That’s always helped solve service problems whenever I’ve faced them in the past, and it should help here at Amalgamated.”

“We really could benefit from the first-person customer perspective you bring, Greg. And your other comments reinforce my observation that you’re a decisive leader.”

“Tell me more about the inventory situation, Susan. I’m a bit confused. You said Manufacturing complains about all the unanticipated product changeovers they are forced into, but you also said that your warehouses are overflowing. What’s going on there?”

“It depends on who you ask, Greg.”

“Wait a minute, Susan; am I detecting a pattern here? Does anyone agree on anything in that business?”

“I always knew you were a fast learner. That’s one of the reasons why I invited you here. Let me tell you a bit about what I’ve learned. I’m not

necessarily saying that it makes sense, but it appears there are several reasons for the excess inventory. When a manufacturing operation shuts down for an unexpected changeover, all the materials the plant needed to make the originally scheduled product are either in the plant already or are en route. Worse than that, the materials needed to make the product added to the schedule at the last minute probably aren't in the plant and must be expedited by Purchasing. Net result, too much inventory of materials we don't need, premium prices for the materials we didn't know we needed and, in all likelihood, delayed shipments to the customers. I've talked with enough planners to know they feel personal responsibility if plants run out of materials. Because they don't trust the schedule, they try to guess what they might need and keep an ample supply of those materials just in case they might be needed. Need I say that they rarely guess accurately?

"The same is true for finished product. Distribution planners don't believe the sales forecast. Woe betide the planner who runs out of finished product and causes an order to be shorted. So they tend to guess for themselves what will sell, and keep extra just in case. I know, Greg, I know. How can we have a dismal customer service record when we have extra inventory? Simple. We have plenty of finished products in inventory, but they are the wrong products in the wrong warehouses. We repackage overbuilt displays into open stock shipping containers and redistribute some of the product, but those are expensive rework options. Further, too much of our finished product in the warehouses goes beyond the expiration date, and has to be destroyed. Oh, and then there's my all-time favorite. Sales tells me that we've actually cut some orders because we didn't have product when the truck arrived, but learned later that it was a matter of the warehouse people just not being able to find it. Why? You guessed it; because the warehouse was overcrowded. Then add the issue of frequent delays in quality assurance releases and you build yet another layer of 'just-in-case' raw material and finished product to fit into the warehouses.

"I believe my analysis is accurate, but I haven't had the time to jump into the details and try to get to the root cause. And Stu, I'm afraid, doesn't have the technical depth required to ask the right questions. There is a good deal more that I could tell you, but at this point I'd want to make sure I answer your questions and hear any thoughts you might have about getting inventory under control."

"The common theme that keeps coming up for me, Susan, is the absence of clear priorities and information. Don't hold me to this yet, but it seems as if everyone is trying to do what's best. It seems as though they just need clearer direction that their first priority is customer service. Close behind that is reducing inventory. Improving these results would do wonders in kick-starting their creativity, and it should get them moving together along the right path. I'm a firm believer that necessity is the mother of invention. The President of the business has to define the 'necessity' part as well as the consequences if the 'invention' part doesn't show up quickly. I think they need to apply some

of our old Hillcliff continuous improvement thinking; get to the root causes of your problems and eliminate them for good. Your products, by and large, are pretty simple. Getting inventory down shouldn't be that difficult, Susan. Don't take this as a commitment by any means, but I'm getting excited as I think about what could be done in this area. As I'm sure you're well aware, your inventory is tying up a good deal of cash that would help the bottom line and appease the Board.

"Your comments, Susan, lead me to believe you need a stronger hand on the tiller, so to speak. But, like you, I don't want to sell Stu short. I've heard about his outstanding marketing reputation. That makes me want to know more about the players on his staff. Do they have the necessary horsepower to get the job done, or do you have some of them in place because of acquisition contractual agreements?"

"To be sure, there are contractual agreements defining how we assimilate people and manage salaries, benefits, and the like, Greg, but that doesn't tie our hands. We can staff the organization in any way that allows us to run the business and achieve our goals. Too much is at stake to do otherwise. If we need to move some people or even remove some people, I have the complete backing of the Board to make the moves and pay the contractual penalties. That should be another indicator to you of the support you'll receive in turning around this business. Overall, I think you'll find some good people on your staff. Here's a copy of Cosmetics Products' organization chart [Figure 1.2]. Greg smiled as he saw his name as President!

