November 21-23, 2006

UNICON FALL CONFERENCE:
NOVEMBER 2006

1. Erica Kantor – Welcome
   a. History that Kellogg shares with UNICON – late Nancy Hartigan.
   b. Portrait hangs on sound floor, south; overseeing the department.
   c. Heart and Mind devoted to promoting ExecEd
2. Lots of work to plan and implement conference. Thank yous to:
   a. Everyone at the Allen Center
   b. Steve Burnett – came up with the topic, Branding
   c. Lisa Fortini-Cambell
   d. Eric Fridman
   e. Katie Dowd
   f. Amy Meyers, Financial
   g. Marily Schonthal – Program Manager
   h. Peggy Morrell
   i. Moha Bouacha – Building Manager
   j. Ron Griffin – Director of Management Services
   k. Carol Rose - Scheduling Department
   l. Mark Heap – answered our calls and answered our questions
   m. Sita Parameswaran – Dir. of Finance [who approved our budget]

II. Bob Stilliard, Director of Ashridge Program and Chairman of UNICON
   a. Welcome
   b. The organization – for the members and by the members.
   c. Introduce each Board member – by Committee
      i. Monica Sacristan, ITAM
      ii. Carlos Arruda, FDC, – volunteers to lead conference 2008-2009
      iii. Jim Dean, UNC
      iv. Erica Kantor, Kellogg
      v. Frank Lloyd, SMU Cox School of Business
      vi. Mike Malefakis, U of Chicago – Benchmarking Committee; restructuring committee
      vii. Rob Thomason – Melbourne Business School in Australia
      viii. Joaquin Uribarri, Instituto de Empresa – redesign website
      ix. Peter Topping, Emory
      x. Lori Dowling, Anderson
      xi. Paid Member: Executive Director, Bill Scheurer

III. Program Director. Lisa Fortini-Cambell, Professor at Kellogg
   a. Formal Welcome
      i. Title of Welcome Speech: “How to be Happy in Your Work”
      ii. Chicago – famous for…. Art, music, skyscrapers; Frank Lloyd Wright….. Story about Frank Lloyd Wright
   a. Wallpaper, Furniture, Ceramics, Silver of George Jensen, Architecture, Artistry
   b. Linkage to the work we do:

iii. The industrial revolution. There was a switch in the economy from production based on tools that supported human labor supported to human supported machines. It was about the power of machines. Good quality; low price. Provided goods and services to the many. However, there were several repercussions of this switch. Namely:
   1. “Every time you fix something, you break something else.”
   2. **John Ruskin’s concern**: the shift in relationship of man to his tools would erode spiritually; we would product goods and services without soul; no emotional connection between user and maker – e.g. drinking from hand-made pottery vs a mass-produced cup sold at a store.
   3. More concern about production process. Standardization based on specialization of labor – no sense of satisfaction – disconnection from other workers and the customer.
   4. Work capable of Ennobling the Spirit became simply a pay check
   5. “G-d intends no one to live in this world without working; but it seems no less evident that He intends every man to be happy in his work. It was written: “In the sweat of thy brow…;” but is was never written; “In the braiding of thy heart.” -- John Ruskin (1819- 1900)

From Wikipedia: **John Ruskin** (February 8, 1819 – January 20, 1900) is best known for his work as an art critic and social critic, but is remembered as an author, poet and artist as well. Ruskin's essays on art and architecture were extremely influential in the Victorian and Edwardian eras.

6. William Morris: expressed that is is possible to reconnect these broken connections. Bring together worker and customer. Morris created a community of artisans who worked together. He wrote tirelessly in the name of work. People need to feel more personally connected to their work; to be inspired by fellow workers – become a source of pride and joy.

From Wikipedia: **William Morris** (March 24, 1834 – October 3, 1896) was an English artist, writer, socialist activist and pioneer of Eco-socialism, one of the principal founders of the British Arts and Crafts movement, best known as a designer of wallpaper and patterned fabrics, a writer of poetry and fiction, a pioneer of the socialist movement in Britain, and inspiration for the Eco-socialist movement of the later twentieth century.

7. Thomas Carlyle. “Blessed is he who has found his work.”
From Wikipedia: **Thomas Carlyle** (December 4, 1795 – February 5, 1881) was a Scottish essayist, satirist, and historian, whose work was hugely influential during the Victorian era. Coming from a strictly Calvinist family, Carlyle was expected by his parents to become a preacher. However, while at the University of Edinburgh he lost his Christian faith. Nevertheless Calvinist values remained with him throughout his life. This combination of a religious temperament with loss of faith in traditional Christianity made Carlyle's work appealing to many Victorians who were grappling with scientific and political changes that threatened the traditional social order.

8. Today: It’s about “the science” of work and organizations. Lisa feels something has been lost. Question: How to make work satisfying as well as productive?

9. We probably won’t go back to the halcyon days of the Arts and Crafts movement. But there are three basic ingredients to connect people to their work and to make work more satisfying:
   a. Customers
   b. Coworkers
   c. Competitors

10. **Customers**: Critically important. Makes the engine work. Customer treated as a source of inspiration; creative partner; capable of inspiring the creative genius of the worker. To do something to honor someone is an act of higher purpose; of higher service. Example of Babette’s Feast. Babette creates a dinner like something they’ve never seen before (after she wins the lottery). For the guests/diners – the older people she has been serving – the feast is “spiritually fulfilling”. It was not only a gift to the ladies – the recipients of the gift; it was a gift to her [Babette] too.
   a. Customer gives us meaning and purpose; gives us a reason to exceed ourselves. From them we get pride in work well done.
   b. We should think of the Customer as “Treasured Clients”.

11. **Workers**: These are the folks placed in orderly arrangement in organization charts. But in our work environments, there is often a focus on “competition” more than “cooperation.” There is an insidious tendency to emphasize the contribution of one department more than another. There is the implied [sometimes stated] belief that executives are more important than the support staff. Example of where this is NOT the case is Movies where the process often is viewed more as a collaborative effort. Director, actor, writer, choreographer, etc. None is more important than the other; all are critical to the success of the movie – the overall outcome.
a. In the artisan and crafts community, work is part of a unified way of live.
b. We should think of our co-workers as “Cherished Colleagues.”
c. Example: Article about the Mayo Clinic.
d. Think about the benefit we receive by talking over topics with our colleagues here at the Conference; even though they are “Competitors”.

12. **Competitors.** Third leg of the stool. We sometimes hold the belief that “Life would be so much better if we had no competitors.” Books have been written about the “Warfare” of business – about the need to “kill off the competitors” in order for us to be the lone survivor and thus successful.

a. Actually competitors lead to good outcomes and the satisfaction of good work.
c. Note: Tonya Harding/Nancy Kerrigan episode during the 1994 Winter Olympics (Ice skating) horrified the world because it was the exception to the rule. Horrified everyone.
d. Arts and Crafts: We learn from competitors to learn how to compete more effectively.
e. Linkage to UNICON Conference. Community of fellow experimenters. Come away inspired by the experience. We will all share openly with one another. Fellow-experimenters; honored competitors.

13. We’re all part of the system:

a. Treasured Clients; Cherished Colleagues: Honored Competitors.

14. It’s really about thinking differently about our work.

15. Mahandas K. Gandhi: John Ruskin was the greatest influence on his life. 1840-1900 (England to India). Gandhi was an agent of change.

a. “Be the change you want to see in the world.” Mohandas K. Gandhi.

