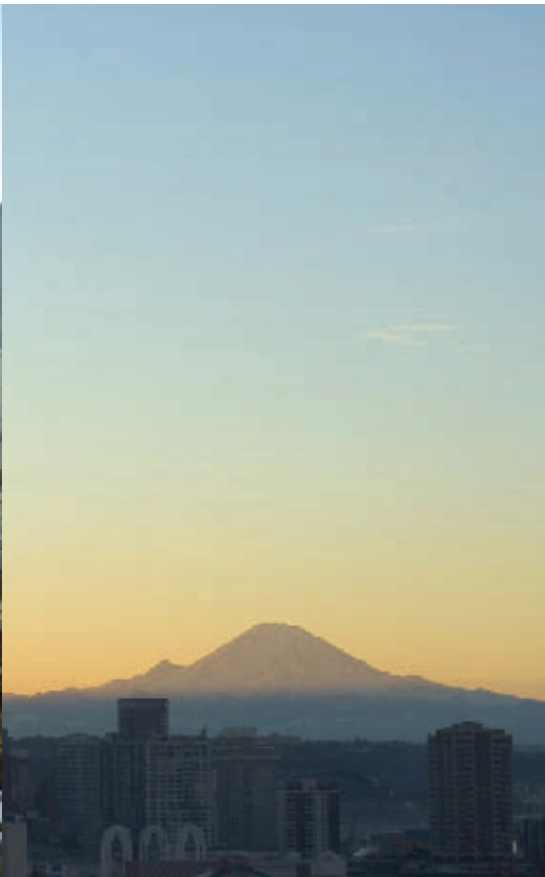




Seattle and San Francisco Study Tour Report



What do an airline, some of the world's biggest IT companies, clothing manufacturers, a bank, a pharmaceutical distributor, and a retailer have in common? Surprising, it's quite a lot.

In December 2006 Philip McNamara, from Inspire Nation, which is an international best practice consultancy, led a group of senior level executives from Virgin Atlantic Airways on a study tour of some of America's top companies. Virgin Atlantic is renowned for its world class customer service, its well designed interiors, their Upper Class Lounges, and of course, the spirit of Richard Branson is very strong throughout the whole company. Virgin is very strong on branding, creating fantastic customer experiences and marketing. A top group of management executives wanted to know how other world class companies were implementing their IT processes and applications, and what technology was new and efficient in up-and-coming companies. They also wanted to understand more about how strong American companies are facing the challenges of becoming increasingly competitive, whilst at the same time, decreasing costs across a whole range of activities. Another important factor to learn was how strong companies endorse and encourage a positive culture of success amongst their employees and how this message is passed down from senior executives.

Most of the companies we saw had IT systems in place for integrating the strategic planning, performance, and management systems. They had well planned, annual business planning cycles, for turning ideas into action. All of their good ideas and brainwaves, marketing strategies, etc, had to be put into their strategic planning systems. If they could not measure it, it would not be managed. "Creativity is lost if you don't manage it" said Stuart Scott, CIO of Microsoft "You can have all of the creative ideas in the world, but if you don't have a process of managing them and keeping track of them, then they disappear." This was one point that Virgin had already taken on board – many of their systems are interacting together, from Finance, IT and Marketing.

Sponsorship of critical aspects of new ideas or new process from the very top is critical. The strong companies have clear plans, a process of review and follow up action. These are issues that the CEO and the top level executives have to care about, be passionate about, and the initiative has to come from the very top. "Passionate lunatics" is a word that comes to mind, from the CEO of Expeditors, Stuart Rose. Stuart was very strong on process, and sponsoring ideas, top down. One of the most interesting things about his company was performance management bonuses. The company relentlessly focuses on generating profits, and all office staff are rewarded with 20 percent of the net income that particular office generates, to be distributed within those offices as managers decide. This is one point that virgin knew a lot about – because of Richard Branson's role in the company, messages from the top have always trickled down.

This system of Performance Related Pay has been a key building block in Expeditors which makes it almost like a co-operative. Therefore, if the branch keeps customers happy, then employees know that they'll take home a bigger cheque at the end of the month. This gives the company the power of being centralised, and it is up to the branch manager and the employees, who are highly motivated, to keep profits to a maximum. However, if a branch loses money, it has to make up the balance the next month before another bonus can be paid. This system was one of the key building blocks of growing the company from 2 offices in Seattle to 182 offices in 56 countries.

Values are supremely important to these companies – the strong companies wear their values on their sleeves – and it shows from the attitude and behaviour of the top management. All of the top management showed a very strong belief in their company values. These were not just words they referred to in the company brochure, but they were referred to day after day, and passed down to management and staff by example. Recruiting for attitude, integrity and values was something that this came up again and again with many different companies. It was so easy to see what companies' values were even by walking into their headquarters – from the outdoorsy and open attitude of REI “Our biggest competitors are TV and Video Games” to the button down no nonsense rules of Expeditors. Recruiting for attitude is something that Virgin Atlantic has been doing for many years. They see a positive, can do, and customer centric attitude as extremely important in all of their employees and this is an attribute they look for during the hiring processes.

Another key lesson that was learned from all of these companies was about outsourcing broken systems. It just doesn't work! When these companies go to outsource a system or process, they have learned the hard way that you can't outsource a broken system. It has to be fixed in house, and perfected before it can be sent to an outside supplier

We met with 9 companies in total, ranging from a freight forwarder, to software companies to clothing manufacturers. All of these companies had certain attributes in common, and these were operational excellence, focused management teams and a lot of emphasis on the need for strong values to guide the company as it moves forward.

The companies were chosen using a few guidelines:

- Process efficiency as a key business differentiator
- A strong brand, and brand values were important
- They were leveraging the hearts and minds of employees to secure future growth.
- They are using innovative ways in outsourcing, offshoring and Back Office Processing systems.

Inspire Nation chose the following people and companies:

John Rostas, the vice president of Business Process Excellence, Washington Mutual Bank, Seattle

Stuart Scott, CIO, Microsoft, Redmond Washington

Peter Rose, CEO, Expeditors International, Seattle

Sally Jewell, CEO, REI, Kent, Washington

Randy Spratt, CIO, McKesson, San Francisco

Safra Katz, CFO, Cisco Systems, San Jose, California

Denis Powell, CFO, Oracle, Redwood City, San Francisco

Kathy Wilk, CVP Finance, Gap Inc, San Francisco