Making Local Knowledge Global

by Keith Cerny

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Can Lexington Labs' managers learn to share what they know before it's too late?

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by Keith Cerny

As his airplane circled Heathrow Airport for the fifth time, David Martin once again rehearsed in his mind how he wanted that afternoon's meeting with Lexington Labs' senior sales executives to play out. He had a feeling it wouldn't go the way he hoped.

As chief operating officer of the Boston-area pharmaceutical company, Martin was responsible for motivating and guiding the operating management – from country managers to marketing executives – in Lexington's international locations. When he had started at the company eight years earlier, gatherings with the sales force had been fun, informal celebrations of Lexington's extraordinary success. Everyone knew one another, it seemed, and the sales conferences included as much socializing as they did sharing of information about customers, competitors, and new sales and marketing techniques. No longer. These days, with Lexington's expansion to 60 offices in two dozen countries, many sales executives knew one another only by name, if at all. Moreover, in recent years, most of the company's top sales personnel had begun to focus hard on their own businesses as major changes swept through the health care industry.

Martin saw a lack of information sharing across borders as a big problem.

Indeed, those changes were already affecting Lexington's bottom line. Eighteen months before, the company's performance had begun to soften. Sales, which had passed $1 billion in the early 1990s, were falling, as were earnings. Of course, Martin already had taken some measures to rectify what he saw as a major part of the problem – a lack of information sharing across borders – and he planned to take more. But as he anticipated that afternoon's meeting in London with the company's top sales executives, he was beginning to wonder if a more radical overhaul of operations might be in order.

The success of Lexington Labs in the 1980s was well known in the pharmaceutical industry. Founded in 1981 by three doctors and an M.B.A. who had been friends since childhood, the company leveraged the scientific and medical experience available in the Boston area and soon produced Azinomax, a leading blood-pressure medication. The product was a home run and swiftly seized a major share in several important markets. Azinomax's success gave Lexington the resources to develop a half dozen other important drugs and to diversify away from cardiovascular products. By the mid-1980s, the company's portfolio was diverse enough to include X-ray contrast media, synthetic hormones, and oral contraceptives.

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PHOTOS BY BRUCE T. MARTIN

At the same time that it was building its product-line breadth, Lexington Labs was establishing an international presence, moving aggressively into Canada, Europe, Asia, and Latin America. Martin had worked closely with the company's founding partners on the international expansion, and they all had agreed on their strategy: to set up decentralized, highly independent offices and give their managers the freedom to hire locally, as well as to develop local relationships and processes. The reasoning: Once you had good products, success in the pharmaceutical industry depended on whom you knew, from the government regulators who had to approve every drug to the doctors who prescribed or recommended them. With its decentralized structure, Lexington Labs was able to employ well-connected "locals" who could tailor their sales techniques to their country's business environment and culture. Clearly, the plan had worked. Until recently, Lexington's results spoke for themselves.

But as Martin gazed out the airplane's window at the English countryside, he reflected that Lexington's decentralized structure, once such a strength, had now become a serious weakness. Decentralization had worked well for the exigencies of the *old* health-care industry, in which representatives of pharmaceutical companies succeeded by developing personal relationships with individual doctors. The *new* health-care industry was strikingly different. A new sensitivity to price meant that governments were beginning to place restrictions on reimbursements and, in many cases, to recommend the use of generic drugs. It also was getting harder in some countries to obtain regulatory approval for new drugs; as a result, pharmaceutical companies no longer could rely on new products to boost sales.

But most critical for Lexington Labs were the changes taking place in the way drugs were being prescribed. New decision makers–most notably government officials and hospital administrators – were now very much in the mix, often having final say on which drugs could be prescribed for a wide range of conditions. The impact on the sales process was enormous. Suddenly, sales reps had to develop new relationships with individuals they did not know and, perhaps more important, with individuals who demanded a whole new type of sales presentation, including complex information about a drug's cost-effectiveness. Increasingly, Lexington Labs' sales reps were finding themselves in front of medication-approval committees, bombarded with tough questions about health care economics and product efficacy. Many came away feeling that they needed backup in the form of an "expert team" from within Lexington, as well as much more financial and medical information to give their audience. They also came away feeling completely demoralized.

The problem seemed clear enough, and Martin sensed that the solution was, too. Lexington Labs needed a system to encourage and facilitate the flow of knowledge across borders. Sales executives around the world needed to communicate about team-selling techniques that worked and about the most persuasive presentations they had developed. Likewise, commonly confronted problems needed to be discussed so that the company didn't keep making the same mistakes in one market after another. But what kind of system, Martin wondered, would work best? Lexington Labs was no longer a small start-up firm, easily adaptable to new forms of technology or efforts to shape a corporate culture. It had become a large organization with a strong culture in place, one that valued independence, and managers showed no particular inclination toward using systems such as E-mail or voice mail.

> **The company's decentralized structure, once a strength, may now be a serious weakness.**

As the plane circled above the airport one more time, Martin reviewed the steps he already had taken to try to resolve the failure to share knowledge. First, he had arranged for all the company's senior sales managers to attend a so-called survival course in Canada designed to increase communication and trust among the participants. There had been a lot of excitement about the event, he recalled, but in the end only one-quarter of those invited had shown up. Most had given the same reason for not attending: Performance was too shaky to spare a week away from the office.