From Wikipedia: **Mohandas Karamchand Gandhi** (Gujarati: મહંદસ કરમચંદ ગાંધી, Hindi: महंदास करमचंद गांधी, IAST: mohanās karamcand gāndhī, IPA: [moːhəndəs kəɾəmt dʒaːndiː], born October 2, 1869 – January 30, 1948) was a major political and spiritual leader of the Indian independence movement. He was the pioneer of Satyagraha — resistance through mass civil disobedience strongly founded upon ahimsa (non-violence) becoming one of the strongest philosophies of freedom struggles worldwide. Gandhi is commonly known and spoken of worldwide.
IV. Steve Burnett: Changing Landscape.
   a. Summer Workshop 2004. Steve LaCivita. Question: Was low enrollment cyclical or structural? At that time Steve Burnett said: Cycle. Was he a good forecaster?
   b. The Kellogg School Experience: 1951-2004. Using a long-running program to explore enrollment trends. For this particular program Kellogg just enrolled the 110th Class. They have lots of information. Can correlate enrollment with the economy. Evidence: the economy has been highly cycle; and so has the enrollments in this particular program.
   c. Conclusion: Enrollments are highly sensitive to overall economic conditions. Slight lag on the downside.
   d. Numbers tell the story. Steve went thru a series of graphs:
      i. Real economy. Percentage Change in Real GDP, 1995-2006.
      ii. Are companies increasing discretionery expenditures: capital goods, software, ExecEd expenditures?
         1. Percentage Change in Real Fixed Investment in Equipment & Software.
         2. After tax corporate profits ($billions)
         3. Percentage Change, Real Output Passenger Air Transport
         4. Unemployment Rate 1995-2006 – when companies are laying off employees companies are hesitant to spend on ExecEd. “Companies often use management development to retain employees when labor markets are tight.”
      5. Provisional conclusions that Steve reached on the basis of this data:
         a. Cannot avoid at least two ugly years – probably 2002 and 2003
         b. Expect a very weak recovery in 2004
         c. If were not back to business as usual by 2005, then certainly the good times will be rolling in 2006.
   6. The Story Retold: The Kellogg School Experience (non-degree programs); national and international audience.
      a. Note: fiscal years. Participant days. Peaked 1999; Downshift in 2002-03 with minimal recovery thru 2006.
      b. Program days: Number of days we offered. Two bad years 2002-03; not seeing recovery.
      c. Number of programs. 1999 (business beginning to fall off); couple of bad years; then recovery. How? We working hard; running more programs.
      e. Average Number of Participants per Program: Up until 2001; relatively stable; after 2002 a hole --
drop in number of participants per program; it stays.

f. Average Length of program Attended (#Days). Pure average across 140 programs. Before 2002, it’s about 6-6.5 days. After 9/11, there was a shift to shorter programs. Steve thinks it was the shifting from long programs to short programs that resulted in the pure average going down.

7. Conclusions revisited:
   a. Yes, the 9/11 hole was sudden and deep
   b. But the business was showing signs of maturity prior to this tragic discontinuity.
   c. The recovery has taken longer than our experience and economic conditions would suggest.
   d. Some of the slow recovery can be explained by a shift to shorter programs.
   e. Perhaps other macro forces are at work?

8. Structural Forces:
   a. Demographically, Who Attends Kellogg School Executive Offerings (Degree and Non-Degree).
      i. Predominance of men
      ii. 35-45 (Max)
      iii. Large Companies
      iv. Highly educated, graduate degrees, but Non-MBAs
   b. MBA Degrees Conferred.
      i. 1981 → 50k MBAs per year
      ii. 2004 → 140k MBAs per year
   c. Population 35-39 Males: peaks in 1997-99; then declines. We’re back to the same level as 1991. Conclusion: ExecEd is built primarily on the population of baby-boomers without an MBA; working for large corporations.
   d. Population of 40-44 Males. This is the trailing edge of the baby boomer generation. What’s going to happen? This distribution will begin to look like the previous generation.
   e. Number of Employees Private Companies with 1000 or more Employees. Steady decline from 2001: 13.5 million 2005: 11.2 million
   f. U.S. Population 35-39 and 40-44. – 13% of total population in 2010 vs. 16% in 1995.

9. Plus: what are the implications of the fact that healthcare costs have more than doubled since 1998?
   a. Average Healthcare Cost Per Employee (USA)
i. 1998: $3406
ii. 2007: $8340 (projected)

b. Note: costs include employee contributions, but no co-pays, Source: Hewitt Associates; sample biased in favor of larger employers (9-50K ee).

10. Our “sweet-spot” is in dramatic decline. Steve things the core market has shrunk by 33%. Why? The main factors:
   a. # MBAs in the market
   b. Cost of healthcare
   c. Demographics

11. Then there is us. 1995 – 1999. We raised our prices dramatically.
   a. Another Plus (i.e. negative): What are the implications for primary demand of aggressive industry price increases? We doubled the price of our programs in 10 years (used 1-week marketing course as an example: From just under $5k to just under $10k). Faster price increases that the inflation rate.

12. The proverbial bottom line – THE CONCLUSIONS:
   a. The events of September 11, 2001, were clearly a discontinuity. Moreover, the business has been adversely impacted by cyclical forces over the past three years.
   b. These events masked the continuation of a long-term structural downturn in the USA market for executive education (both degree and non-degree)
   c. We now face and continue to face a challenging competitive and primary demand environment for executive education.

13. How respond to this situation:
   a. Segmentation
      i. Male/female
      ii. Location
      iii. Smaller businesses
      iv. Government sector
   b. Expectations – rethink the way we do things.
      i. More price sensitivity

Panel: Voice of the Customer
Panelists:
- Raghu Krishnamoorthy, HR Manager, Corporate Commercial and Communications, General Electric Company
- Bill Burzynski, Director of Program Development, Grainger Learning Center, WW Grainger, Inc. [Previously Bill had been with Motorola College of Quality]
• Katheryn Gettleman, Director of Talent Development and Learning, Manpower, Inc.
• Dr. Patrick Quinn, Chairman of Executive Development Programs, CIA University Leadership Academy

Joe Hannigan (the Moderator) asked each person to give the group a snapshot picture of each company:

GE: Sheer size of products services, people is huge challenge. Everyone still thinks of GE as “Jack Welsh”. However, GE is a very different organization today.

Grainger: Grainger is a $5 Billion company. Strategic Tension: decentralized geographically. Each GM operates a P&L. Very close to the customer. They don’t like to hear from corporate a lot. On other hand, want process standardization to lower costs and increase efficiency. So, the tension is how to allow that decentralized customer focus and impose centralized process standardization.

Manpower: Manpower serve 498 of Fortune 500 companies. Two sister companies: Wright Management and Jefferson Wells. 72 companies. 72k full-time employees + 25k part-time employees. Their Biggest region is France because the labor market in France lends itself part-time hiring. For executive education Manpower Inc. works with Kellogg, INSEAD, and others.

CIA: They use Kellogg. He came to Kellogg as a reluctant student. Subsequently they’ve sent several hundred people to Kellogg. Our students demand excellence; Kellogg gives it to us. The intelligence community consists of 16 separate organizations.

Question 1 by Joe (Moderator): Could each of you give the most compelling reason for involving its people in Executive Education?

GE: Two reasons:
1. Go thru leadership practice. Each time a person moves up the leadership ladder, they need to be prepared for the next assignment.
2. Preparing and driving organizational change. Now it’s organic growth; ten years ago it was six sigma. Today it’s something else. Tomorrow it will be something different again. It’s organic.

Bill: ExecEd is hard to make pitch at Grainger. Their business: they sell facilities maintenance materials. Attitude of execs: what does anyone outside our business have to teach us about our business? The trigger was arrogance and complacency. So, let’s do some training in supply chain. We’re competing with Home Depot: better service, prices, etc. So growth was the trigger.

Manpower: For us, it’s the story of “the Cobbler and the Last.” We did little during the past few years to develop people. So, now they’re looking at their leadership team. Most
people don’t have MBAs; they’re good at technical level; not so good at people management.

CIA: 9-11 was our demarcation line. Since then we’ve sent them to many US schools. We were not invested in developing customized programs. 9-11 causes us to think: How did we get the WMD so wrong in Iraq? And how do we work cooperatively across agencies to get good intelligence? Most people are senior service types (a few political types and a few senior military people). Primary need: networking relationships; delayering and making groups more agile; knowledge sharing; info sharing.

