
Rank Xerox (A): Global Transfer of Best Practices

TEACHING NOTE

06/2004-5138

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Immediate Issues

Carlos Camarero was put in charge of the Wave C initiative to improve the revenues of Rank Xerox, a subsidiary of Xerox US. Thanks to Wave I, revenue had shown a dramatic increase of US\$100 million net benefit in 1994 through identifying, documenting and transferring best practices associated with discreet sales processes and the marketing of specific products. Subsequently, Wave II was launched with the aim of redefining the core sales processes. Its results were very disappointing and nowhere near the success of its predecessor. Carlos is now preparing to meet with Bernard Fournier to discuss the reasons for Wave I's success, Wave II's failure, and the lessons learned about best practice transfer within the firm.

Basic Issues/Highlights

The case demonstrates the difficulties associated with best practice transfer within a firm. It also brings out several important aspects of knowledge management. First, the case provides a concrete example of what "knowledge" is, as it relates to a specific company and its specific core competence. In Rank Xerox, the knowledge that is being focused on is best practice methods that have been developed in different regions. The case also highlights the common problems with knowledge management: more specifically, once the knowledge has been identified, how can it be spread throughout the organization and fully taken advantage of.

Intended Audience/Uses

The intended audience is students taking a first year MBA strategy course or other courses in knowledge management and related topics, as well as non-degree participants such as business executives in courses, workshops or seminars.

Analysis of The Case

Wave I And Wave II

The first question raised in the case is why Wave I was successful and Wave II failed. What's different between Wave I and Wave II?

Wave I

Objectives: (1) achieve simple and easily implementable short/medium term incremental revenue generation and cost reduction (with focus on internal operations); and (2) identify, document, and transfer best practices involved in bringing specific products to market.

Implementation: Started in mid-1994

Best Practices Identified:

- Deep analysis of internal reporting database
- Appointment of “knowledge” person (Best Practice Champion)
- Promotion of idea of best practice sharing
- Creation of the right team to include skills and expertise
- Recognition that identification effort is not enough
- Building best practice transfer into annual business planning
- 100% commitment and support from top managers

Difficulties in identifying best practices:

- Gaining complete understanding when best practices are complex, cross functions, and are sequential
- Establishing sufficient common measurements
- Thorough documentation of best practices
- Justification of the opportunity
- Identification of critical success factors at an early stage

Nine revenue growth opportunities/best practices to be implemented across Customer Business Units (CBUs):

- **MajestiK:** An initiative to increase market share in the European color copier market.
- **Customer Retention:** A plan to encourage current customers to repurchase equipment from Rank Xerox (incentives to salespeople + technological database aids).
- **DocuTech:** An initiative to sell offset printers to commercial and educational users by focusing on document solutions rather than on traditional product or price selling.
- **New Business Major Accounts:** A plan to establish salespeople whose sole responsibility is generating new business.
- **DocuPrint:** A plan to accelerate sales of the newly launched line of high-speed network printers by emphasizing the products’ image printing capabilities and systems integration features.
- **CSO Competitive MIF Identification:** An initiative for rapid updating of Rank Xerox company-wide sales database to track competitive information and provide salespeople with reliable data.

- **Analyst Time Billing:** A plan to sell the value-adding, problem-solving consulting services of Rank Xerox technical analysts.
- **XBS:** A plan to educate salespeople on how to sell facilities management services effectively through the creation of simple packages and pricing options.
- **Second Hand CEP:** An initiative to regain control of the secondhand market for centralized mainframe printers by repurchasing secondhand machines, refurbishing them, and reselling them to targeted accounts for which price sensitivity is very high.

Results: Revenue improvements: 1994 = +US\$100 million; Revenue 1995 Plan = US\$150 million). Team C’s costs were only US\$1 million and team members were awarded with spot bonuses.