Martin also had approached Lexington's IT group about installing a global E-mail system for the company's top 250 managers. It was in the process of being rolled out, but utilization so far was low. The system was being used primarily for sharing routine administrative and scheduling data. Still, Martin reasoned, it had been a start.

He had been more successful in creating international project teams to review manufacturing strategy, and that initiative had at least led to some contact between managers from different countries. In fact, two groups of senior manufacturing executives from seven different foreign

offices had developed a proposal to rationalize the European plant network. Unfortunately, Martin recalled, Lexington's board of directors had been reluctant to implement the plan, because they were afraid of undermining relationships with national governments.

Martin's thoughts were interrupted by the pilot's voice: The plane finally was cleared for landing, two hours late. By the time he was on the ground, Martin knew he would have to head straight to the hotel's private dining room, which he had rented for the sales meeting. He hoped no one else had been delayed. He had invited only the company's top eight sales executives to the session, and every voice mattered. But as soon as he entered the room, Martin noticed one important absence: Andreas Köhler of Germany. Köhler's second-in-command, Karl Richter, was already present, however, and Martin hoped it would be just a few minutes before Köhler himself arrived.

Salespeople preferred to spend their time with loyal doctors, not with the new types of decision makers.

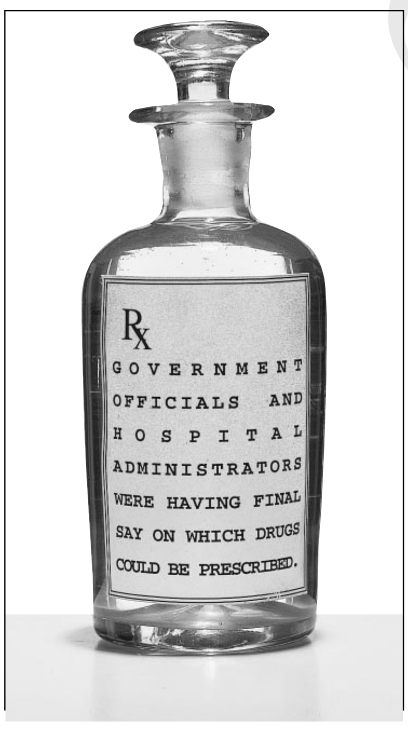
He said his hellos and quickly invited everyone to the table to begin. Martin's plan had been to hold a relaxed session over lunch that afternoon, with the main presentations and discussions the following day. But to jump-start what he hoped would be a productive use of time, he had asked all the participants to come to the meeting prepared to make a few comments about their country's situation.

"I want to begin by thanking you for coming to London for this meeting," Martin said when everyone was seated. "As you know, our performance has continued to decline, so this meeting has a particular urgency to it. I look forward to hearing from each of you about your own country." Here Martin paused for emphasis and then went on: "And I would especially like this to be a forum where we all share our ideas about ways to bring Lexington Labs back to its feet. I am confident that, working together, we can leverage our world-class expertise into making this company a world-class competitor again soon."

In the silence that followed, Martin noticed several executives shifting in their seats and one checking his watch. Martin almost smiled: It could turn out to be a long session.

He glanced at the agenda he had prepared for the meeting. Germany was first. But Köhler still had not arrived. Martin turned to Karl Richter. "Has Andreas's flight been delayed?" he asked. "Delayed? Not at all," Richter replied with a shrug. "Andreas is not coming," he said. "He is meeting with an important customer tomorrow and sends his regards."

Typical Andreas Köhler, Martin thought to himself. The German operation was one of the few Lexington businesses doing well – still holding top market share in several products. Köhler rarely responded to phone calls from headquarters, and he had flatly refused when Martin asked him to attend the survival course in Canada. "You can call and bother me again when we are losing money," he had said. "Until then, please leave us alone to run our business." The comment had been made with a laugh, Martin recalled, but that it reflected the unit's attitude was no laughing matter.



"So, Karl, why don't you go ahead and make Germany's presentation for us today," Martin said. "Just a few minutes on current–"

"I'm not here to contribute," said Richter, cutting Martin off, albeit affably. "I'm here to observe. Andreas asked me to take notes. I'm to report the proceedings to him next week – in detail."

There was muffled laughter around the table.

Martin laughed, too, but he felt a pang of frustration. Köhler's absence and Richter's glib comments reinforced to him how complicated it would be to get Lexington Labs, with its independent managers, to take the challenge of knowledge sharing seriously.

Martin turned next to Rebecca Woo, vice president of sales for North America. Woo had been with Lexington Labs for five years, and although she was based in New York City, she and Martin had lunch together once a month. They sometimes discussed the poor coordination among sales operations, and Martin knew that Woo shared his concerns about the lack of communication across borders.