Question #2 (Joe): What role does ExecEd play in recruitment, development, and retention of your people?

Grainger. Not much on recruitment. The driver for ExecEd is lack of growth in our business. It’s not a recruiting tool.

GE: Believe it or not, we would historically spend c. $50k per program hire to take a new college grad and give him the equivalent of an MBA. Now focus is more getting mid-level execs. The people who come in entry level, they don’t go after an MBA. Hiring MBAs – still spend c. $50k per year on education. Especially outside US – China and India. In US hire lots of entry level – then develop them with equivalent of an MBA.

CIA: Almost no direct hiring of executive level people. But senior people in agency don’t think of themselves as executives. They know they’re too insular. New hires expect to be educated. They’ll move these people quickly thru the ranks.

Grainger: Using ExecEd so they don’t have to recruit. Want to develop their folks so they can move into director and executive roles more quickly.

Question #3 (Joe): What doing to develop people at Director level and above?

GE: Focus on organic growth. They need more effective market intelligence. They’ve developed a program on “Innovation and Growth” for top level team. Learn from hired faculty; action learning. Execs come back to teach and tell their story.

Grainger: Program developed to help tap intellectual wisdom of exec team – so they can learn that they don’t know as much as they need to. Enabled Directors from the field to have input into the strategy. Collaborative teaching model: execs were the faculty; lots of room for exchange and discussion rather than pronouncements.

Question (by Joe): What about the retention side?

Manpower: Identifying hi-pos; directing our dollars on them rather than shot-gun approach.
CIA: In the Public sector there is a great demand for FBI executives by private industry. Response: Very low turnover in CIA and other agencies. However, they’re facing a huge wave of baby-boomer retirements. There is some concern with top level team; thus, much more emphasis on developing people and network building; experiential work projects; simulations; etc.

Question #4 (by Joe H): To what extent are these development programs integrated into existing processes such as strategic planning.

Manpower: We seek to find “Bridge projects”. Key is to find meaningful project – from company standpoint. Presentation to CEO and President at the end. Helps address some of our complex issues. What did they learn? How did they identify 2 best people in program?

Grainger: LSI Management Institute; based on dialogue, debate and challenge. Need to be able to think differently than they have. From strategic standpoint: it’s about developing a better product. Gave field people opportunity to explore and present their ideas to senior management; also show people who were skating.

GE: Welsh created processes. Jeff has taken it further. It’s the only process that happens three times per year. What we do well is to select people to go to various courses. GE needs to focus on “the gaps” better than it’s doing.
1995: 10% had MBAs
2006: 80% have MBAs

The GE Program: 3 months to 4 weeks – challenge is to reduce course time. It’s not just learning; its action and work-outs.

CIA (Patrick): Action learning is very important to us. Usability is very important. Very impatient with Executive Education. Want take-aways. Important to be open to new ideas. Let the groups decide the agenda they want to work on. Helpful for presentations of new ideas to Negraponte and other senior level folks.

Manpower: They’re still too operations focused; need to be more strategically focused. Second is global; to develop global leaders – part of succession planning – seeing more cross pollination. 20% of senior group has nothing more than a high school education; they need supplementary management education.

Grainger: Enterprise wide ASP implemented this year. SAP demands a cross-functional orientation. SAP forces an end-to-end knowledge of the business; need to know how to manage such systems. What does it mean to be a leader in this cross-functional environment? Also operating in China; different set of challenges and management issues.

GE: At GE we need to extend management education thru education of employees to education to our customers: That is to say, we must educate our customers. Also, more
emphasis on teams: must be consensus on what needs to change. If you’re going to a new management education program, we recommend that you go as a team. We must incorporate more about emerging markets: to set the right context.

CIA: Another advantage of Executive Education is to be around people who are creating knowledge. They’re going into senior level positions at the av. age of 42 – that’s when they need management education; they’ll stay in the agency until they’re 55 on average.

Question #5 (Joe Hannifen): What attracts you to a particular provider of ExecEd? What keeps you with that provider? What hooks you to a particular provider of ExecEd?

At Grainger: We seek Providers who learn about us as an organization – good listeners – before they recommended a program. They are not trying to selling the theory or the faculty; they listened well; they got to know us – particularly the culture. They figured out what type of program would resonate with our senior team.

At Manpower: Need to go thru cases and theory. But it can’t stop there. Practical experiences of the faculty count. Going out and working with different clients – different industries. Real life practical knowledge and experience.

At GE: Engagement is important. GE wants cutting edge stuff they don’t have yet. Integrating of application to existing processes.

At CIA: It’s about value – not price. We’re looking for very long term relationships; we want people who can adapt to us and our needs. Nordstroms – the pinnacle of customer service. This is Kellogg. They listened to us for our needs; they’ve developed the product around our needs. Our students find it an outstanding experience; continuous improvement built in.

Question by Ruth, MIT: How choose universities? Is your selection based on general reputation or reputation of a particular department?

Grainger: We spoke with the Kelly School (Indiana University). Evolution of thinking; real leaning takes place in the classroom. But, in future there may be other opportunities.

Question by Ken Bardach, Washington University in St. Louis: My question is directed particularly to Ragu because of his comment about the desire to seek “Cutting-Edge” knowledge thru Universities; but others are welcome to comment. My question: If you find cutting-edge knowledge on a needed topic at a University, is your tendency at GE to contact the university about a potential program or the Faculty directly who developed the concept?

GE: The Faculty.
GE: Commenting further: How much can you do in 3-days? Key is follow-up. Distance learning may be a way for follow-up. Need to have the follow-up.

Question by Jerome Courturier, UBC: What are business schools not doing well?

GE: We’re trying to figure out how to do better in China. We approached several schools. Only one school came back with a solution: a specific solution; they thought ahead of us; they showed us the way; they gave us a proposal. Saved us several weeks.

Grainger. Schools are embedded into the culture of our company. Design of program would have to include living there (China), being there, interacting there.

Question by Joe Hannigan: How do you get your senior management involved?

Manpower: CEO has framework for learning; he’s committed to success.

Grainger: Humility. Achieved by having senior execs teach with the faculty. That type of dialogue is helpful. Second, the head of their supply chain used to teach. There were challenging questions which he didn’t really answer. He realized it. So, he came back the next day: He started, “I didn’t listen yesterday very well, and I want to rectify that.”

GE: Every senior functional leader at GE has to teach. He’s never seen a senior leader turn down an opportunity to teach.

CIA: Over four years of their program there’s been strong leadership support.

Joe: FBI. Director Moller comes and hears presentations at end of program; heard presentations; asked for feedback on these presentations.

WEDNESDAY:

LISA FORTINI-CAMPBELL: Yesterday, Landscape and Customers.

Today: The focus will be COLLEAGUES in the context of “LIVING THE BRAND.”

The approach we take is unnecessarily narrow. We’re leaving unattended a huge opportunity. Most of us confuse “Branding” with “Logos”.

Lisa started with IBM – “A Logo or a Brand?” One she sat with 50 IBM brand managers in the room. She was shocked. They weren’t brand managers at all; they were the trademark lawyers; “the logo police”.

12
At Kellogg we’re proud of the logo. You’re going to see it 400 times. But, how are we focusing on the activity that stands behind the logo? If we talk about the logo, we’re talking about only a fraction of the things we should be talking about.

Lisa’s work at Leo Burnett – right after graduate school. Leo did extraordinary work on Brands. To name a few:
- Marlboro
- McDonald’s Hamburger
- Budweiser
- Coca Cola

The Burnett approach:

**To Build a Brand…..**

**Historically, Four keys: Product, Price, Place, Promotions**

What about Oldsmobile? It used to be the best GM brand in the 1960s-1970s; but GM gave up on the brand. So, if you have a brand with history and tradition like Oldsmobile how do you maintain it?