Team C Results

High Success	Success	Less Success
Color Mkt. Growth	New Biz in Large Accts.	Analyst Time Billing
DocuTech Applications	Customer Retention	Secondhand Centralized Printers
Telesales	DocuPrint	Competitive Mach. Identification
Xerox Biz Services		
⇓ ⇓ ⇓	⇓ ⇓ ⇓	⇓ ⇓ ⇓
Additional Revenue:	Additional Revenue:	Additional Revenue:
US\$127 million	US\$65 million	US\$ 8 million
% Expectation: 150%	% Expectation: 80%	% Expectation: 30%

US\$200 million additional revenue achieved = 133% of overall target

Reasons for Success:

- Simple and easy – Wave I was a very easily implementable short/medium term incremental revenue generation initiative. The revenue growth opportunities were described in a way that was easy-to-understand and straightforward by enlisting several “laymen” and “non-experts” as readers.
- Strong leadership support – Carlos’s experience/ability to motivate people and drive projects to fruition was instrumental. The initiative also had 100% commitment and support from top managers.

- Effective communication – Accessibility of the team’s work and selecting 25 senior managers (“doers”) from the CBUs to confirm that Team C’s ideas and plans were realistic and implementable who gave immediate feedback.
- Findings supported by hard data – The research by the group was very helpful in convincing top CBU managers of the importance of Wave I; Team C books.
- Excellent logistical coordination and planning – Two secretaries were appointed to compile text, manage schedules, coordinate meetings, etc.
- Flexibility – To avoid unnecessary stress, entities were encouraged to pick only four favorite revenue opportunities out of nine.
- Close monitoring of the implementation process – Team C’s core group of 10 people dedicated 30%-40% of their time to traveling to explain the best practices. Carlos promoted a “champion” system, in which every entity dedicated one senior-level person outside Team C to monitor implementation.

Wave II

Objectives: (1) develop an entire model for best sales practices and superimpose that model on all CBUs; (2) achieve term sustainable revenue growth by increased salesforce productivity; (3) identify best practices for Rank Xerox’s core sales processes (specifically productivity and sales process management); and (4) integrate best sales management practices migrated.

Implementation: Started in 1995. A highly competitive environment in Europe and lofty profit growth goals required quick action. Wave II was more like a theoretical laboratory model based on extracting little pieces of information from many countries and implied a fundamental change from salesforce empowerment to strong process management. Team C sought to develop a model that would optimize salesforce management and all salesforce activities, identify optimal sales behaviors, and define new action plans for each aspect of the Rank Xerox sales process (i.e., territory planning, field salesforce activity management, market engagement programs, leads generation, product training, and sales pay and incentive plans). The plan was to develop a unique software module linked to a market database with details of salesperson schedules, performance figures, leads, and contacts. Salespeople would have a portable computer with them. Managers would be able to track salesperson activity at all times.

Results: After implementation, only 10% of salespeople were using the new software. Few people would surrender control of the sales process and revenue improvements were negligible. Wave II was deemed a failure.

Reasons for Failure:

- Lack of simplicity – Wave II was an all-encompassing sales solution, while in Wave I any single component was useful to the CBUs and successful implementation depended neither on any other component nor on any specific time sequence.
- Too intellectually focused – Learning curve in Wave II for the CBUs was too steep, asking for too much to be implemented.