Woo stood up to make her presentation. "At the moment, Lexington Labs is holding steady in the United States, but we're in for a tough battle as a result of the increasing power of pharmacy benefit managers," she began, and around the room a few others nodded their heads. "We've had some success with aggressive counterselling to individual doctors, but what we really need to do is create teams to make sophisticated presentations to centralized purchasers such as HMOs–"

"We, too, need to persuade centralized purchasers," interrupted Elaine Rosen, the lead sales executive of Lexington's British operations. "But we can't seem to put these teams together."

Woo nodded and went on: "One problem I've noticed again and again is that salespeople prefer to spend their time with loyal doctors, not with the new types of decision makers. Second, even when the salespeople work together on teams, they don't have the skills to prepare the detailed pharmaco-economic analysis required to justify the purchase of Lexington products. And third, our sales reps just aren't used to price negotiations, and they end up overdiscounting for large purchases."

"Is any kind of team selling working well?" asked Martin. This was exactly the kind of discussion of common issues he had hoped the meeting in London would spark.

Woo was quick with her answer. "Actually, yes," she said. "We had a very successful experience selling as a team into New Hampshire Home Care, a leading nursing-home chain in the Northeast. A dedicated team of our people worked intensively with the chain's executives to put together a detailed plan and economic justification."

Martin asked Jorge Quesada of the company's Spanish operations to present next. He knew Quesada had had some experience with team selling in a previous job, and he thought he might elaborate on Woo's points. But instead, Quesada focused his remarks on what he called "the unique context" of the Spanish marketplace. "We will never have budget limitations in Spain – the government won't allow it," he asserted.

"That's what we said in Germany five years ago," Richter countered.

"Maybe so," Quesada replied, "but right now we have other, much more pressing concerns. We are having a great deal of trouble getting Oncoser approved by the regulators. They're worried that the randomization approach may have introduced some bias in the trial–"

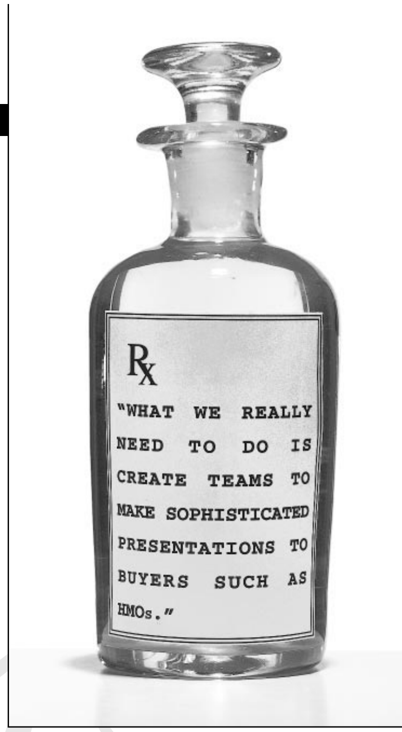
"Oh, we had that problem, too, in Sweden," interjected Ulf Olsson, that country's sales manager.

"When?" Quesada asked.

Olsson squinted as he tried to remember. "I'd say about a year ago," he said at last.

"Why weren't we told?" Quesada couldn't hide his exasperation. "Perhaps we might have anticipated the regulators' criticisms and been ready with some intelligent answers."

"I told headquarters," Olsson said. And indeed he had, Martin recalled.



The information then had been faxed to each country's office, but Martin realized he had not followed up after that. In Sweden, Oncoser finally had been approved, but not without a struggle.

Next to make a presentation was François Dupuis, the chief sales executive from France. Educated in Paris and at the London Business School, Dupuis spoke English with almost no accent and his message was clear: The previous year had been dismal for the French operation. The government was attempting to shift Lexington products into categories with lower levels of reimbursement, and at the same time there was concern about the possible introduction of generics to the marketplace.

"Have you considered applying the initiative Rebecca just mentioned–aggressive counterselling to doctors?" Martin asked. "That technique seems to be working in the United States–"

Dupuis stopped Martin with a wave of his hand. "That was something we did look into," he said. "I spent some time on the phone with a manager in the Chicago office, and he seemed to know a lot about the process; but to tell you the truth, we never really got past generalities. What he was saying made sense for the North American operations, but it didn't quite fit ours."

"I heard about that conversation," Woo said. "Afterward, the manager called me in New York and asked if Lexington had any kind of manual about counterselling that he could send you–something you could adapt to the French environment."

"And?" Martin prompted her, but he already had guessed the answer. There was no manual, and, beyond that, Lexington's financial situation wasn't exactly conducive to freeing up someone's time to create one.

After presentations from Sweden, Belgium, and the Netherlands – all sounding by-now familiar themes – Martin turned to Elaine Rosen of the British operations to close up the session. Rosen had been with the company almost since its first days, and Martin knew she had an enormous stake, both financially and emotionally, in its success. In addition, her attitude had always been upbeat. Just a month before, when they had talked about Lexington's future, she had told Martin she was confident that the company's international operations could be encouraged to share knowledge to everyone's benefit.

But Rosen's tone now was somber as she described the challenges her business was facing. The National Health Service was emphasizing generics, she said, and hospital committees were becoming increasingly important decision makers. To compete, Lexington Labs needed both a team approach and the expertise to make it work.

Lexington needed both a team approach and the expertise to make it work.

"Do you have any sales and marketing initiatives planned?" Martin asked Rosen.