Why Oldsmobile failed: Old Oldsmobile customers. Oldsmobile was not attractive to a younger customer.

Leo Burnett: Old, simple schematic:

![Youthful Diagram](attachment:youthful.png)
So, Burnett’s argument: Go to an ad agency, spend a ton of money to build the brand. Ideal: “It’s not your father’s Oldsmobile.”

LISA’S INSIGHT:
- But what if the product doesn’t change?
- And the pricing doesn’t change?
- And the dealers don’t change?

I. What Impression is Made When:
Carly Farina story…. She brought a marketing perspective. The vision was upgraded, but the product wasn’t
- The logo, tagline and advertising are innovative, but the products are not

II. The restaurant positions itself as friendly to families, but he stories are messy an the servers are rude.
McDonald’s: WHERE ARE MESSAGES COMING FROM? THE MARKETING OR THE OPERATIONS?

III. The advertising promises a comfortable and respectful flying experience, yet the planes are late, bags are lost and the flight attendants are rude.
Example -- United Airlines: Millions are spent to send the opposite image. We send/receive many perceptions. WE NEED TO FOCUS MORE ON HOW PEOPLE RECEIVE MESSAGES THAN ON HOW WE SEND MESSAGES.

CONCLUSION:
Brands are built “the way birds build nests by the scraps and twigs they chance upon” [Stephen King (retired) WPP Group, London]
We call branding the Advertising and other marketing communications; LISA’S POSITION: We want to spend more time Managing the Experiences.

Managing Experiences includes a combination of:

- The Retail Environment
- Pricing
- Company Personnel
- Advertising and other Marketing Communications
- Customer Services
- Product and Package

Building a Brand: “If you want a better image, try starting with a better reality.” [Guy Kawasaki – formerly with Apple Computer]

HBR article, 1994: Relationship between Satisfaction and Loyalty. The most loyal customers are “Apostles”. Where do they come from? This chart says they come from satisfaction. Note: curvilinear nature of chart: Note zone of indifference – most of these folks are pretty satisfied. At the other extreme: “Subversives” [Zone of Defection].

To generate loyalty, one must generate a 9-10 on a scale of 0-10.
Retaining Customers. Best way to move customer up – retained customers – one needs to improve the product.
Example of MicroSoft. Best way to improve satisfaction; improve product, customer support, tech support. But to get to the top of curve, one needs to MANAGE THE ENTIRE EXPERIENCE – and generate top satisfaction from THE ENTIRE EXPERIENCE.

Contribution of Factors in Customer Satisfaction:
- Product Related Issues = 30%
- Point-of-Sale Issues = 40%
- Other Non-Product Issues = 30%

Weightlifting – bench pressing. It’s about the entire experience. External world looks at the whole body – not just the chest and shoulders. What is OUR “bench-pressing”? The faculty?

When companies go to fix problems, they go to their strengths. For example, with HP, it’s engineering; GE it’s sales; at Kraft it’s advertising.

**Most important slide in the deck:**
**BUILDING A WHOLE BRAND:**
- The development of the whole brand is an “information” process
- Three critical points to remember
Every contact sends a “message” – [IT’S ALL ABOUT COMMUNICATION]
Meaning is in the mind of the receiver
The customer integrates all messages into a whole brand

WE CONSTANTLY INTERPRET INFORMATION: E.G. FLIGHT CANCELLED – IT WASN’T FILLED SO THEY CANCELLED IT.

For business schools:
- Accommodations
- Registration
- Classrooms
- Front desk
- Dining
- Teaching
- Program management
- Marketing materials

Example of buying by phone: 4 rings of the phone… what do we think? What is our interpretation? Different views among the class.

Companies, like people, have two types of language: verbal language and body language. This is true all around the world.

Key issue is TRUSTWORTHINESS. It “works” because we have learned to trust people we don’t know. Thus, we must create trustworthiness or we get killed. SO, HOW DO WE BUILD TRUSTWORTHINESS? Where is our Trustworthiness? HERE IS OUR BODY LANGUAGE – example of Lisa talking about caring about us, but looking at her watch.

Example of working at Apple computer. It’s a cult. It’s a “hot company.” But at Apple, people do what Apple wants them to do.
But, BUILDING THE BRAND is ancient: just go to Japan; to a restaurant. Care about details. This is a culture which has made an art out of making a guest feel comfortable. THAT IS THE PROCESS OF LIVING THE BRAND.

Lisa feels that Disney is a company that lives the Brand. Again, they manage the massive detail. Disney thinks about itself as “live theatre.” You come to work “in character.” By analogy, all of our Schools are performance. Everything is “a performance” if we choose to think of it that way.

We need a way to grasp this concept. The tool is:
BRAND CONTACT PLANNING:
- What experiences are customers noticing?
- What importance do they place on those experiences?
- How do they interpret their experiences?
• How do they integrate the brand contacts into their idea of the brand?
• How does it affect their purchased behavior?

BRAND CONTACTS:
• The elements of customer experience are called brand contacts
• Brand contacts include any element of the customer’s experience he or she attributes to the brand
• Created by what a company says or does in the name of the brand

Brand Contact Priority Grid – MUST ANALYSIS THIS FROM THE PERSPECTIVE OF THE CUSTOMER – NOT US!!!

AIRLINE BRAND EXPERIENCE. Example of how this works. Discussion of each quadrant.

<table>
<thead>
<tr>
<th>DISGUSTERS</th>
<th>DELIGHTERS</th>
<th>ANNOYANCES</th>
<th>FRILLS</th>
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<tr>
<td>Delays/Cancellations</td>
<td>Surprise Upgrades</td>
<td>Bad Food</td>
<td>Hot Towels</td>
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<td>Lost Luggage</td>
<td>Proactive Information</td>
<td>Middle Seat</td>
<td>Movies</td>
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<td>Rude Crew</td>
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<td>Full Flights</td>
<td>In-flight Magazine</td>
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YOU MUST DO THIS BY CUSTOMER SEGMENT!!! THE HARD PART OF THE EXERCISE IS NOT THE ANALYTICS: IT’S THE IMPLEMENTATION – BECAUSE SOME OF THESE ARE EXTREMELY HARD TO GRAPPLE WITH.

Internal vs Customer Perspective

Important

Less Important

Negative

Positive
Internal-Centric Improvement

Important

Negative

Less Important

Positive
Customer-Centric Improvement

Important

Negative

Less Important

Positive

Root Cause Analysis
Southwest: Most profitable airline. Very successful. They are very focused on who their strategically valuable customers are. They eliminate everything in the northwest quadrant – Disgusters.

SOUTHWEST AIRLINES

“The Love Airline”

Front of the House
- Frequent Schedule
- On-time Departures
- Few Lost Bags
- Happy Flight Attendants
- Crew that goes the extra mile
- No reservation change penalties
- Low Cost

Back of the House
- Identical Airline Fleet
- No Seat Assignments
- Airports Chosen for Fast turnaround/low cost
- Flexible Work Rules
- Careful Job “Admission”
  - Hire for attitude; train for aptitude
  - Build a “Servant heart”
- Strong Job Security
- Fun, Family Corporate Culture
- Stock Symbol: LUV
LEO BURNETT: Lisa’s experience there when first out of grad school:

Philosophy: “Every Employee is a Future Client”
- Recruitment only out of school – chosen for the “long-run”
- Managers are teachers not supervisors
- Jobs designed to create the most client contact possible
- Never a bad word about the client
  - Paychecks brought to you by “our good clients”
- Client anniversaries celebrated
  - Bonuses on employee anniversaries
- No submissions to awards shows
- Pay higher than other agencies
  - Early innovator of profit sharing

Conclusion for Lisa’s program session today:
- How did the “performance” go today?
- What did the “audience” think?
- What “message” did we send?
WEDNESDAY AFTERNOON:
LISA STARTS:

Survey Questions:
Strategic:
  Brand Experience
  Customer Centric

Implementation
Recruitment and Retention
Talent Management
Job Design

Implementation:
Top Manager Modeling
Information Sharing and Empowerment.