- Long-term skill building was to lead to revenue impact over time – Wave I was intended to achieve immediate revenue growth; in Wave II, CBUs were not given enough time and attention.
- Information-based reasons – Clear models of success in Wave I were not present in Wave II, which was a complex, cross-functional process and not backed by data.
- Coordination – Wave I was a discrete process transfer while Wave II was sequential so required a level of coordination that was not necessary for Wave I.
- Monitoring/Agency reason – Transfers did not threaten perceptions of self-worth of salespeople and were less likely to be seen as threatening in Wave I. Wave II was a fundamental change in the way they operated. Whereas the old rule of thumb was ‘when you want to sell more, you put more people on the street’, the new rule of thumb was that you have to do analysis and then put people on street. It represented a shift from 100% salesforce empowerment to strong process management. Also, it meant centralizing information in a database which people saw as a threatening change in the monitoring mechanism.
- Lack of crisis – There was no crisis in Wave II – in fact, they were coming out of some of their best years. Although the company might benefit from dissemination of best practices, managers may not have felt as threatened (or as motivated in the absence of appropriate compensation packages) to accomplish the transfer.
- Lack of support – Wave I had the backing of senior management but Wave II did not. Top management guaranteed futures of “doers” in Wave I but there was no such analog in Wave II.
- No clear champion – In Wave I there was a clear source, identified as the best practice repository, which had an incentive to “brag” about it. In Wave II, with best practices coming from all over, it was not clear who would push things.

Xerox Corporate Reorganization

Rank Xerox 2000 Initiative

The place of Waves I and II within the larger reorganization and the reformulation had an impact on their respective success. The Xerox Corporation proposed the *Rank Xerox 2000* initiative. As part of this, the Xerox Corporation in Stamford wanted Rank Xerox to devise an organizational structure that was more congruous with its own, and show dramatic improvement in profits by 40% in 1994 and 38% in 1995. Fournier announced the Rank Xerox 2000 initiative, with the following objectives:

- To make the new organization:
 - Cost effective – close the US\$200 million cost gap (between Rank Xerox and Xerox US)
 - Flexible – simplify processes and increase productivity
 - Synergistic – share resources and skills at all levels
 - Pro-active – be closer to the customer and empowered to serve customer needs

- To position Rank Xerox for 2000 (i.e., move closer to the idea of The Document Company).
- To restructure in line with Xerox business divisions organization.

Task Teams

Central to the meeting of these objectives was the work of three task teams formed by Fournier for the specific purpose of implementing Rank Xerox 2000.

Team A

Much broader in scope than Team B, Team A was given the mandate of redesigning the Rank Xerox organization. More specifically, Fournier asked Team A to propose a structure for the OpCos that was more in line with the corporate Business Divisions model.

Team B

At the core of Rank Xerox's problems, Fournier felt, was the European headquarters in Marlow. He believed it was too large by a factor of 25 and that its strong control culture was wasting resources on process matters rather than mobilizing them to address customer issues. Team B was narrowly focused on investigating ways of streamlining shared activities at European headquarters. Team B had the specific objective of identifying and eliminating activities and layers that did not add direct value to the company or its customers. Results from Team B were significant and achieved quickly: by early 1993, only four months into the project, Team B had already achieved US\$50 million in cost savings, mostly resulting from downsizing the corporate workforce.

Team C

As much as the results of the reorganization were clearly impressive, it was equally clear that the replication of best practices aimed at reducing costs was not enough to sustain the double digit earning growth dictated by the Xerox Corporation. Fournier, therefore, created Team C to help to grow revenues. In 1993, he turned to a Spaniard, Carlos Camarero, to lead it. Because its revenue initiatives would have to be transferred across the diverse cultures and nationalities of Rank Xerox, Carlos was quick to recognize that its work would have to be simple and easily implementable.

Knowledge Transfer

There are two factors that combine to form a successful framework for transferring knowledge within a firm.

Role of Corporate Center

A key issue is to determine whether the costs of implementing the mechanisms that will accomplish transfer are justified. In particular, using the concepts underlying a Pareto

frontier, if it is in the interests of both parties to cooperate then there will be no need for an external agency to force coordination that may be jointly optimal but individually suboptimal (for some subsets). Otherwise, joint optimization will only be possible through some external agency, i.e., a firm that encompasses both organizational entities in question.

Coordination Mechanisms

In the past there was a huge HQ function, which was slashed by Team B. Now there is a matrix which includes people compensated on overall product line responsibility across all European countries, so they have an incentive to disseminate best practices.