She sighed deeply before answering. "Frankly, I'm not sure what we can do at this point," she said after a moment had passed. "I called on the North American operations for information about their success with New Hampshire Home Care, and while they tried to help, I didn't real-

ANTIQUE APOTHECARY BOTTLES COURTESY OF COLONIAL DRUG, CAMBRIDGE, MASSACHUSETTS ly have the sense they had the time to spare," she said.

"We're giving as much time as we have," Woo came back quickly. "I'm sure everyone in this room agrees that we have to run our own operations first before we can afford to take on the problems of the others."

"But we're all part of the same operation," Martin broke in. Woo looked at him but did not reply, and Rosen quickly wrapped up her presentation and sat down.

That evening after dinner, alone in the hotel bar, Martin reflected on what he had heard and seen at the meeting. It struck him how little the managers talked to one another, how little they seemed to connect on a personal level. If Lexington could use anything right now, it was friendships among its salespeople. Friends make phone calls and send E-mail; friends share information; friends want one another to succeed. But now Lexington was too large, mature, and complex an organization to allow Martin to create this kind of network among his salespeople. What was left for him to do?

Just before turning in for the night, Martin was surprised to see Elaine Rosen come into the bar. She looked exhausted, but, more than that, she looked upset.

"I hoped you'd be here," she told Martin tersely, sitting down beside him. "I've just checked my messages and, just as I feared, I received a call from the field this afternoon. It's very bad news, David. We've just lost a major national hospital account – a real opinion leader in the U.K. as well as one of our few profitable customers – and we've lost it to Cutler." Martin knew that Cutler was Lexington's major competitor in the United Kingdom and that it was doing extremely well lately, mainly on the strength of its sophisticated team selling.

"I'm sorry, Elaine," Martin said. "Maybe at tomorrow's sessions, we can talk a bit about Cutler's techniques – at least what we know about them – and use them as an example of an effective approach – "

But Rosen stopped Martin with her expression. "I won't be there tomorrow, David," she said. "I've had a long-standing offer to join Cutler and I think that now is the time to accept." Rosen stood up to leave. "I'm sorry," she added, and it was clear to Martin how much she meant those words. "Lexington used to be the best, most terrifically fun place to work. But it seems those days are over."

They certainly were, Martin reflected as Rosen left the bar. The question, however, was not how to recapture the old days but how to help Lexington Labs catch up to the present and prepare for the future. He knew a big part of the answer lay in getting Lexington to function as one global company, freely sharing best practices and critical information across borders. But how?

HBR's cases present common managerial dilemmas and offer concrete solutions from experts. As written, they are hypothetical, and the names used are fictitious. We invite you to write to Case Suggestions, Harvard Business Review, *60 Harvard Way, Boston, MA 02163, and describe the issues you would like to see addressed.*

How Can David Martin Save the Company and Take It into the Future?

Five experts discuss strategies to get information flowing across borders.

LOUISE GOESER *is vice president of corporate quality for Whirlpool Corporation. She is responsible for the company's Worldwide Excellence System, of which best-practice sharing is an important element.*

If only there were more *friendships* at Lexington Labs, laments David Martin.

But friendships are hardly what Lexington Labs should be counting on right now to spark the free and effective exchange of expertise across units and borders. It is simply too large and complex an organization – and too deep in a crisis – to rely on informal systems for this absolutely critical business process. And, in fact, research recently conducted at INSEAD strongly suggests that informal systems by themselves don't work in *any* business situation to promote the effective transfer of practices. Instead, top management must create strategies, structures, processes, and values that mandate what perhaps should come naturally but usually does not: people sharing important ideas.

Leaders must create strategies, structures, and values that mandate what should come naturally but usually does not: people sharing ideas.

To my mind, Martin is in deeper trouble than he realizes. First, he thinks he knows his problem, but he knows only half of it. Certainly he sees the immediate need to get Lexington's global sales executives sharing what they know about the new selling techniques the market is demanding. But the more fundamental issue is that Lexington needs a global strategy that reflects today's marketplace. What are the company's long-term vision, goals, and values? How will performance along those dimensions be measured? It appears that Lexington Labs has no answers for these crucial leadership questions, and yet they must be answered if the company is to reverse its current slide. Otherwise, how can Martin motivate and guide his sales force in the first place? How can he help them understand *why* they must share information to be successful and *which* information needs to be shared? Those issues are at the heart of Lexington's malady – and recovery.

Critical though they are, those issues cannot be resolved in a day or even a month. The company's top leaders – especially its CEO – must begin immediately to redefine Lexington's global strategy, making firm plans to be done with the process in three to six months. The strategy must address the changing marketplace, Lexington's product offerings and introduction process, the transition from today's loosely knit organization to a more tightly knit one, and the development of a global talent pool. The company's leaders must commit themselves to communicating Lexington's new direction relentlessly and consistently. By the end of the year, at the latest, every member of the organization should know Lexington's values and short- and long-term goals, as well as how performance along both dimensions will be evaluated.