The Results:
Scale 1-5. 5=Yes, we are customer centric

RANJAY GULATI:

“Building Market Driven Organizations”

He’s going to describe research he’s been doing over the last 5 years.

Five years ago Ranjay was noticing articles in the press about becoming more customer centric (marketing focused). Implication, that these companies were not so customer focused before.

Ranjay tried to identify a group of companies where customer focused was mentioned several times. He found 35 companies. He called all of these companies. 30 of 35 said: “Don’t pick us to study best practices because we don’t do it very well.”

Ranjay’s decision to study Fortune 500 companies around the follow set of questions:
What [is customer focus]?
Why [are they working to become more customer focused]?
How [do companies go about being more customer focused]?

Ranjay spoke to chairman of large Chicago real estate company and asked why his company was becoming more customer focused. The answer: “Because our work is being a commodity; price erosion.”
Next Ranjay spoke to the Chair of the Tribune Co to pose the same question. The answer: “We’re all fighting for a shrinking pie; commoditization; shrinking margins.”

Next he went to GE health. Spoke with Joe Hogen who said: “We’re a three-company oligopoly? GE, Seimens, Phillips. All three are competing; on price.

Next Cisco. Same story. Next Guidant. They talk about customer focus. Their story: “In our business it used to be about product innovation. Three competitors; all in Minneapolis. It used to be to launch a new product was to gain market share. This past year we launched 2 new products – no gain in market share. Why? The innovations are more and incremental. People didn’t notice the differences.”

In technology:

\[
\Pi = V(P-C)
\]

Where,
- \( \Pi = \text{Profit} \)
- \( V = \text{Volume} \)
- \( P = \text{Price} \)
- \( C = \text{Cost} \)

Conclusion: Our products are looking more and more alike. Result: Price and margins erode.

Focus: \( \Pi = V(P-C) \)

Which variables do you play with? This is the dilemma. It’s part of the reason for CEO turnover. There’s been a huge turnover of CEOs – especially during the past 3 years.
Some ideas related to Executive Education.

“Commoditization Trap.” How it plays out.

Moving from high price to low price. It’s Hard. High price is like cocaine. Once played premium price game, it’s hard to react.

REMEMBER: Wal-mart, Dell, Southwest Airlines all started as low cost suppliers.

Continued Next Page
Leveraging Adjacencies for Profitable Growth:

How to grow?
- **Customer Focused:**
  - Sell more to existing customers.
  - Sell existing products/services/technologies to new customers

*Product Focused:*
New applications for their products.
  - e.g. Armand Hammer baking soda.
  - Pharma: Existing drugs; look for new side benefits.
W.M Goren (Gortex): New applications for one technology. 25 applications beyond wearing apparel.

*Capability Focused:*

UPS – market consulting services in supply chain – because they learned how to do this. Their major customer is Ford Motor Company.

**NOTE: NOT EVERYONE IS THINKING ABOUT CUSTOMERS. Some are thinking about products and capabilities.**

Dimensions of Value: We do a program here at Kellogg for research scientists. Ranjay asked them a question: Has your productivity increased during the last 5 years? Out of 60 people in room, 1 person raised his hand.

Hypothesis: All of you are becoming fat and lazy. Is this true? No. **It’s really about the diminishing returns to innovation. Many fast followers. We’ll come in after, at a lower price point. It’s harder and harder to develop new products. It’s not longer about the product alone; IT’S THE BUNDLE OF VALUE YOU’RE SELLING.**

**Dimensions of Value:**

Think about a car. What are you buying?

In ExecEd, what we’re providing is not a program; IT’S A BUNDLE OF VALUE. WHAT DOES THAT MEAN IN OUR INDUSTRY?
Three components of Value:
- Produce
- Service
- Price

Gillett. 5 blades in razor. Example of trying around product. But for many companies it’s becoming harder and harder.

Services: [examples of turkeys]. Turkey “hot-line”. Inventing a service attribute into a product. It’s a free-bee; but it enables you to differentiate your product.

Another example: Ranjay was doing research on BMW. He was planning to meet the #1 or #2 marketing guy; in Germany. This guy loved his product. Value for a BMW. Great car – great product. He said, “Our challenge: We can’t make them fast enough.”

Then Ranjay meet with the US BMW person head honcho who defined the biggest problem for BMW US as being the commoditization of the BMW in the USA. An argument ensued. Who is the main consumer of the BMW? The both agreed: The Baby boomer. They want to hold onto their youth. What kind of car do they want to drive? A car that combines sport and luxury. Then everyone [many car manufactures] figured this out; they entered the market trying to go after this affluent market segment; it became a crowded market space.

The kicker: BMW had a relatively weak service orientation. To overcome this disadvantage, they created the policy that if you buy a BMW they replace everything free of charge for four years or 50k miles. This is not a warranty; it’s free replacement. This is an extra service; to compensate for something they don’t have.

Case #3: Best Buy. Walmart said it wanted to get into their market – consumer electronics. So Best Buy decided they were going to be more customer centric. By the way, women hated shopping at Best Buy. Best Buy also realized that typical male buys one thing at a time. Women typically buy several things. Women want systems, but Best Buy had their products separated; no way to understand how to integrate them. So, Best Buy started to put display their “products” as integrated systems. Also, Best Buy recognized the need people, especially women, have for installation. They realized that 47% of their buyers were women. And now, they achieve most of their margin thru installation; not the boxes themselves.

So, in our business – EXECUTIVE PROGRAMS -- what are the DRIVERS OF VALUE? We give people often what they don’t value? What is it that they really value? To answer this question, we need to explore:

WHAT IS A MARKET FOCUSED GROWTH STRATEGY?
- A blueprint for the Market Focused Organization.
- Driving the Change.
- Conclusions.
Definition: A Market Focused organization excels in three areas:

1. *Market Awareness*. Tendency is to understand our existing customers; not enough time is spent understanding our TARGET CUSTOMERS – defined as, Who would you choose as a customer to walk into door?”

2. *Market Interaction* – how do I create value for this target customer? For example, take Target Department Stores: Target is the only one who survives in the shadow of Wal-mart. They have a different target customer than Wal-mart. If they went after the same customer, they’d get killed. The Saying at Target is: “Expect more [than Walmarts]; pay less [that a traditional department store]” It’s all about who you want to serve; and want they want.

3. *Market Solutions*

ALTERNATIVE VEHICLES FOR DIFFERENTIATION.

1. Product Differentiation: Old Wine in New Bottle; Faster; Gillette Upgrading Razors
   a. 1903 Original Safety Razor, $1.06 [the price per replacement blade(s)
   b. 1971 Trac II, (2 blade), $0.96
   c. 1990 Sensor (spring mount), $1.18
   d. 1998 Mach3, (3 blade), $1.95
   e. 2006 Fusion (5 blade power) $3.00
   f. [Note: Prices adjusted for inflation]

2. Customer Management

3. From Products to Solutions

Biggest challenge of our customers: Who are they? What are they concerned about? What are their problems? How can we help them solve their products?

Example: Packaged salads? Turned a $3 a pound product to $9 a pound product. Have to ask the bigger questions about the bigger issues. Think about our typical evaluations [in Executive Programs]? Really should be: What are your issues? What are your concerns? How can we help you solve your problems?

Sun Microsystems: Make it faster. But, that’s not the issue with servers. It’s IBM selling solutions.

RECAP: Customer focus has become important because of the commoditization of products and service; the customer tends to see “sameness”. How do I get out of the commoditization trap? Answer: thru differentiation since it’s almost impossible to lower the costs. Ultimately the idea is value. We want to get out of the lettuce
business and into the bag business. The starting point: I have something different with my product. But there are two other solutions:

1. Product Differentiation
2. Customer Management
3. From Products to Solutions

First, Customer Management.