"Sara Miles, your VP Finance, and David Simpson, the VP Supply Chain, are long-time Amalgamated folks and are top-notch performers. You'll find them responsive and real team players. They should be your first source when you need straight information. Sara is probably our best Business Unit Finance VP, and David has a clear grasp of 'supply chain' with a capital S. He gets it and encourages his people to embrace the concept of the supply chain spanning all the way from the customer's customer to the supplier's supplier. If we had everyone operating with his mindset, we'd probably have fewer customer service problems.

"Your other VPs are from recent acquisitions. They're all good people and work hard. Their skills vary, as you might expect, in relationship to the sophistication of their former companies. Being senior managers, they all have pretty clear ideas of how things ought to be done, but those ideas match how things worked in their old companies. Collectively, they don't all agree on much of anything. Blending and teaming the resources was only one of many priorities as we completed the acquisition process, moved people and capital resources, tried to learn about our new products and customers, and so on. It makes my head spin just thinking back over all the crises during that period. The good news is that it's all behind us. Now we can focus on building a world-class team and business.

"Kari Crawford, VP of Sales and Marketing is creative and energetic. I think she is still a bit reluctant to rely on her own ideas since she operates in the

Amalgamated Consumer Products Corporation, Inc.
Cosmetics Products Division

Organization Chart

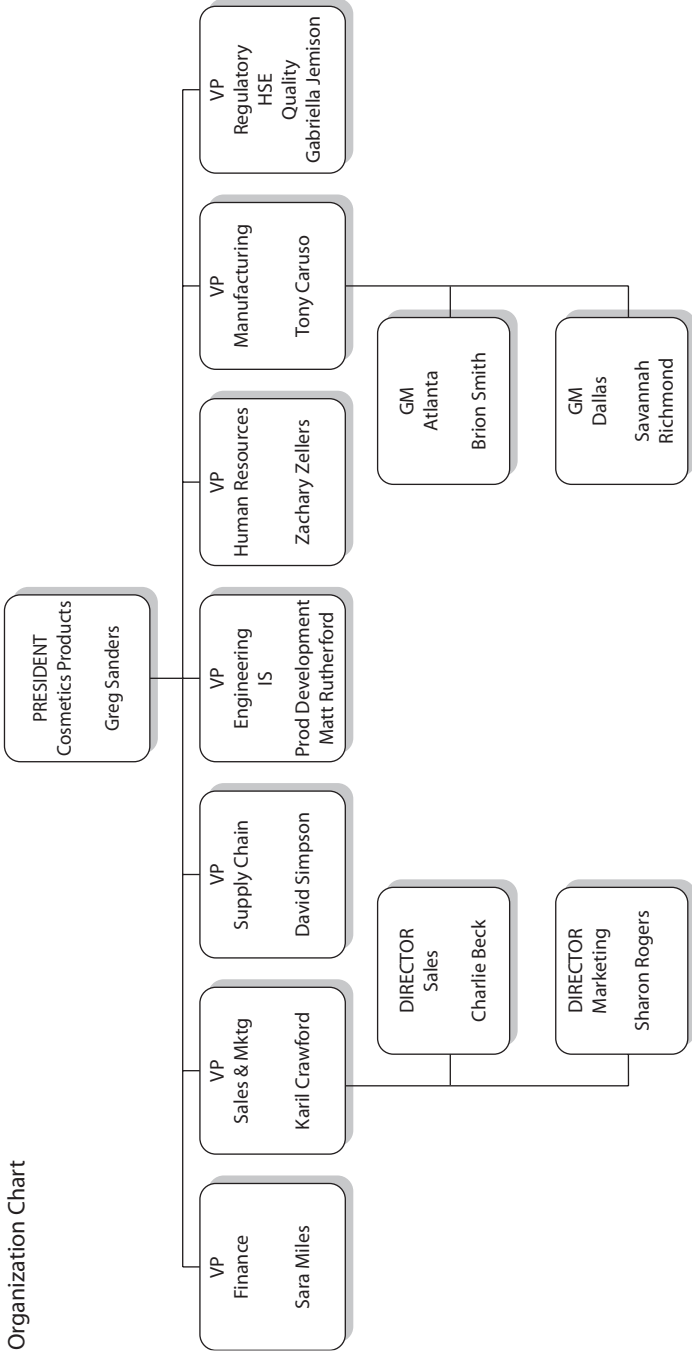


Figure 1.2 Division Organization Chart

shadow of Stu. Freeing her of that constraint should allow her to create new marketing plans and get her field salesforce on that same page with her.

