

DEATH OF A DIVISON

**A fictionalized account of the closing of the R.R. Donnelley Digital
Division in 3 acts.**

*With concepts from the book “Intrapreneuring in Action” by Gifford Pinchot
and Ron Pellman*

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Corporate Entrepreneurship Class

SCENE 1

CHARACTERS:

The CEO: John Climatedmaker

The VP: Rory Ideaman

The Division Head: Barbara Intrapreneur

The Marketing Expert: Mary L. Sales

The Operations Expert: Lew T. Manager

The Tech: Grant Computer

TIME

1994

PLACE

One of many bland conference rooms scattered within the RRD Corporation Headquarters lakefront skyscraper. People are seated at a long conference table with piles of papers laying haphazardly. A man stands at the head of the table next to a whiteboard.

RORY

Thanks for joining me. As members of the group who is creating this venture I wanted to reiterate our vision to you and solicit your feedback.

As you know RRD is the world's largest printing company. We pride ourselves on being the best traditional printing company on the planet. In that field we've reacted to changes in the industry and market in ways that have enhanced our position and reputation.

But it is the mid-1990s and we are facing not only technological changes but those that effect the very heart of our business. We've been providing a method of information distribution to our customers that basically hasn't changed in the 130 years we've been in operation.

(Pointing at various items on the whiteboard.)

Our front-end processes have been replaced by computer and electronic systems but our manufacturing methods have not yet significantly been altered in this century. We are seeing that CD-ROMs are replacing encyclopedias and other large reference works rapidly. More is sure to come. We need to find new product gaps to enter and exploit. Digital printing is it.

I have an idea that RRD can link with upstream content owners and downstream customers. We would become an electronic warehouse and distributor, with the critical ability to print on demand. We can provide a flexible way for them to order and structure the data we hold with advanced software systems. If our facility was in the right location, we

would also be able to supply next day shipping to really make turnaround times quick.

(He sits down and looks at the others.)

So, any questions?

MARY

Are we sure we are giving the customers what they really want? Is there a strong value proposition in this?

RORY

We've seen need for short run printing for our magazine and book reprints. Those are usually at a higher quantity than is profitable with a digital press but if offered very short runs at a competitive price we think it will be attractive. Often, they wish to supply their sales outlets with re-orders quickly so next day shipping will fulfill that need. No one is doing this right now.

BARB

As you say, Rory, we won't have any competitors initially and it feels great to be first to market. However, what about internal competitors? Won't we be taking some work from other divisions and I can't imagine they will play along.

RORY

RRD is a big happy family. We're sure the other divisions won't mind this small amount of work being taken from them. After all they are concerned with the long duration, high quantity work. We've also got support from John, our CEO. In fact, he is here and wants to say a few words to you.

(Large, well-dressed man enters room and stands in front of group.)

JOHN

Greetings to all. I just want to let you know that as CEO I'm behind you 100%. I'm for looking to the future. We need to focus on technological ventures, align with new trends in the industry. We should aim to produce printed materials not using the traditional big iron. I've been in printing my entire life and diversification is the way forward. Thanks for listening.

(Man walks out of room.)

RORY

Thanks John. Let's continue.

MARY

Have we a good plan for sales strategy? How do we motivate these folks who are used to getting large, lucrative contracts that last for years? This is small run, low profit stuff.

RORY

Mary, you know that the sales force can sell across divisions without pushback. We'll work out some incentive scheme as well. It will work out because they want to do what's best for the company.

GRANT

Isn't combining high impression costs with very high shipping costs a bit of a challenge to sell? Overall this is a new concept to them with a high price tag.

RORY

Well, we're basing this on observing our existing customers. It's a hard concept to explain and we've not done too much market research. However, we have had focus groups with good feedback.

MARY

What's the financial plan?

RORY

We're being asked to have a profit by the 4th quarter of the first year and to at least break even the following year. Then we are to be profitable overall.

GRANT

Seems risky. It will be hard to move into the black that fast! Isn't it pushing too hard?

RORY

Well, we'll get sales from existing customers right away!

MARY

Um.... right.

WALT

Where and how are we going to make all this?