Next Page Please

THE RISE AND THE FALL AND THE REBOUND OF CUSTOMER MANAGEMENT:

The Rise:
161 CRM companies funded since 1998. $1.3 billion raised by CRM companies

The Fall:
Surveys show 55% of North Amer execs don't believe they've seen a return on their CRM investments. [Gartner Gp, 2002]

The Rebound:
Despite the troubles, CRM software sales are expected to rise 10% to $4 billion in 2002; and to rise to $29.4 bil in ‘03

We need to wear TWO HATS: How we become more customer focused. How our customers are going about trying to become more customer focused.
Now, #2. NOTE: It is NOT CUSTOMER RELATIONSHIP MANAGEMENT – IT is solutions. But Customer Management is about:

**Identify, Dialogue, Interpret, Respond**

Next Page Please

CONSUMER MANAGEMENT LOOP:

1. **Identify**
2. **Dialogue**
3. **Interpret**
4. **Respond**

---

1. Decide what you will do with the information. Make it a part of your overall customer plan.
2. Establish customers as the information pivot in your organization. Gather the right Customer Information (Who/What/When/Where/and Why) from the right customers through the right means (not the most expensive).
3. Make this information useable, available and actionable throughout the organization where it is needed.
4. Add context to the information. Interact with customers and understand their needs.

---

1. **Identify**. Examples:
   a. Tufts Health Plan. Why were they losing money? Budget was by department. So they calculated cost by customers: they were making money on 95% of their customers; losing their shirt on 5% of their
customers. It was not ONLY terminal illness. Chronic illnesses; medication; hospitalization; living on their own; back to the hospital, etc.
So, they developed a nurse outreach program. **SOLUTION WAS SIMPLE. KEY: KNOW YOUR CUSTOMERS. WHO ARE THE INFLUENCES OF THE BUYING INDUSTRY?**
b. Also Pfizer. The “Consumer” is the customer; NOT the physician. They thought they were in a push business; but it’s really a pull business. When a patient asks for a drug by name, the physician will prescribe it 90% of the time.

The key: KNOW YOUR CUSTOMERS. **CUSTOMERS ARE NOT CREATED EQUAL!**
USING CUSTOMER INFORMATION TO INITIATE A DIAGLOGUE: PUSH AND PULL.
Push: In executive programs: Five months after a customer attends a program, send them a set of new articles on the subject addressed by the program they attended. Maybe set up a platform for them to communicate with each other.

B2B examples: Cisco Systems. E-learning, very seriously. Educating their channel partners. Last seven years, 85% of customer service is handled off the web-site; and customer service has gone up.

**Stop looking at the customer thru the lens of the product. Rather, who are you?**

RESPOND: Differential response to different customers. Example: Harrah’s found that the bulk of their customers were middle-class. Av. Earnings of $60k. Loved to gamble. Very unloyal – looking for “deal of the month.” They spent on average $1k per visit. So Harrah’s went after these folks. They also found that gamblers have friends. Get them to bring their friends.

**BUSINESSES THAT USE DIFFERENTIAL TREATMENT:**
Another Case study: Lilly Center for Women’s Health.
That is what this Center is about – we’re trying to change the definition of women’s health, that it is not a disease or set of diseases – it is really a mindset about the whole person.
• “Let’s start thinking about how these diseases – such as heart disease and diabetes – impact women differently from men.”

Case Study: Eli Lilly.

**Segmentation** – Victoria’s Secret

Victoria’s Secret places all visitors on its slower servers but one a customer places something in the shopping cart they are switched to a faster server

**Customer Patterns** – Amazon.com

Amazon monitors browsing and makes suggestions. Customer who bough this book also purchased a book by……
“To remain competitive, Lilly must adopt genuine customer-centricity as the organizing principle for those activities in our business. To gain competitive advantage in the future, we must listen and respond to our customers to an unprecedented degree.”

“Customer centricity means shaping discovery, development, demand realization, and branding activities by balancing direct customer input with our own realities to produce win-win outcomes. A customer-centric Lilly will have programs, processes, and people that directly serve customer needs and truly empower Lilly employees, capitalizing on their natural wish to better serve customers.”

OKAY. NOW FROM PRODUCTS TO SOLUTIONS: 63% of Fortune CEOs claim they are offering solutions; Movement from products to solutions.

WHAT IS AN INTEGRATED SOLUTION?

“We have the right solution; we just need a problem to solve.”

| Siloed Product Offering |
| Cross Selling |
| Integrated Solutions |

If you want the best motorcycle, you buy a BMW.
If you want a cheaper and more reliable motorcycle, you buy a Honda.
In America today, there is a huge need for community; belonging to some group. The answer, “The Harley Owners Group.” Rallies; drive around together; very polite group; upper middle class. What do they have in common: A Harley Davidson motorcycle. They are not selling motorcycles: they’re selling “bagged salad”.

Starbucks – enlarging value proposition beyond coffee. Tendency for a disproportionately large number of people to show up 6:30 – 8:30 am. So, sell breakfast rolls. Large rolls. People buy two. The second roll was for lunch. So, at Starbucks, you can buy a lunch sandwich at 6:30 – 8:30 am. KEY: “I DON’T SIMPLY SELL THAT NARROW THING YOU SEE.”

Target: customer experience; they call “customers” “GUESTS”. They take it seriously.

**B2B Escape Route: Customer Experience.**

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**B2B ESCAPE ROUTE: ALTERNATIVE SERVICE MODELS.**
IBM. *Service as Stand Alone Offering*. Offers Global Services as well as Equipment.

GE Aircraft Engines. *Integrated Service & Product*. Sells uptime not jet engines. They get paid when engine is in use; they don’t sell just the engine.

Guidant: *Service to Stimulate Product Demand*. Offers Physicians more services to win loyalty.

**B2B ESCAPE ROUTE: CLIENT SOLUTIONS**

*Scope*
- “Needy Segments”
- More service selective “make

*Where do We Play?*

*How Will We Win?*

*How Do We Execute?*

*Alignment:*
- Fully integrated with suppliers and customers
- Seemless integration across internal silos

*Value*

*Cost*

*Advantage*
- Improve clients’ operating performance economically

IBM

GE
A SOLUTION FOR WHOM?

- The company (inside-Out)
  - We need to increase revenue and earnings growth
  - We need to differentiate our products
  - We are desperate!
- Or the consumer (outside-In)
  - We have needs that could be filled
  - We could use help in developing our processes
  - We are willing to outsource services

3 STEP PROCESS IN ARCHITECTING OUR “OUTSIDE-IN” INTEGRATED SOLUTION.

**External Alignment:**

#1.
Define who the customer is
Understand their Needs (Start at the Grassroots)
  - Tell you the problem
  - You understand the problem
Outline Solution to the Needs

#2.
Assess the benefits of offering a solution (Does the Solution add value to the customer and the firm?)

**Internal Alignment:**

#3.
Define, Implement a Solution
Measure Results.

ROAD MAP:
What is a Market Focused Growth Strategy?

- A Blueprint for the Market Focused Organization
- Driving the Change
- Solutions

ALTERNATIVE VEHICLES FOR CUSTOMER-DRIVEN DIFFERENTIATION:
1) Product Differentiation
2) Customer Management
3) From Products to Solutions

DEVELOPMENT PATH:

Products Sell because ease of use has been designed into the product

Products Sell because they provide a functional benefit for customers

Products Sell because they create a way of life

Functionality

Usability

Experience

PATH OF EVOLUTION TO MARKET FOCUS:

An organization that is focused on delivering customers a solution that might include competitors’ products or services.

The Relational Organization

Relational
INSURANCE INDUSTRY EXAMPLE:

**A Blueprint for Consumer Driven Organizations:**

- **The Integrated Organization**: An organization that focuses on selling product bundles – systems. They deliver products and services as a package.