“Matt Rutherford has a great deal of Product Development experience and is a first-rate Development Engineer. On the downside, sometimes he’s obsessive about the details and misses the big picture. Our last product launch was a mess; we missed the launch date after a heavy advertising campaign. Development was buried in the details and wasn’t providing a good enough picture of potential delays, so I hear. Worse, they were reluctant to share some problems they thought were major issues with the leadership team until it was too late. Turns out that the big problems they kept working on really weren’t big deals to the Sales and Marketing folks. As a result, it seems we missed the launch for no good reason. Notice the common theme: even though Kari and Matt are senior managers, they’re young and still tentative. They still see themselves as outsiders and frankly, it’s hurting their performance and the company’s, as well.

“You have a gem in Zachary Zellers, your HR VP. He worked very well with Keely Horton in creating and selling the transition packages for early retirement, education, and outplacement following the acquisitions. Keely couldn’t say enough good things about Zach. Same is true for Gabriella Jemison, your VP of Regulatory, Health, Safety, Environment (HSE), and Quality. She knows what she is talking about and always presents a compelling case for her positions and recommendations. She knows when it makes sense to take a prudent risk.”

Over lunch, they continued their discussion. “Last, but not least, is Tony Caruso, your VP Manufacturing. Tony has spent his whole career in manufacturing organizations. It’s hard to believe, but he’s been in the automobile industry, steel, electronics, food, and now cosmetics. I’ve probably even missed a few of his former career landing points. He’s a hard-nosed, traditional, toe-the-line kind of a manufacturing guy. Don’t get me wrong, he’s a doer; he can make things happen. But you might find him a bit inflexible. Frankly, he tends to drive Kari over the edge from time to time. You know the standard conflict between Sales/Marketing and Manufacturing: ‘We want what we want when we want it’ versus ‘you’ll get what we’ve got when we’ve got it!’ Now that may be an exaggeration, but you get the drift. I don’t want to disappoint you; you’ll find the old Sales versus Manufacturing conflict is here in Cosmetics Products in all its glory.”

“Well, I guess the good news is that it won’t be the first time I’ve had to deal with that, and it probably won’t be the last. I know I’ll have a chance to meet with your staff tonight, but what about meeting my potential, I repeat potential, leadership team before I give you my decision?”

“Good question. I anticipated that you’d want to meet them, so I arranged a visit for Wednesday of this week. I hope that day works for you. They all will be in town and have you penciled in for a visit that day. As far as they know, you will be here as a customer to learn what they are doing to improve

customer service for Blackstone. I guess that's both true and useful no matter if you remain with Blackstone or join us, isn't it? Stu will be your host for the day, but will find reasons to give you plenty of one-to-one time with individuals or with the team. Just tell him what you need during the day."

"Thanks for setting that up for me. Wednesday will work just fine. I suppose you'll be looking for an answer from me soon. How about by the end of the day on Thursday? If the answer is yes, I'll need a couple more weeks to wrap things up at Blackstone so that I don't leave them in a bad spot. I expect they won't be too happy if I leave, unless I commit to taking care of your customer service problems once and for all!"

"Thursday afternoon is just fine, Greg. Let me know if you need an extra day or two. I really do need an answer by noon Monday, either way.

"You've asked good questions today, Greg. We can continue tonight, but I would rather you spend the time at dinner pumping others for their perspectives on the opportunities and challenges you might face with Cosmetics Products. Besides, I have a lot of catching up to do with Penny! You can also call me tomorrow for any clarifications about what we discussed today or what you hear tonight. Same goes for any questions you might have after meeting with the Cosmetics Products leaders on Wednesday. Any other questions for now?"

"No. I just need some time this afternoon to sort out what you've told me and to organize my thoughts for tonight. This is a wonderful opportunity. I can't thank you enough for thinking of me as the person you want to lead Cosmetics Products. See you at the restaurant later."

Penny was already dressed and ready when Greg arrived at home. While he freshened up and dressed for dinner, Penny listened to Greg recount his meeting with Susan. "It's an exciting offer. I would have complete control of the business and would work for a CEO I've admired since those days at Hillcliff. I won't even tell you about the salary and benefits package yet, except to say that if you tried to guess, you wouldn't come close. I want you to be unbiased; tell me what you think about the people you meet tonight and your assessment of the overall feeling in the room."

"I'll be glad to give you my opinion, Greg, but I won't make the decision for you. You know I'll support whatever decision you make. But tell me, what is it about this opportunity that gets you excited?"