Teaching Method

Illustration/Set the Stage (15 minutes)

Start with an illustration of the key issue in the case by drawing a graph on the board showing differences in performance (of field engineer maintenance) across different countries (i.e., to emphasize intra-firm heterogeneity instead of heterogeneity across firms which is what is emphasized in a typical first year strategy course). The graph should illustrate, by European country, the number of machines that can be maintained by a single field engineer. The highest is 78 in Belgium, the lowest is about 55 in France, Germany, Italy, and the UK are in-between. The data is for one year but the measures are correlated across years.

Ask the class: What is your reaction to this graph?

- Efficiency implications – If we can figure out whether or not there are good ideas to be transferred.
- Installed base of machines – Older stock of machines in some countries might be harder to maintain.
- Geographic differences – similar geographic differences across countries may make things harder to maintain.

How do we know how much of the difference is due to differences in context, and how much is due to differences in efficiency? We do not know. Rank Xerox has developed a rule of thumb: Let's say the gap is x . So we target for $0.5x$. Let's discount 30% for errors of implementation. The remainder should be the part of the gap that ought to be closed in a given year.

Set the stage:

- Rank Xerox is inefficient relative to Xerox, the parent corporation.
- Team B was responsible for slashing HQ expenses in England.
- Team A was responsible for moving to a matrix structure for Rank Xerox (a structure adopted some time back by Xerox overall).

Wave I/Wave II (55 minutes)

Transition: Waves I/II are responses to the situation captured by this graph. (Here, try to put up two columns corresponding to each wave)

Ask the class: What's different between Wave I and Wave II?

Let's think more generally about the transfer of best practices within a company:

Put up a model on a side board: Source --> Practice --> Recipient

- Source needs to provide adequate documentation – information problem.
- Recipient needs to be able to interpret documentation (unexpected differences in context).
- Both source and recipient need to be motivated to make transfer happen.

Ask the class (see also Analysis section above to augment answers):

- What is the role of the corporate center in all of this?
 - The corporate center is typically an enabling mechanism for knowledge transfer and undertook such a role in this case.
 - Key decisions from the center impacted each wave.
 - For Wave I, Fournier gave instructions at the entity level that each entity not try to implement all nine revenue opportunities at once. Rather, he suggested they pick their four favorites and concentrate on them before eventually proceeding with the other five.
 - For Wave II, Fournier and other top managers were unwilling to grant full-time Wave II entity champions
- What does all of this have to do with the boundaries of the firms?
 - The challenges in knowledge transfer demonstrated by the case suggest that boundaries exist across organizational units (and as such are boundaries within the firm).
 - When boundaries of transfer units are even more prominent, such as attempted knowledge transfer across two firms, this suggests that knowledge transfer may be more problematic.
- Are there any mechanisms at Rank Xerox that allow coordination?
 - The establishment of Team C provided a mechanism for coordination
 - There were limited other formal mechanisms that facilitated knowledge transfer (e.g., Rank Xerox apparently did not have knowledge sharing sessions across organizational units to promote awareness of best practices and support their ultimate transfer)

Role-Play Meeting Between Fournier and Carlos (15 minutes)

- Get two students to come up to the front of the classroom if it seems sensible.
- Ask one to role-play Fournier (e.g., Fournier could argue to pull the plug as there has not been enough traction) and the other to role-play Carlos (e.g., Carlos can say that he hasn't been able to devote enough time and entity champions aren't available).
- What options can Carlos propose that are creative/not in the case?
 - Sequence by trying one or two countries first, and generating data.
 - Accept sub-optimality of partitioning in return for greater likelihood of being adopted.

Closing (5-7 minutes)

Ask the class how Carlos should proceed.

If you are not using Rank Xerox Case B, which discusses whether Rank Xerox attempted to re-implement Wave II and new developments, then update the case, answering any questions the students may have.

If you are going to use Rank Xerox Case B, then answer any questions the students may have while not giving away too much as to Case B.

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