A year, however, is a long time, and Martin cannot wait even a week to stop the bleeding. He and his sales executives need to identify the most threatening issues they face in each region and begin coordinated actions to regain market share. Martin is right: Sales managers need to start sharing critical information, in particular on how to create effective, sophisticated team presentations for hospital committees.

This is a complex and technical topic that demands a systematic solution. I suggest that Martin quickly form an international SWAT team of his best sales, marketing, and technical employees to assemble what expertise Lexington does hold on team selling. Unfortunately, the perfect person to run this group has just left him sitting at the bar: Elaine Rosen. He should do what he can to stop her from leaving, both to keep her knowledge in-house and to prevent the demoralizing impact her departure will likely cause. Yet even if she cannot be retained, the SWAT team must move forward. Martin should charge it with preparing a "package" on team selling and fund it to take its show on the road. The SWAT team should literally travel from region to region, helping with crucial sales activities and disseminating expertise in formal training and discussion sessions.

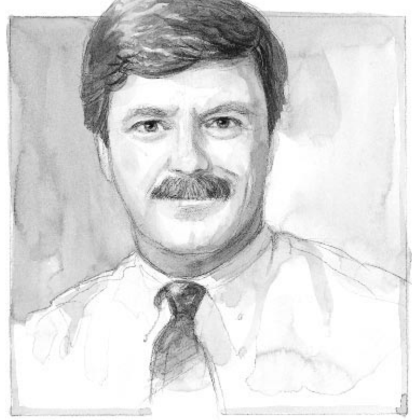
Martin also should change the compensation structure of the sales force to reflect regional and company performance. The matter of compensation is, of course, always a complicated one and must be addressed thoughtfully. At this point, however, Martin has few better tools at his disposal with which to deliver the message that information exchange at Lexington Labs is no longer about seven-day "survival courses." It's about corporate survival – period.

At Whirlpool Corporation, the necessity of sharing expertise and skills comes straight from our global strategy – a strategy developed and driven by our chairman's office – which brings us to the real source of Martin's problem. Simply put, Lexington Labs lacks leadership, and I say this because we have seen at our company that leadership is where the exchange of information is launched, becomes systematic, and then is monitored and rewarded. Eight years ago, when Whirlpool's executive team determined that our strategic focus was to become a global appliance company, we knew that our organization had to set the highest standards for information exchange across divisions and functions, not to mention geographical borders. To achieve that goal, we established several programs that institutionalize knowledge sharing, with *institutionalize* being the key word. The programs are too numerous to list, but let me describe two.

The first takes place annually, when every Whirlpool business is assessed by a cross-functional team from other parts of the organization. During this process, each business documents up to five of its best practices. If the assessment team agrees that the best practices have value elsewhere in the organization, a brief description and contact name are entered into the global Whirlpool database. Other parts of the organization then can match their particular business needs with the practices that could improve performance most swiftly. Simple guidelines, based on research and experience, are published to help make the transfers successful.

A second way in which Whirlpool institutionalizes information sharing is through the frequent use of global teams and councils. Teams are formed to solve key business issues or design global products. Global councils meet, either in person or by phone, with international managers from similar functions. For example, a global council may bring together the human-resources or quality-management executives of Whirlpool's businesses, which are located in more than 140 countries. A primary purpose of these meetings is to develop world-class processes by sharing best practices. Like all our expertise-exchange systems, they keep us focused on Whirlpool's common challenges and most effective solutions. In the final analysis, they keep us moving toward a one-company approach, and they work.

But making them work is hard; it takes commitment from the entire organization, as well as careful planning and maintenance. Martin must start this process now. What lies ahead of him is nothing short of a reinvention of Lexington Labs.



THOMAS H. DAVENPORT *is a visiting professor and the director of the Information Management Program at the Graduate School of Business of the University of Texas at Austin.*

Information environments are never static, and doing just one or two things – like installing Martin's "system" – is never enough.

David Martin has somehow realized that better use of information can save Lexington Labs. That in itself is the most encouraging aspect of this case. Sure, he has taken a few measures to improve the company's information environment, including a trust-building exercise in the woods and an E-mail system for senior managers. Unfortunately, those well-intentioned changes are akin to planting one tree in a desert. A lush forest of information and knowledge will not grow from the tree in time to save Lexington Labs.

The actions needed to reshape the company's information ecology fall into four categories: politics, culture and behavior, support structure, and technology. None of those categories can be treated in isolation. Nor will any action work immediately. But within a year, Lexington could have a substantially healthier information environment and be back on the road to success.

Lexington's information politics are a nice example of corporate feudalism. Feudal barons from different countries decide what information they need in order to run their part of the business. They don't ask others for knowledge and they don't share what they have learned. This approach has certain benefits in terms of focus, but it won't work in Lexington's current competitive situation. Instead, the political model that the company needs now is federalism, in which managers agree on the types of information they're going to share and on the information that can stay within each business unit. Lexington's salespeople clearly need to share what they know about products and competitors, but the company's executives must decide whether information on customers, finances, and internal operations also needs to be widely shared. The first step on this front is to get the senior managers into a room to determine precisely which information stays local and which gets released to the "federation." That meeting, besides being logistically important, will also signal to the organization that information at Lexington Labs is no longer just the realm of the computer people.