"Frankly, there are several things. I'd finally get a chance to be President of a business that just happens to be getting the greatest degree of scrutiny from the corporate Executive Committee and the Board. Cosmetics Products is expected to grow, so I can expect support for any reasonable direction I want to take it. As I said, I already have the support of the CEO and enjoy working with her. And if the business grows as planned, I should have an opportunity to take on even greater responsibility in the company."

"I sense some hesitation in your voice. What's causing that?"

"There is no question that Amalgamated and Susan are eager for me to accept their offer. It's a hard one to refuse, but it's not without serious

challenges. The scope of the job is broader than I've ever tackled. I'd be accountable for the performance of the entire business, all functions. I've never been accountable for areas such as manufacturing, product development, logistics, and the others. So I'd have lots of homework until I learn what a President needs to know about strategic planning, finance, product development, supply and distribution, and then get those areas under control. For that reason alone, it can't be just my decision. I like spending evenings and weekends with you and the boys. That could change, at least for a while.

"The business is not meeting performance expectations; I sense Susan is under enormous pressure, and you know that only flows downhill. The Board is looking for a quick turnaround. From what Susan told me about my prospective staff, and what I could read between the lines, the leadership team is not focused or aligned on a common agenda. They're still, at least to a degree, holding on to how things were done in their companies before they were acquired by Amalgamated."

"Doesn't sound to me like anything you can't handle, Greg. You've always been able to turn challenges into résumé fodder! Some of those problems sound familiar to me. You've solved them for other companies in the past; no reason you can't solve them for Cosmetics Products."

"Part of my concern is that all of this happened so quickly. I had information overload today, and I still have a bunch of questions to ask tonight. Well, I'm ready. Let's be off!"

The private dining room in the nearby restaurant was perfect. During the social hour, there was plenty of room and time for Greg and Penny to circulate and get to know a little about each member of Susan's staff. As the discussions turned more to business details and the expectations that the Senior Vice Presidents had of Greg, Penny excused herself so that she and Susan could catch up on events since their Hillcliff days. "You realize that besides just wanting to see you again, Penny, I asked Greg to bring you along so I could influence you as well!"

"I do appreciate the invitation, Susan. It was very kind of you. But I reminded Greg as we were getting ready this evening that this has to be his decision. It sounds like a huge opportunity, and, according to what he's told me already, a real challenge. I know from my days as a managing partner in the investment industry, running a business is a big job. Having the top spot can be exhilarating and, at the same time, draining. I have all the confidence in the world in Greg; I know he'll make the right decision.

"I've really enjoyed meeting your senior managers. Looks as if they're already digging deeply into business details with Greg. I know that'll make him comfortable and probably influence his decision as much as your meeting today and the agenda you have planned on Wednesday."

The rest of the evening was filled with animated discussions covering a mix of topics. On the drive home, Penny asked Greg if he were any closer to making his decision. "Yes and no. Yes, if the decision were just about working

with that group of people. Did you notice how the room was full of energy all evening? They clearly enjoy working and just being around each other. I noticed the same thing with Susan's team at Hillcliff: she's a great motivator and a leader who gives everyone the respect and credit they deserve. Most of all they trust her. No, because I still need to meet the Cosmetics Products leadership team and try to get more information about the mess the business seems to be in. This evening's dinner could have helped me say no, but it did just the opposite. The decision now depends on how Wednesday goes."

"I agree. We met a great group of people tonight. They were gracious and welcoming. And you know how I feel about Susan. She's done an amazing job of balancing her career and family. But regarding the offer, I certainly saw no storm warnings. Ball's still in your court, Greg."

Wednesday's visit progressed without a hitch. Stu met Greg in the lobby and spent the first hour with him. Always gregarious and a good listener, Stu made Greg feel at ease immediately. Stu also allayed Greg's initial concerns about whether he was really retiring or being eased out of the company. Stu was eagerly anticipating retirement and talked at some length about an around-the-world cruise he and his wife had been planning for the past five years.

"Just want to be clear, Greg, the staff doesn't know about my retirement date. They know I've been planning for retirement, just not the specific date. So your visit here today is about our customer service issues. Everyone knows the day's schedule and that I have a meeting with Susan for most of the day. I'll be with you for a group session in which we'll explain our current approach to improving our service reliability for Blackstone. Then you have some time individually with each member of the leadership team. Here's a copy of the schedule and topics they have prepared. Your last session is with David Simpson, the Supply Chain VP. He will wrap up the day and see you out. If you want to talk about anything you hear today, please give me a call tonight. I'll be home all evening."