RORY

Memphis, Tennessee! That's where the FedEx hub is for shipping. We've got over 20 million to invest in equipment and facilities.

WALT

Is this real? It just seems that customers aren't asking for it.

RORY

Well, we will have to educate them about it using our excellent sales force!

BARBARA

If we get this all going, and win will it be worth the effort?

RORY

We'll be the only big company doing this. We'll be in the vanguard with the new equipment and technology. It could revolutionize printing if the software and hardware do what we ask of it. It probably isn't going to be a big profit center but will give us intellectual capital and skills that are

unique. This is all only a drop in the bucket and for that reason I'm sure RRD will put their full support behind us in the long term.

SCENE 2

CHARACTERS:

The Operations Director: Lew T. Manager

Project Manager 1: George Teammate

Project Manager 2: Tom Teammember

The New CEO: William L. Basics

TIME

1996

PLACE

A large room obviously in a factory setting. There are many desks with computer workstations. Large office printers, white boards, and other similar office accoutrements lay about. The large open area in the middle has a group of people facing a speaker.

LEW

Thanks for taking time out to come and listen to me everyone. I wanted to give you a bit of a status update on how the Digital Division is doing

TOM

(Sotto voce to the person next to him.)

Not too well, me thinks.

LEW

You all know we've got a problem with work. You can see the facility is not running at maximum capacity.

TOM

(Sotto voce to the person next to him.)

Or half capacity.

LEW

We're all coming together to find new opportunities. We've got some pilot work going on with customized marketing and database publishing. It's looking promising. One of our new customers is Dr. Pepper. George is doing a great job getting that going. These new initiatives we hope are where we can add value for our customers.

We've found that we had a bit of a market misunderstanding which we're trying to quickly come to terms with. The reprints we thought would be the bulk of our work just didn't materialize. Quick turnaround

printing and shipping hasn't had a huge response. The costs are high and RRD's existing customers aren't seeing benefits in embracing it.

GEORGE

Lew, I see we are working hard here, but we've noticed that there's not much help coming from corporate. What's up with that?

LEW

Well George, as you know, our entrepreneurial visionary Rory Ideaman left RRD this year. Right now, there's a bit of a reshuffling in management and the Tech Center.

GEORGE

Well, I've heard about that. What about the other personnel announcements? Are they going to affect us?

LEW

Of course, everyone is aware that William L. Basics is our new CEO. In fact, he's here to say a few words to us.

(Large, well dressed man enters room and stands in front of group.)

WILLIAM

Greetings to all. I just want to let you know that I'm the new CEO and I'm for going back to basics. We need to focus on our core competencies and realign with our historic industry position. RRD needs to make lots of book like items on those big inky press thingies, whatever they are called. I'm not from printing...made electronics before I came here. Thanks for listening.

(Man walks out of room.)

LEW

Thanks to Mr. Basics for giving us an insightful look at our new direction.

TOM

Lew, that didn't sound too promising for the Digital Division.

LEW

Don't worry. We seem to have a strategic misalignment with the rest of the company now that a new direction is in play. Big orders, big contracts, and traditional production methods do generate the bulk of RRDs income. So, our small, new tech, nimble facility will need to endeavor to fit in. But William said he is behind us and once he figures out what we do he'll put that in writing.

GEORGE

So, he's our new sponsor?

LEW

Not really. He's a bit on the fence.

GEORGE

So, who is our corporate sponsor now? Is it Barbara Intrapreneur?

LEW

Um...no...I'm afraid Barbara has left the company.

GEORGE

Is it Mary L. Sales then?

LEW

She's changed positions and won't be working with us anymore.

GEORGE

Then where is our sponsor support?

LEW

It'll be fine. Let's move on.

TOM

Lew, does RRD support us as we try to get financially on our feet?

LEW

Yes, they said that we have at least to the end of the year to meet the profitability goal set for this year two years ago.

TOM

Huh? That doesn't seem like any kind of change.

LEW

Well, as you know there wasn't much leeway given to us. From the beginning we were supposed to get into the black quickly. It was expected we would be able to leverage RRD's existing customer base for immediate sales. That didn't materialize. None of those expectations have changed and the corporate shake up seems to have delayed discussion about it. Or maybe those discussions are not being shared with me.