Lexington's information culture will have to place a much higher value on learning and on leveraging knowledge. Researchers will communicate with salespeople; the German office will exchange ideas with Paris and London. Product-development and marketing decisions will be based on fact rather than intuition. The company's focus on its relationships with customers will be deepened through systematic collection of information about physicians, hospital administrators, and regulators, but the focus on "whom you know" will be no stronger than on "what you know." Salespeople, like those at Genentech today, will have laptop-based analyses of drug economics and clinical efficacy at the ready. These new attitudes and behaviors will be reinforced by performance-evaluation and compensation programs that reward "information heat-seekers." Lexington will fire information hoarders and turf protectors, as Jack Welch has done at General Electric. The real proof of the company's transformation will come when economically successful but informationally challenged managers like Andreas Köhler are forced to change or leave.

Martin may believe that many of his salespeople are genetically incapable of such a transformation, and he may be right. He needs to start replacing his current staff of sales glad-handers with more analytically oriented sales consultants. But that won't happen quickly, which is why changes to the information support structure are necessary. Despite its financial problems, Lexington needs to add a group of information coordinators to the field. They will function as information reporters and editors, seeking out important stories (for example, the Oncoser randomization problem) from internal and external sources, putting them in structured, usable form, and bringing them to the attention of those with a need to know. The coordinators also can serve as members of sales teams. Perhaps they could come from the company's information systems organization, which in its current state probably provides only data rather than information or knowledge.

The fourth domain that Martin should address is technology. A system for information sharing won't work unless people are inclined to use it and there is a human structure in place to support it. It's a no-brainer that the E-mail system for the top 250 managers should be expanded to every professional and administrative employee. But that's hardly enough. Lexington needs to build an information repository for the use of its field employees. Clinical documents, discussion databases, sales presentations, and information about competitors all could be accessed through one system. The technology employed could be either Lotus Notes (the best option today if discussion databases are a big part of the system) or an internal Web site, which is highly intuitive and easy to use. Hewlett-Packard, for example, has a Web-based Electronic Sales Partner system with thousands of items that support the sales process; between 40 and 50 documents are added every day.

This multipronged approach addresses much of what seems to be wrong with Lexington's information environment. But it's not a permanent fix. All the measures I have recommended may eventually transform Lexington from an information desert to a tropical rain forest. At that point, information *overload* may become the problem: Salespeople, for example, won't be able to hack their way through the dense thickets of E-mail, voice mail, faxes, and Web pages. Then Martin's task will be to craft a revised information strategy. Information environments are never static, and doing just one or two things – like installing Martin's "system" – is never enough.

BARRY HARRINGTON *is a vice president and director at Bain & Company. He developed the consulting firm's worldwide knowledge-sharing system.*

To make the most of knowledge at Lexington Labs, Martin must manage the links between individuals rather than the individuals themselves.

David Martin is poised to make a big mistake: He thinks the solution to his problem is managing the flow of information. The right solution has nothing to do with information; it has everything to do with networking, with *people.* It is easy – and many companies have proved this to their own dismay – to install information systems that allow people to gather reams of data. It is much harder, but far more effective, to install information systems that allow people to network with one another around what is actually a limited but crucial body of knowledge. At a minimum, that is what Lexington Labs requires if it is going to emerge from its crisis.

The company's problems are more fundamental and obvious than those relating to information flow – except, it seems, to the people back at headquarters. Simply stated, Lexington needs leadership from the center, and quickly. It is interesting to consider why the company currently lacks leadership. The reason, I would say, is that the CEO and his or her team back in the Boston suburbs have not clearly defined the role of the center itself. Is it to form strategy? To hire the best people? To focus the company on a particular expertise? The people in Lexington's corporate office must understand their distinctive role, or the company will go in as many directions as there are subsidiaries. This lack of definition is common in fast-growing, successful companies; they have never been forced by crisis to confront the hard question of the center's purpose and then to fulfill that purpose.

Martin is poised to make a big mistake: He thinks the solution is managing the flow of information.

But even if the center figures out its role so that it can lead Lexington Labs, Martin still will have to solve his problem through knowledge sharing. Knowledge – not information. Sharing – not acquiring. I make these distinctions because when we started designing Bain & Company's international knowledge-sharing system several years ago, we purposely avoided accumulating the maximum amount of information. We could have tapped the Internet, required codification of all our work, and created a massive database. But we didn't think the system's users would benefit by having access to what would become a storehouse of thousands upon thousands of documents. Instead, we thought they would benefit if our system contained only two elements: knowledge relevant to our business and a list of the people in the company to call if someone wanted to learn more about a certain topic. That is what we have created with BRAVA (Bain Resource Access for Value Addition), and I would suggest that Martin establish a similar system at Lexington.

Here's how the system works: Every time a case team is convened to help a client, a "case historian" is appointed. At the beginning and conclusion of the project, the historian records – in a *one-page* document – the problem the client faces, the approach to solving it, and the expected and actual results. This summary, which also prominently lists the names of the case team members, is then entered into our computer system. In this way, when a new case team is put together, it can get on the BRAVA system and do a search – by industry, by problem type, even by management techniques used – and come up with two, three, or sometimes a dozen examples. But the information in the system is limited so that users are practically forced to call the managers who have firsthand experience. And our research shows that more than 60% of the time, they do.