"Thanks very much, Stu. You've been very kind, and I appreciate your hospitality. I've always enjoyed working with you on customer service issues.

"What a way to begin a retirement! I'm envious of your cruise. I'd like to hear about the trip when you return."

"That's a deal, as long as you don't mind looking at a few thousand photos! Let's go into the conference room; the folks should be coming in about now."

Despite having to restrain himself and keep his questions focused on the Blackstone customer service issue, Greg learned what he needed to know during that day. He began to get a better feel about the people on the Cosmetics Products leadership team and about the challenges ahead of him if he were to accept the job. There were plenty of those storm warnings Penny was looking for during Monday night's dinner. But Greg didn't hear anything that seemed beyond his ability to positively influence and resolve.

Penny greeted Greg as he entered the kitchen Wednesday evening, "What's the verdict; yes or no? Tell me about your day."

Greg recounted his meeting with Stu, and Stu's retirement plans. He summarized the meeting with the entire team and the sessions with the individuals on the team. "You know, I couldn't ask all the questions I wanted to ask, but I confirmed much of what Susan told me. The people are working hard and long hours; they care about the business; they are proud of their functional organizations, but still seem to exhibit loyalty to their preacquisition companies. Each of the functional leaders has a clear strategy and supporting plans for solving the customer service problems. But I didn't get a sense of there being a coordinated plan that they were all supporting. Some of those functional plans seemed to be at odds with others. It was pretty subtle, but I got a clear sense of internal finger-pointing. Perhaps I'm being a bit over-critical, and it really isn't all that bad. I have to admit that I just didn't have the time or the freedom to explore deeply enough to see how all the functional plans fit together.

"We were interrupted with phone calls and crises in many of the meetings. That tells me they do too much firefighting—not a surprise given their track record of customer service with Blackstone. I suppose I could characterize the business as being in a state of mild chaos. Perhaps it's beyond mild. A little chaos is fun, but not as much as I observed today."

"So your decision is no?"

"I want to sleep on it tonight, but if you are still supportive in the morning, I think the answer will be yes. Of course I also need to figure out how to break the news to Marty at Blackstone. He's been a great boss and will be disappointed but hopefully not too surprised. By the way, before I give Susan my decision tomorrow morning, I'll tell you about that salary and benefits package."

First thing Thursday morning Greg called Susan with his decision. "Good to hear from you, Greg. I hope you're calling with a positive response to my offer!"

"Susan, you certainly haven't lost any of your powers of persuasion. I talked with Marty first thing this morning. He didn't like the idea of my leaving, but since I am coming to Amalgamated, he felt a lot better about it. In fact he gave me an assignment to solve the customer service problems. He seems really happy that I've been offered an opportunity such as this. As it turns out, we have three people pretty well prepared to step into my shoes at Blackstone. Marty will decide today who it will be, and I'll be joining Amalgamated on April 1."

"I can't tell you how pleased I am, Greg! Please thank Penny for helping you see the light! Really, that's the best news I've had in a long, long time. I'll have a courier bring over some information later today to help you get a running start. In the meantime, let me know if there is anything I can do to help with the transition.

"I'll give the good news to the Board members and to my executive committee today. I'll give Marty a call, and if the timing is right with him, we'll make an internal announcement and send out a press release on Monday morning.

“Come directly to my office on April 1. We’ll take care of all the administrative and legal details then. I’ll have my staff members bring you up to date during the rest of that day, and start the transition with Stu on April 2. I’ll let you and Stu reach agreement on his official retirement date. Whatever date between April 2 and June 1 that gives you enough time with him and still gives him enough time to prepare for his cruise will be fine with me. Is it reasonable to ask you to spend half a day with me on May 1 to go over your thoughts and initial plans based on what you’ve learned?”

“The dates sound great, Susan. And thanks for the flexibility on the overlap with Stu. I want to make certain I get enough information from him so that I don’t let anything fall through the cracks, especially in my support of the leadership team. But I’ll do that as efficiently as possible so that we don’t waste money on two Presidents or confuse the staff about which President is in charge.

“May 1 also sounds good. That should give me plenty of time to get a strategy and some plans in place. By then we should have taken quite a few steps forward. Thanks, again, Susan for the great opportunity. I may be checking in with you before then, but for sure, I’ll see you April 1.”

FACT-FINDING—GREG MEETS HIS TEAM

Status quo is the Latin term for the mess we are in now.