- **The Customer Sensing Org.**: An organization that is aware of their customers and knows to whom they are selling and segments their customers and tailors marketing campaigns by segment. Looks for cross selling opportunities.

- **The Product Organization**: An organization that is focused on producing and selling excellent products unaware of customers (basic philosophy is customers will buy product because it is the best in the marketplace. No segmentation.)

**Transaction**

- **Standardization**
  - Standard Products (car insurance)
  - Complex Products (life insurance)

- **Customization**
  - Financial Planning
  - Full-time Insurance provider

**Relational**

- **Transaction**
  - Products
  - Cross-Selling Products
  - Packaged Products
  - Solutions

---

**A BLUEPRINT FOR CONSUMER DRIVEN ORGANIZATIONS:**

- **Standardization**
  - Customization
THE EARLY U.S. NAVY AND STRATEGIC RENEWAL – TEDDY ROOSEVELT ERA:
The Biggest Challenges are on Implementation.

1. **Structural processes.** We’re organized by silos; but problems don’t come in silos. Problems are integrated; cross-functional. Need to integrate across departments, products, geography. So you start mucking around with Structure and Process.

2. **Next you start working with the Culture**
   a. Incentives
   b. Metrics

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<tr>
<th>Gunfire at Sea</th>
<th>A New Innovation</th>
<th>A Borrowed Idea</th>
<th>A Silent Organization</th>
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<td>In 1898, gunfire at seas was notoriously inaccurate. In one study, out of 9,500 shots fired only 121 found the mark</td>
<td>Admiral Scott, Brit Navy, noticed gunner who used pitch &amp; roll of ship when firing. Increased accuracy.</td>
<td>Jr. Lieutenant Sims of US Navy noticed Scott’s invention: 3000% increase in accuracy. Began to try to sell Navy idea.</td>
<td>Sims compiled data; sent reports to Dept of Navy. Not success. Next sent reports to front-line and middle-level officers who also ignored ideas.</td>
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<tr>
<th>The Pest</th>
<th>A Career Ends</th>
<th>Organizational Renewal</th>
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<tr>
<td>Sims continued to pester. Result: they tested Sims ideas – on dry ground. “Proved” his idea was impossible.</td>
<td>By this time Sim’s career was over. He had challenged the higher authorities in the Navy. His last act was to document the entire case and sent it to the US President -- Theodore Roosevelt</td>
<td>After President Roosevelt read the record Sims had sent, he realized the potential of the new idea. He brought Sims to Washington and made him an inspector of target practice.</td>
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c. Symbols

d. Stories

i. Example of Cisco: Bonuses are built upon Customer Satisfaction. John Chambers was 30 minutes late for his first Board meeting. The reason he was late: an irate customer called. More important to deal with the customer that to be on-time for the Board meeting.

ii. STORIES, SYMBOLS, ETC.

SUMMARIZE:
Ranjay wants us to get out of the lettuce business; to get into the “Bag business”. We need to learn about our target market; to learn about value for the target market. What can we provide in value beyond the normal program?

Three things to think about?
The product.
The customer
A solution

Easy to talk about… Incredibly hard to make happen. Break down the silos.

THURSDAY MORNING:

Lisa: Outline of the Day.

1. Last night: Wasn’t that great?!? (Amy Ritter Cowen, Shedd Aquarium. A kindred spirit talking about what we’ve been talking about. Lisa was impressed with her comments about her emerging competitor in Georgia – and how they hoped they would succeed. Thanks to Erica and Steve for choosing this. And the diver – was that Steve Burnett? It really wasn’t Steve Burnett. If Diane Sawyer can get in that tank, so can Steve Burnett.

[Reminder: Please take some time and effort to complete the evaluations; give us some candid feedback. We’d like your “eagle eyes” on the details.]

More Admin and Logistics:
Marily. Sent out Lisa’s Chapter.
Transportation list at the front desk. Check it out.

Now, concurrent sessions.

DIRECTORS’ FORUM: Feedback on the on-line Survey #12. Twelve in a six year period. We’re starting to get some longitudinal data. We’re still getting 2/3rds of the schools reporting. Note the School distribution and the findings:

Mostly small schools. Everyone has moved into custom; only two schools have dropped out of open. Thru extrapolation, OEP is below 40% for the first time ever; custom is increasing – may be exceptions like Harvard.
84% reported increased in revenues – and double digit. We haven’t seen this for a while.

We are global as an organization; but our Schools are largely regional. Only 4 Schools are truly International with income of over 75% from abroad.

Pricing: WE continue to push up the price. Two Schools actually are reducing pricing.

CPs: 78% experienced revenue growth. Also, mixed tendencies in “the cycles lengthened. No school reported decreasing custom prices.
Trends:
1. Seems to be that OEPs are declining as a percentage of total revenue; more and more of us are getting a majority of their income from custom. A few large players are staying heavily in open.
2. Over the last 4 years custom growth has been relatively steady. – always with 65% or more members reporting growth in custom revenues.
3. OEP revenues have been much more choppy over the last 4 years.
   a. Salaries up 2-5%
   b. Faculty want more income
   c. 50% increase in job postings year-to-year in UNICON web page. Is that because our web site better and/or gaining more visibility; or, is it because of the need for more people.

Going Forward with Trends:
1. Let’s get data on margins. And need some standard definitions: e.g. revenues minus direct costs. [Ken: How handle staff salaries?]
2. Jerome Courturier (UBC): If get percentages, what is the starting point? And also scale matters – big schools vs small schools; impact on the market.
3. Ken Bardach (Wash-U in STL): revenue growth vs. operational efficiency is a trade-off companies face. Let’s see the pattern of this trade-off in our customers over time.
4. Let’s have some cases. Accounting audit of what we’re doing.
5. Also margins and CSPs. Faculty compensation. Share this information about what we do with faculty; also issue of faculty disintermediation.
6. Dave Frayer (MSU): What are the metrics to reflect their value to the administration? How do you capture and measure these other value benefits?
7. Ken: AACSB has changed its evaluation criteria for schools with degree programs; how do we evaluate ourselves in the non-degree side of the house? Does one size fit all?
8. Jerome: I personally believe that “the net contribution” is becoming increasingly important.
9. Rory Simpson (Thunderbird): Margins are less closed. After all, our clients are asking us to break down our margins. Also, it’s the faculty who are the major beneficiaries? Are the faculty getting richer as the School “surplus” remains the same?
10. Mike Malefakis (U-Chicago): Dave – get metrics; Ken: we’re not all the same today. We’re modeling the global economy. Also, are you partnering with other schools because the market needs it?
11. Rochelle Weichman (MIT): We approach this using only our regular faculty; we’re almost capped by faculty constraints. Four reasons to do ExecEd. Revenue is NOT the first thing they talk about. We’re not under pressure just to grow. We can get some capital to do innovative things.
12. Jerome: 3 basics questions:
   a. What are your three key objectives
   b. What’s your margin change – define margin (Gross & net contribution)
c. How you use the net contribution. Does it all go to the Dean? Do you get some of it back? On average, how much of net contribution do you plan on using on different functions/activities?

13. Steve LaCivita (U-Chicago): We have different metrics; each of us should be asking these questions of ourselves; and within our own portfolios, how do we make investment decisions? But should we share this information?

14. Betty Vandenbosch (Case Western Reserve Univ): The things that will help me are ideas, concepts. It’s the ideas that will help us get better. Learning about concepts, new practices, faculty ideas – that’s the real benefit. The benchmarking data is useful; but it’s limited.

15. Dan Stotz (GIT): Challenge is getting the resources I need to drive profitable growth. I would like a newsletter to help me manage my dean and associate dean to help me get additional resources.

16. Managing Expectations. Also helps us management expectations. Eg: Pressure to do consulting vs advising. Voice of the Customer is critical – and UNICON can help us tell the story to the deans about changing client needs – and how other Schools are dealing with it.