But a system such as BRAVA cannot work without supportive measures, of which managers like Martin should be aware. For instance, Bain motivates its people to use the system by basing a portion of their compensation on compliance – that is, on how reliably they contribute to the database with their case histories. In addition to establishing similar incentives, if Martin decided to install a system such as BRAVA, he would do well to increase the number of face-to-face meetings, conferences, and training sessions. The reason: Such contact builds a corporate culture that reinforces what the new technology system encourages – networking.

Additionally, Martin will have to sing the praises of the new system every chance he gets, frequently broadcasting to the organization how powerful it can be and talking up the system's successes. (At Bain, for instance, we enjoy telling the story of a director who had a three-hour plane ride to prepare for an unexpected sales presentation to a large potential client in the insurance industry. She got onto BRAVA, accessed five case histories, placed three phone calls to three different offices in three different countries, and was ready to make a strong case for a particular solution by the time she landed.) We also have found that the use of BRAVA is reinforced by its own utility, its own forward momentum. David Martin should take note: Getting a network like this going cannot be done in bits and pieces. He and his company must commit to it wholly and then install it fully.

When it comes to information, a company can go two ways: It can manage individuals or it can manage the links between them. If Martin wants to make the most of knowledge at Lexington Labs, he must focus on the latter. Because for all the technological wizardry contained in complex IT systems, nothing in the world can replace good old-fashioned talk, human to human.

GEORGE GOLDSMITH, *CEO of the Tomorrow Lab in Concord, Massachusetts, was managing director of the Lotus Institute, Lotus Development Corporation's research group, which focuses on organizational innovation and performance.*

What Lexington Labs *really* needs is a doctor: an organizational psychologist or a consultant with expertise in the field of corporate culture.

It's no wonder David Martin feels helpless: His company is collapsing around him. But rather than looking to high-tech information systems or gadgetry to save Lexington Labs, Martin must muster the courage to invest in another solution entirely. Simply put, the company needs a "doctor." That is, it needs an organizational psychologist or a consultant with expertise in the field of corporate culture.

Effective leaders – something Martin clearly is not – know that financial performance is directly linked to the organization's mood. People tend to be upbeat when they are fulfilled, and fulfillment is attained in the workplace through the act of helping customers. Satisfied customers return, and employees continue to feel fulfilled. It's a virtuous circle, a self-enhancing state. Lexington Labs is on the other side of the map. The sales force is self-absorbed, passive, and quick to blame outside events for its poor performance. Worse, the salespeople view their customers as strangers, perplexing in their behavior and unreasonable in their demands. Their customers! In this environment, there are critical questions of strategy, information technology, and intellectual capital to be resolved. Yet resolving them requires emotional energy, a spirit of cooperation, and optimism. No IT system in the world can deliver those attitudes or states of mind.

But an organizational doctor can. Now, I often have heard senior executives express suspicion of organizational psychologists or cultural consultants because they view them as some kind of luxury, called upon to make people in their organization *feel* better rather than perform better. That perception couldn't be further from the truth. Most people in this field refrain from talking about a given employee's personal psyche. Their goal is to refocus the organization on one psyche only: the customer's. When employees stop nursing old wounds and agree that they all have the same purpose – serving the customer – the downward spiral of a destructive organizational mood can be reversed. Martin faces the hard task of digging into his already strapped resources and hiring a professional to jump-start the process.

What would this outsider do for Lexington that the company could not do alone?

First, he or she would hold separate meetings with Martin, his sales executives, other people in the sales organization, and customers in order to gain an impartial yet comprehensive understanding of the problems the company faces. The talks would examine what business and personal processes have worked in the past and what needs to be done differently. The focus would be not on individuals but on developing multiple perspectives on the problem at Lexington Labs.

Second, the psychologist or consultant would provide feedback to Martin, making sure his or her comments respected the confidentiality of the previous conversations. Together they could plan the third step, another meeting with the sales executives – one starkly different from the disaster in London.

This session should be facilitated jointly by Martin and the consultant. It should be highly interactive and begin with remarks from the consultant summarizing the emotional state of the organization in a descriptive, but not analytical or punitive, manner. The next part of the meeting should move the group toward the future by having it define a shared understanding of what results the company needs to achieve in the next 3, 6, and 12 months. The group then should list specific initiatives that would help the company reach those goals.

Fourth, Martin and the group should assign clear accountability for delivery of the goals. And, finally, the group should step back and assess the meeting's effectiveness and decide how to make future meetings even more effective. In general, the purpose of the meeting is to put structure and meaning back into the work the salespeople are doing. It is to help them determine explicit ways to contribute to the customer's positive experience, and therefore feel fulfilled and energized themselves. In a nutshell, it is to get the Lexington sales force into the virtuous circle of employee and customer satisfaction.

What I have just described may sound like a full agenda, but in my experience working with dozens of clients in situations not unlike the one at Lexington, I have found that crisply managing a full agenda establishes a new performance standard. These kinds of sessions *are* long. They *are* grueling. But those involved often emerge with a renewed sense of mission, real work to do, and the experience of having gotten things done together.