That tells me we are rewarding effort rather than results.

The time between Greg's acceptance of Susan's offer and his first day with Amalgamated flew by. Greg had to wrap up his responsibilities and train his replacement at Blackstone while absorbing the background information that Susan sent to his home. The more he read, the more excited he became about this opportunity. Blackstone's President was disappointed about the loss of his Executive Vice President, but knew it was a good opportunity for Greg and was confident that Greg would improve customer service from Blackstone's worst performing supplier. They parted on friendly terms and agreed to stay in touch.

Greg's first day at Amalgamated was uneventful. The administrative and legal details were taken care of efficiently, allowing him to spend most of the day reconnecting with Susan and each member of her staff. They all gave him satisfactory answers to the questions he had developed from the material sent to his home. He was eager and well prepared for the first day with his new leadership team.

Stu Tillman, Cosmetics Products President, welcomed Greg on April 2 as warmly as he had in early March. They tentatively agreed on a target date of June 1 for completion of the transition and Stu's retirement. "I have a lot of confidence in this company and will be holding onto a good deal of stock and options. Your job is to make some money for this company and to support my comfortable retirement! Just know that I'll continue to do anything I can to help you be successful, Greg.

“My weekly meeting begins in 10 minutes. We refer to ourselves as the ‘Leadership Team,’ although I suspect others might have a different name for us. Let me pull a few things together and we’ll get started. By the way, the team has been pretty excited about your arrival since Susan made the announcement. They suspected something was up during your last visit, but didn’t say anything to me until the announcement made it official. They’re a little feisty at times, but I think you’ll like working with this group. Here’s a tentative schedule of one-to-one meetings that will carry you through the first week. Feel free to rearrange it. We just wanted to get you off to a running start and enable the VPs to block an appropriate amount of time for you in their schedules.” Stu settled back in his chair.

“I know you’ve met Cynthia Roberts, your Executive Assistant; she’s commandeered a conference room for your temporary office. You’ll have plenty of room to spread out until you’re ready to move in here and tell me either to move into the temporary office or, better yet, go play some golf. Cynthia knows practically as much as I do about the business and is far more efficient! She’ll take care of anything you need in the way of supplies, equipment, travel arrangements, meeting schedules and routine corporate reports and requirements. Just let her know what you need.”

The Leadership Team meeting began promptly. Stu led off with the introductions. He also announced his tentative retirement date of June 1. The people assembled assured Stu that he would not get away without an appropriate dinner and “roast.” They agreed on a date for that event, and moved on to welcome Greg to the team.

Sara Miles, VP Finance, made the first remarks. “Even as important as customer service is to Blackstone and to you personally, Greg, I have to tell you that every one of us thought your visit a month ago was a bit unusual. We sensed something was up just by the way you acted. It felt to us that you were chomping at the bit to ask us some tough questions, but you’d always pull back, shift position in your chair, and look uncomfortable. Now that you can ask as many questions as you wish, and as much as we’re going to miss Stu, we want to welcome you to the Cosmetics Products team.”

The rest of the team echoed Sara’s comments and made Greg feel at home. The meeting reinforced Greg’s confidence that he had made the right decision. “And I thought I was being very cool when I was here last month. Guess I should never try being a spy, should I?” They appreciated his humor.

“Very perceptive!” responded Tony Caruso, VP Manufacturing, prompting a collective chuckle from the group.

Greg continued, “But you were all right on target about how difficult it was for me to control my questions. The longer I spent with you that day, the more excited I became about the business and about working with you. I have a lot to learn about the company, and I count on you to get me up to speed. I know we have some serious problems, and that you’re all completely dedicated to making this a successful business. As we meet over the next few weeks, it’s important that you are absolutely honest with me about the state of the business.

Don't sugarcoat anything. Don't pull any punches. Over the next month, and even after I take the reins from Stu, be straight with me. If you think I am not doing my job or am making a poor decision, tell me. I'll either be able to persuade you that I am doing the right thing, or you'll be able to give me the information I need to change my position. Either way, Cosmetics Products wins. On an ongoing basis, I want the facts and your recommendations about what we need to do to get the business on the right track. Thanks to you and Stu, Amalgamated is now in the Cosmetics Products business. That was an enormously successful accomplishment for which all of you should be proud. There aren't many times in a career when you have the opportunity to start a new business. Now, our collective task is to take the division to the next level of success. I have every confidence we can make that happen." Greg looked around the room to make sure he had their attention, and then continued.