GEORGE

So, we have low sales, no sponsors, little time to develop new product offerings, and an unrealistic expectation to have a high profitability level this year?

LEW

Yep. Thanks everyone for coming to this meeting. Have a great day!

SCENE 3

CHARACTERS:

Project Manager 1: George Teammate

Project Manager 2: Tom Teammember

TIME

1997

PLACE

A busy and dark pub in Memphis, TN. People are milling about, and two men sit at the bar with drinks in hand.

TOM

(Raises a drink into the air.)

To the RRD Digital Division! We hardly knew ye!

GEORGE

You're getting a bit romantic.

TOM

Well, it was two years of our lives with a lot of hope and sweat so I have the right to be emotional at this wake.

TOM

Yep, who would have thought it would come to this! Getting drunk at a wake for a closed division. They told us about things going to be fine and had a bright future. Idiots.

GEORGE

Not Idiots, just a lot of mistakes and missteps.

TOM

What do you mean? Do you think there's something to learn from all this?

GEORGE

You really want to hear? Have another beer, sit back, and let me tell you the tale and what we might learn from it.

TOM

This looks like I may need more than just one more beer. Do we need to find a table with comfy chairs? Should I take notes, professor?

GEORGE

Yes on the table, no on the notes. And stop being such a smart ass, or I won't buy the next round!

TOM

Humph!

(The two move with their drinks to an individual table off to the side.)

GEORGE

Much better! I just hope table service is going to be prompt because if I'm going to talk about this I do not want my drink to empty. It's depressing no matter how you spin it.

TOM

OK, shoot. What are your thoughts? At least they were straight with us about the closing.

GEORGE

First off, what you mentioned just now was an error.

TOM

What was?

GEORGE

Transparency and truth, my friend! While the main players were leaving and support waning we kept being told that it was just a bump in the road and that support was there. In fact, a lot of the higher ups were just counting the days till the axe fell.

TOM

You mean that when the old CEO went our chances did too?

GEORGE

Not just him but most of the original founding team went as well. All our supporters and sponsors evaporated. It seemed the mood at the division and corporate took a negative turn and there was no longer an atmosphere of encouragement for innovation or entrepreneurial spirit.

TOM

Yes, the CEO's "going back to our core values" spiel. No one wanted to buck the new corporate initiative and so we were out on a limb without a tree to hold us up. Ugh. Made people unwilling to find new ways to try and find new markets to utilize our core competencies.

GEORGE

Yep, at the end we felt like "dead men walking." Especially after the supporters followed the CEO off the ship like a pack of rats!

TOM

Let's not get too nasty! They fled like a well-ordered group of lemmings. No one wants to be around when an ideology you hold dear changes. The vision Rory transmitted was done very clearly and persuasively. The only problem is that when CEO John left the company there no longer was a receptive audience for it. That's what FUD following a corporate shakeup will do for you.

GEORGE

The venturing structure was too new to have taken hold and RRD never really had an infrastructure to support us when we got past the stage III gate. And if you remember we were grandfathered into that so we were not really embraced in the process to begin with.

TOM

OK, I get it. There was no strong organizational community left after the changes. It all fell apart like a house of cards when you pull one of the supports out.

GEORGE

Yep, I think we all saw that. Also, you've got to remember that there was such a "home run" philosophy in place. When Rory put forth his vision it was strong and positive with no expectation of failure. We had to and

were going to win big! The problem was that kind of made an environment with no tolerance for failure or mistakes. Or for that matter realizing that there was quite a bit risk which might need a lot of organizational support to find ways to overcome.

TOM

You're depressing me even more! Stop it.

GEORGE

Sorry.

TOM

Well, we did do some things well. We were good at a micro level getting things done. The doers were empowered to make many decisions. We could form teams from across knowledge areas and work well together. People like us, the project managers, were hands on and followed things start to finish. We learned a lot and built our skills.

GEORGE

And because we were on our toes and thinking about the future we came up with some good ideas!