17. Rory. Let’s note that LBS & INSEAD both have new deans. Both are: non-academic; both were consultants. McKinsey & Booze don’t share info about margins; but each knows that 20-30% is about right.

18. James Dean (UNC): Discussions about Strategy. Discussion about what we as groups are doing; better to have small groups discussing strategy. Also Branding; but we haven’t had much discussion about Branding amongst ourselves. Third topic: Human Resources. Where do we find people to do the kind of jobs we have; what is the career path?

19. How do we pay and incentivize our business developers; and how do you find people to do well with [international] business management.

20. Gordon Gao (CEIBS): Question about “privatizing” our operations. For example, we have huge EMBA; lots of competition for using the faculty. Faculty payment is a big issue. See questionnaire: 21/22.

21. Mike. Hollywood. Are we the producers; or do we carry the bags for the stars.

22. Mike: Finding a good analogy helps the discussion.

   a. Strategy
   b. Branding
   c. Human Resources
   d. Finances – margins.

24. Betty: With strategy, I’m talking about going one level below what’s on the Web site. And also, the devil is in the details.

25. James: Conflicting pressures with the faculty. We have clients looking for “outside-the-box” ways of education – coaching, consulting, etc. And we have faculty who have limited capabilities and interests in learning new methodologies. Here are pressures coming from two sides.

26. Mike: We should look at what we do as a value chain. Up until 10 years ago, we have a very limited space in the value chain. Faculty do their thing! Period! Now, it’s all getting blurred. What is consulting? Distance learning? Now, our
space in the value chain is becoming much more blurred. But, where on the value chain do we generate value.

27. Dave: Another question: At MSU, non-degree is different from degree programs. Lucy Malette responsible for much of the degree stuff. When folks report on benchmarking, do we include degree program work? Should we? At one School I know of, custom MBAs are considered Exec Ed.

28. Dave: It would be helpful if we could get this clarified up front for benchmarking.

29. Also facility revenues. Allen Center wrapped into Exec Ed at Kellogg. Also clarify this for the benchmarking.

30. We just went thru a portfolio analysis to analyze contributions. A nightmare. What came away with? That custom degree programs and premium tuition shows gargantuan profits. So I’m now facing questions about getting faculty.

31. Comment about our fit within our university. Also our fit vis a vis our client organizations. For example, the GE fellow said he would go to the faculty member. Implication: We’re not value added! So, how are we value added? So, a possible topic for conversation: It’s not only within the bounds of the arrow; we should go beyond the bounds of that arrow. And where do we fit into the client model. This would be useful in terms of Value Added.

32. Jerome: This is the only way one wins in the long-run.

33. James: When clients are asked what they think about us: the word is “Inflexible.”

34. Jerome: And it’s not just value added; it’s value added along the entire value chain.

35. Movement from: We run a program to we fit into their development process.

36. Joaquin Uribarri (Instituto de Empresa): Re: Ken’s comment. The client doesn’t see as highly innovative. We need to change that.

37. Mike: This is great for UNICON burst. How do we do that?

38. Ken: In response to Mike’s question, he explained the approach at Wash-U to address the question: (a) Best practices; (b) Strategic Platforms.

39. Ron Bendersky (U-Mich): Corporate Universities used to follow the Harvard Model. But it’s not working. So we need to reinvent ourselves; more innovation. The Corp Universities are turning to us – they’re looking for ways to change their model for developing executives.

40. Mary Lee Rieley (INSEAD): We are hearing from our clients we need something new and different. We need to come up with new innovations; and share them. Do have the answers? The Deans don’t; they keep rotating.

41. James: Ways to look for innovations. Source: Literature on adult learning. Our knowledge of that literature is very weak. And University methodologies is old and stale. Look at the work on “LEARNING STYLES.” To be more controversial: The average elementary school teacher knows more about methodologies than we do.

42. Mike: Great thing for UNICON. Get a board to post recommended reading.

43. Mary Lee: Came from Anderson Consulting. We used Gardner – use of visuals, music, etc. The people in this room.

LAST SESSION: SUMMARY

STEVE BURNETT. Need to differentiate. Play in different places and win in different ways. This will lead to us running very different Brands. And we will live those Brands very differently too.

If you believe there are different strategies and brands, what do we think about the 20 different rankings? Is there a danger in this? If we don’t need schools that don’t look alike, what happens if we start to use the rankings to move myself on this number? We’ll all look the same.

Mike: The fact that there are different rankings, some of the rankings may or may not be relevant to you. How do we target aging Baby boomers? One way to reach out to that population is to develop new products – a Renaissance week for post-MBAs. A new reason to come back to executive education.

How do we adapt to our traditional market as they age?
How do we adapt to a generation that is dramatically different than I am?

Flip Chart:
1. Segmentation & Targeting
2. Bag Salad – offering a total integrated solution to our “cherished clients”.

Problems for a manager:

Succession Planning.
Help me get promoted;
Help me learn from others
Help me find “Another Job”
Help me attract/retain….

How would we do that? What are the kinds of services to give a total solution to someone seeking help? Traditionally, we have PROVIDED KNOWLEDGE. But, thinking “out-of-the-box” in this brave new world, perhaps:

Certification; credentials
Coaching
Peer Learning
Placement Services
Assessments
Consulting

So, if you really think about “Bag Salad” to achieve new objectives, need to begin wrapping around the core educational component a whole bunch of new services. Who pays? Corporate needs linked to the individual areas.
Ranjay article: “Shrinking the core, and expand the periphery [the customer]
Possibility of more strategic alliances. Take our core (Teaching): and partner with non-
University clients.
So, use alliances to deliver BAG SALAD.

Focus on the Total Educational Experience: Before and After the Program – as well as
during.

STEVE: When does GE look to us for help? “It’s when they don’t know what they don’t
know.” Or, “When they are clueless about how to do it.”
How many times do you hear: “If I could only get the faculty to do this…..” What we
want to do is to change the faculty behavior. What makes the University different? It’s
the faculty. The faculty is a stable of high-spirited race horses. They don’t do a very
good job pulling wagons. And what do we ask them to do? Pull the wagons.
Remember, what makes us unique is the creation and distribution of knowledge. We
have them; even if they drive us crazy.

Is it sometimes necessary for us to remind ourselves of what we do?

3. Total Ed. Experience
4. Faculty
5. High Calling
6. UNICON

The essence of ExecEd is to improve the quality of management. It is a high calling. It
has a huge impact on corporate stakeholders. This is serious and important work.

If you think about UNICON, it is more important than it ever has been.

LISA: Her epiphany when preparing for the UNICON presentation. Paul from U of
Washington said: “We’re so proud of you.” I almost lost it. I think I belong at Kellogg;
but a part of me is still at the U of Washington and Ohio State. Look at how this gift has
been passed around?

The Gift. A very eclectic thinker. His idea: Nothing is worth having unless you give it
away. The peace pipe. Tribal jewels. So, her story: the gift of going to OSU; and the
hope of some day being at Northwestern – but she wanted to be away from home. Five
years ago, Steve invited Lisa to come to Kellogg. A lot of the world we live in is about
“Taking and Keeping.” So, to us: go home and give it away.

An executive decision. When we get our evaluations all together, we’ll share this
information with UNICON. We want to give it away. And you can call us if you ever
plan to do a UNICON Conference so we can give it away.

BILL SCHEURER (Wrap-up): Opened binder. Names of people who worked to put this
together. These are people living the Brand. Many thanks and heart-felt applause.
Fall Conference: Nov/Dec. 2007. Frank Lloyd: SMU and ITAM. Dallas, TX. We want
a fun conference; and a Tex/Mex Conference. Build on the work developed here.

New initiative thru Communication’s Committee: to redesign the website (Joaquin).
New web site in Sept. We have a number of proposals: change the look, feel,
functionalities.

Lastly, thanks to all of you. UNICON is based on Volunteerism. Safe travels on your
way home.