"I see that the tentative schedule of one-to-one meetings begins with Matt, right after this meeting. I'm looking forward to talking with you, Matt, about the new products we're working on. I'd also like to learn a little more about your Information Services (IS) group, things like the Information Technology (IT) infrastructure, capacity, the Enterprise Resource Planning (ERP) system, and future developments.

"In the meantime, I want all of you to be clear that my door is always open. The better we are at sharing information openly and in a timely manner, the better we will do as a company."

There was a good deal of positive energy and chatter in the room as the meeting broke up two hours later. Greg felt good about the first encounter with his staff and was thankful that the waiting was over. After a short break, Matt knocked on Greg's open door and entered the temporary office.

Greg Meets Matt Rutherford

They first discussed their backgrounds, families, and interests outside work, and then Greg asked Matt to describe his organization, the new products and services pipeline, and the development process. Matt explained how the development team was assembled from the four acquired businesses and formed into teams that specialized in their major product categories. "Currently these are, as you may already know, for women: Hair, Lips, Eyes, Face, and Body; and for men, Shaving and Grooming; and finally Accessories—the things we offer to promote our own products. These are mostly outsourced, but to our requirements. Of course, the Personal Products division augments the total Amalgamated offerings. We have an impressive array of products for a relatively new company, Greg. There are well over 500 stock-keeping units (SKUs) for which we provide technical product, process, and packaging engineering support as well. We have a great team. They are well qualified, and some are well-known outside Amalgamated. We encourage our people to publish in various journals to enhance their reputation as well as ours. We all take a good

deal of pride in how well we develop our engineers and scientists, and how well we can design products from the standpoint of speed, quality, and cost. In just the past year, we launched four new product lines and about 30 new SKUs.” Greg wanted more information.

“That’s impressive, Matt. You have every reason to be proud of your development team. But I understand there have been problems with product launches, especially with the last launch. I hear we missed the launch date, our salespeople went through some pain and suffering at the hands our customers, and we have yet to meet our sales objectives. As critical as customer service is under normal conditions, it’s even more critical to have new products available on their launch dates after we’ve positioned and promoted them. What happened, and what have we learned?” Matt was eager to respond to Greg.

“You went right to a ‘hot button’ for me, Greg. We did take a good deal of heat over that last launch, but Development certainly wasn’t alone when it comes to blame.”

Greg interjected, “Not to interrupt your thoughts, Matt, but I want to be clear about something. I am not interested in blame. Companies seem to excel at developing a culture of blame. I really want to know how well we learn from our mistakes. That’s critical to improving our performance. A Chinese philosopher once said something like, ‘Failure is essential to growth,’ and I go along with that, if, in fact, we learn from our experiences.” Matt smiled.

“I’m glad you said that, Greg. It will make answering your question easier for me. We develop lots of products and do it well when we have stable performance targets to design against. Any number of times, my team accomplishes borderline miracles in getting the products ready for Manufacturing, but on the last one we simply ran out of time. Marketing has a well-known track record; just ask any of my product engineers and you’ll hear how Marketing changes the design requirements right up to the last minute. There is no specific point in the development when the design is frozen and protected from further change. Let me tell you that even building contractors have that time fence when changes can’t be made without big premium charges. My wife and I learned that when we built our house.” With a resigned look, Matt continued.

“So Marketing feels free to change the design at the last minute and expects us to jump through hoops to get all the testing done to ensure our products are marketable and safe. That was the case with the last launch, but that particular product had more changes than normal, and some that came later than we had ever experienced. After we do get our products into the marketplace, we often go through a series of design improvements, but these requested changes, according to Marketing, had to happen prior to launch. My team is excellent, but this time we just couldn’t pull off another miracle. When we finally had to say we couldn’t meet the launch date, Marketing complained that the last few changes they asked for were minor, really not important enough to the consumer to delay the launch! It took me several days to get that product team off the ceiling, and they’re still angry.”

Greg looked puzzled, “Isn’t there some kind of protocol for developing and commercializing new products, Matt? Don’t we have an operating procedure that says what should be done and when? Don’t we have a filter for determining what projects to pursue? And for when the design template should be frozen, as well as development milestones, and Stages and Gates?” Greg asked these questions in a way that caused Matt to become a little defensive.

“There is a development protocol, Greg, and it’s a good one. But you have to understand something about this place. You did ask us to be open, didn’t you?”

“Sure did, Matt. I want to know facts and opinions from everyone about how we can make this business successful,” Greg replied.