When should the doctor leave Lexington Labs? Martin will have to make that delicate assessment himself, and he should look to his salespeople for the answer. Are they acting as a team? Are they using information technology to work collaboratively? Are they spontaneously picking up the phone to share ideas and expertise? Are they enjoying their face-to-face encounters? And, most important, are Lexington's customers satisfied? The company's bottom line will reflect the organization's mood like a mirror.

More times than I can count, I have met senior managers who harbored fantasies that information technology would change everything about how they related to one another. I tell them to stop dreaming. IT is a support system. Once a company has clear goals, its members can use IT to achieve them, and they will if the organizational mood is right. Lexington Labs has neither clear goals nor the right mood. David Martin needs to wake up and face both of those problems, and he must acknowledge that he alone cannot fix them.

G. KELLY O'DEA *is president of Worldwide Client Services at Ogilvy & Mather, an international advertising agency based in New York City.*

The challenge is how to be both globally efficient and locally sensitive. To meet that challenge, Lexington must adopt the transnational model.

The image of David Martin circling around Heathrow serves as an apt metaphor for the situation he and Lexington Labs face: They are stuck in a holding pattern, going around in circles, not in control of the situation, and late – dangerously late. But rather than arriving at his destination, Martin is about to *begin* a long journey across some unfamiliar territory if he takes the course I think is advisable.

Martin thinks his problem is about information, and of course it is strategically important to get his people sharing what they know and what they do well. But Lexington Labs doesn't just need an improved IT system. It needs to make a fundamental change in its organizational structure and way of working; that is, it needs to revamp its entire approach to international marketing. Until now, the company has been organized around countries. This decentralized, multilocal approach has been one of the two most commonly used models for international management over the past 20 years. Its primary benefit is a high degree of local market sensitivity and focus, but the approach also can be hugely inefficient and costly – simply not affordable in today's environment. Moreover, it encourages fiefdoms in which managers like Andreas Köhler can openly embrace a policy of isolationism.

But the solution for Lexington does not lie in the other popular approach to international management: the highly centralized and controlled global method. Although it deploys a company's assets efficiently, it is also the least sensitive to local concerns. Most companies now recognize that they need to have strong talent and resources on the ground as well. The old image of six cigar-smoking guys ruling the world from the central boardroom simply won't work anymore.

The challenge in today's and tomorrow's world – the challenge for David Martin and Lexington Labs – is how to be both globally efficient and locally sensitive. To meet that challenge, they must adopt what is now emerging as a new "global life form," one that I believe will become the dominant model for the rest of the decade. This is the so-called transnational model, which combines global efficiencies with local sensitivity by creating an interdependent, highly collaborative, and responsive network of global teams. This organizational structure requires a much more horizontal approach and the elimination of the layers and cross-border barriers inhibiting most international networks. It means organizing quickly into flatter shapes and designating teams to manage businesses and brands in different countries, in collaboration with local market partners. Traditional hierarchical pyramids give way to flexible circles of multinational teams that operate across geographical borders and share common goals.

At Ogilvy & Mather, we were fortunate to catch sight of the transnational trend in its early stages. (Six of our top 15 clients had begun to move in that direction by 1992.) It became a core element of our global reorganization around clients and brands. To facilitate the transition, we formed a virtual organization composed of multinational, multidiscipline teams that would provide our clients with the best balance of global and local resources in managing their brands.

Four years later, that has proved to be the right thing to do. Trend is now reality, and all of our top 15 clients are in some phase of transnational development, albeit at different rates of speed. Although they all would agree that this is the right way to go, none of them would declare that they've really cracked the code. It is a constant and often difficult process of adapting to changing market conditions and rebalancing resources within the network. It means writing plans in pencil and knowing when to use the eraser.

If Martin takes on the challenge of reorganizing Lexington Labs according to the transnational method, he must know that such a process will require him to become a leader. He must identify his best people and gather them together to craft a new vision and way of working. He and his team then must be the disciples who set the example and start communicating the new direction to all, in a way that paints a desirable picture of the future and ignites everyone around the new mission.

Actions must swiftly follow the words. As a first step, Lexington's sales force must be reorganized around products and brands rather than by geography. Team selling must be central to the reorganization. Sharing of information and providing assistance across borders must become the norm rather than the exception. One way to encourage such teamwork is through shared financial incentives that focus on total company and product-line performance in addition to the usual incentives for an individual's performance within a country.

Central teams should be considered for key product lines. Their role would be to manage the overall effort, act as a resource for local teams, develop product-specific expertise, assist local teams in major selling efforts, and move information across the network. Lessons learned from customers, regulatory battles, and competition also would be centrally packaged and available to everyone. To encourage collaboration and reduce duplication of resources, Martin also might consider distributing the central costs across the markets.

All these steps sound daunting, and they are, but Martin cannot afford to keep circling above Lexington's problems. He must plunge in – although a crash landing is not advised – and get to work on reorganizing the company's fundamental way of doing business.

With some tough decisions and speedy action, Lexington Labs has a chance to fly high again.

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