TOM

Yes, when our original marketing plans failed we were quick to come up with other avenues to explore. Variable data marketing campaigns looked to have a lot of potential! And the Dr. Pepper account you had shot up to a million-dollar customer quickly due to flexible database printing.

GEORGE

Yes, but by that point everyone had written us off. We were killed by immediate profitability expectations. If the plan was perfect we'd have made a mint, but it wasn't and there was no backup plan or tolerance for us to find a different way.

TOM

Well, the digital division certainly wasn't an incubator for novel ideas with discretionary time for employees. We were expected to land on our feet. What new ideas we did try were because of long hours and selling them hard.

GEORGE

Well, I'm not complaining. We were treated well in general compared to many places. I think not being able to fulfill expectations and having little hope of getting the time to turn things around made everyone feel helpless.

TOM

Yes, it certainly lowered morale and enthusiasm faded. The bottom got pulled out from us for all the reasons we've been talking about.

GEORGE

We worked our butts off for the customers, though. No one was halfhearted. I think that related to Lew's leadership. A good manager and very inclusive if not a visionary or entrepreneur.

TOM

Agreed. Everyone in upper management disappeared but he stayed behind to deal with the new realities. He tried to be transparent even if we were pretty sure we weren't getting the whole truth.

GEORGE

Well, he couldn't have told us that every other division was neutral or against us without making us all want to hide. We know the power of the big boys! They wanted digital printing to be in their own domains doing what they felt was complimentary to their goals.

TOM

Yep, as long as John was CEO they paid lip service to the "new era in printing" but after they all wanted it under their own roofs. Those big divisions are kingdoms in their own right and we were never even a blip on the radar. Not on the same team at all.

GEORGE

Yes, and that new era needed some time to get the bugs out which we didn't have. The manufacturing equipment was problematic and there was a lack of trained operators and support.

All normal in a new business but usually the time to get that worked out is taken into consideration. Because RRD had been working with all that stuff at the Tech Center it was thought things would go smoothly right off...but in real world situations it never is quite that way.

TOM

Tell me about it. The vaunted software systems to allow order and printing flexibility never worked. Customers soon lost confidence in the concept when it wasn't reliable. That led to the failure of the data warehouse for print files concept. Terrible execution of great notions. And we had the hard lesson that every reprint meant changes so there was a lot more involved then clicking on a button to get most orders going. A printing company should have realized that, but the initial concepts were isolated in an R&D environment for too long.

But what do you think was the biggest failure?

GEORGE

It was the original marketing plan and the sales support. For some reason the new venture team thought that we could be profitable by doing reprints of magazine pieces and some books. RRD did so much of this they thought it could be shared with digital. However, that was seen by the other divisions as work being stolen from them and they fought it. The fact that they were well established with loyal customers worked in their favor. We couldn't match their prices unless the print runs were miniscule, so it was easier for the work to be kept where it was.

Divisions would also eat some costs with the little jobs to keep their larger customers happy and in place.

Sales never coalesced behind the Digital Division. There was no money in it for those with ties to the big divisions since selling for us was chump change. Also, the divisions kept their sales force at heel. It wasn't their culture to sell outside even if corporate tried to incentivize it. Every sales person knew where their nests were feathered which led to halfhearted attempts on our behalf.

TOM

The sales staff that was more dedicated to us were never top notch nor knew the product well. They were scattered among all the new venture companies. It was confusing.

(Both call for another drink.)

TOM

Well, now it's over. What will happen?

GEORGE

You heard they sold the facility to Standard Register? They're hiring the operators who were local and have purchased the Indigo and Heidelberg presses. That's a loss of some talent for RRD.

TOM

But the big Xeikons are going to Financial at the Bedford Park plant in Chicago, right?

GEORGE

Yes, as am I. Many of us all us who moved here are getting offers either there or at the new short run book facility in Roanoke, Virginia.

TOM

Yep, I put in for Roanoke. At least some of what we learned will be utilized by the company. It's sad that the Digital Davison's concept is dead and what is left it being thrown at supporting the old business models.

GEORGE

Well, let's have another toast to the effort then. Maybe someone learned something.

THE END