“Good. In that case, you need to understand that, except for the regulatory procedures we have in place, documented procedures—whether on a piece of paper or in a computer file—don’t necessarily mean much in this division. It is very difficult to get Marketing, Sales, and Manufacturing to follow the product launch protocol. We are so focused on meeting the needs of every single customer and in getting every last consumer unit sale, that we completely ignore the protocol, make last-minute changes on the fly, confuse everyone, and end up hurting the customer expecting our new products. This is, when you think about it, somewhat like a fashion business at heart. Product launches are textbook cases of chaos. We’ve never seen a milestone or deadline that we couldn’t ignore, except for the start of shipments date. As a result, we end up working overtime and weekends even to make some pretty simple packaging graphics changes. We’ve even been known to make changes after Tony has started production. Let me tell you that he can be a pretty unpleasant fellow when he has to repackage product he produced earlier with weekend overtime crews!” Matt paused before continuing.

“Don’t get me wrong, Greg. When our products get into the consumers’ hands, they meet all our founder’s values of ‘high quality products that meet or exceed consumer expectations at affordable prices, representing great value.’ It’s just that we don’t accomplish those values with anything resembling effectiveness or efficiency. You can see that in our declining margins.” Greg looked a little surprised.

“The current operating mode sounds very expensive to me. Why haven’t you been able to get people to follow the protocol?” he asked.

“I don’t intend to point fingers, Greg, but I have done everything possible to get people to follow the protocol, including begging. Part of the problem is the priorities Stu sets. He has the reputation here of being a marketing genius and everyone knows how he built the Personal Products division. He’s been in the company his entire career; his family and the Richards family have been good friends since he was very young. You have to remember that he built Personal Products into the biggest division in the company. He was one of the first in the entire industry to recognize the importance of marketing anti-aging products to baby boomers. As a company we owe him a lot. Frankly, however, Stu doesn’t know much about how product engineering and development fit with supply. He always takes Marketing’s recommendations when making decisions,

probably because that's where he grew up, and that's what he knows. If Marketing says a product change will sell more of the product, and we say making that change at this point in time will jeopardize the launch, Stu tells us we are a creative bunch and should be able to figure it out. Satisfying Marketing's interpretation of the market research data is always the top priority. But last time, it backfired on us." Matt took a sip of his coffee and continued.

"The Manufacturing side of the business also contributes to the problem. We hand off the design to them; then we learn they want some additional changes to make the product easier to manufacture, or they want some additional process equipment bells and whistles added. Same effect. We usually get them done, but it isn't a pretty thing to watch."

Greg thought he knew what was coming next, but he asked his question anyway. "Thanks for being straight with me on your observations. What you've described must take a heavy toll on morale in your group and on your budget, Matt." Matt smiled knowingly.

"A toll on morale? Definitely. On budget? It used to be that way, but over time, I've learned to plan for additional people, time, and money to deal with the last-minute changes. You asked me what we've learned from the last launch. Collectively, I would say not much. We aren't doing anything different today as a company. It is pretty much status quo, which is, as President Reagan once defined it, 'the Latin term for the mess we're in now.' We tend to move from one launch crisis to the next, and each launch seems to have a shorter lead time than the last because the previous product took longer than expected. A nasty spiral. As a product development group, we've learned to anticipate last-minute changes by—and I am really going to regret saying this down the road—inflating the development budget and lead time. We've also learned (again and again I might add) that following the protocol would be helpful, but we have just about given up on that one. One exception, of course, is that we follow our internal product development portions of the protocol rigorously until the last-minute changes hit us and it all turns to . . . well, let's say it turns into chaos." Matt leaned back in his chair, but Greg wasn't finished yet.

"If I posed the same question to the others, how would they respond?"

Matt waited a moment, as if thinking about it, then replied, "I expect you would hear much the same from everyone about our chaotic product development and launch process. People actually seem to enjoy the adrenaline high, and then the celebration of victory when we finally ship the first case of product, regardless of the date. I also expect you'll hear that the product engineering team is the crux of the problem; that we are uncooperative, too rigid, always preaching about the importance of following the protocol, always pushing back on last-minute design changes, not understanding Marketing needs or Manufacturing limitations. If you learn anything different from that, I'd be surprised and would like to know about it, Greg."

Over the next hour, Greg dug into the new products and initiatives portfolio and schedules. He also had Matt go over the key players on his team with a focus on individual and collective strengths and plans for improvement.