Amir Hartman • Craig LeGrande

"A very timely book. Hartman and LeGrande show organizational leaders a path to managing through turbulent times."
—Vijay Govindarajan, Coxe Distinguished Professor at Dartmouth's Tuck School of Business, and *New York Times* and *Wall Street Journal* Best-Selling Author

Ruthless Execution

How Business Leaders Manage Through Turbulent Times

Second Edition

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Upper Saddle River, New Jersey 07458

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Printed in the United States of America

First Printing September 2014

ISBN-10: 0-13-341077-3
ISBN-13: 978-0-13-341077-8

Pearson Education LTD.
Pearson Education Australia PTY, Limited.
Pearson Education Singapore, Pte. Ltd.
Pearson Education Asia, Ltd.
Pearson Education Canada, Ltd.
Pearson Educación de Mexico, S.A. de C.V.
Pearson Education—Japan
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Library of Congress Control Number: 2014942464

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Oracle's Journey to Customer Centricity

We will now turn to a great example of how a global information technology powerhouse, facing profound market shifts, reinvented how it relates to customers. The story of Oracle demonstrates the transformative power of *critical capabilities* to energize the company, and in doing so, build an atmosphere where *ruthless execution* became the highest value.

For more than three decades, the Oracle name has been synonymous with databases. Year after year, Oracle led the world in this category of software and continues to hold the top spot today. Founded by Larry Ellison, Bob Miner, and Ed Oates in the 1970s as Software Development Laboratories, the company adopted the name Oracle in 1982 to align itself more with its primary database product. In 1989, the fledgling company moved to the northern end of Silicon Valley and built its iconic headquarters—a cluster of glassy towers on the shores of San Francisco Bay.

The company endured its share of growing pains. In 1990, it reported its first-ever loss and shed hundreds of employees. But that was quickly erased by an Internet-propelled growth spurt in the 1990s and early 2000s. Oracle branded an Internet-inspired version of its database with the "i" suffix, and later introduced a "g" version to designate the next generation of "grid"-compatible products.

In 2004, after a high-profile battle, Oracle spent $10.3 billion to acquire PeopleSoft, one of the leading makers of software for managing human resources and other business applications. The acquisition represented a watershed event for Oracle, marking the start of a strategic recalibration as the database leader sought to become a more complete technology provider. For although it had built a strong market position in the database space, Oracle had yet to realize its larger vision of becoming the number-one provider of enterprise software—or business applications that run on top of databases to help companies manage everything from their financial books to their supply chains.

Oracle's new strategy was two-prong: It would push internal R&D efforts to enlarge the company's "solution footprint" and capture new markets, and it would acquire key capabilities and market share through strategic purchases. Oracle's buying spree lasted a decade. Following PeopleSoft, it went on to acquire Siebel Systems, the number-one provider of customer relationship management software, for $5.8 billion. Next came performance management software company Hyperion for $3.3 billion, followed by the acquisition of middleware company BEA Systems, for $7.3 billion. Oracle capped off the buying streak with the $7.4 billion takeover of Sun Microsystems. In between were purchases of scores of smaller, niche players in the IT sector that Oracle hoped would endow it with the technology and industry-specific capabilities it needed to grow.

Challenges

Early in the buying boom, however, Oracle ran into a challenge that was new to the company: how to convince customers arriving by acquisition that it was serious about defending their interests? Although Oracle had built its market dominance on the strength of an undeniably great database product, this very success also bred what more than a few observers perceived to be an aggressive—even arrogant—culture. How would this reputation mesh with customers accustomed to dealing with a more collaborative and people-centric company?

Even longtime Oracle customers admitted they were put off by the company's brashness. The attitude took a variety of forms but often came out during contract negotiations that many customers described as "adversarial" and "painful." Customers also complained of Oracle's narrow transactional focus that always came down to selling products—the more the better. Missing on the Oracle side was the ability to understand its customers' business needs or to help them brainstorm new strategies. Collaborative sessions with Oracle in which customers might influence the future development of the company's software—to the benefit of both parties—generally were absent.

The contentious PeopleSoft acquisition, it turned out, became a test case for Oracle's strategic recalibration—its embrace of a new way of relating to customers that would inform its remarkable journey to customer centricity, a process of that continues today. In some ways, the contrast between the two companies could not have been starker. Founded in 1987 by Ken Morris and Dave Duffield, PeopleSoft was a pioneer of the ERP market, and its customers were famously loyal. Consequently, many were unsettled by the prospect of being absorbed by a vendor such as Oracle with a history or turning a deaf ear to its own customers.

Undeterred, Oracle set out to change the way it related to customers. To prosper, executives knew the company had to forge new connections with customers and demonstrate a collaborative approach to working with them—a far cry from the adversarial posture it had assumed for so many years. Essentially, Oracle needed to develop a new critical capability to take the company forward.

In the fall of 2004—around the same time the PeopleSoft takeover was making headlines—Oracle executives began an investment to transform its customer relationships. Oracle veteran Jeb Dasteel, previously with the company's consulting organization, was tapped to spearhead the effort. "We had a fabulous reputation as a very strong engineering organization and a good, strong, aggressive sales organization," Dasteel explains. Yet Oracle lacked the critical capability that it needed to make PeopleSoft customers feel comfortable and sufficiently confident to stay put or even deepen their business connections with the database leader. Many harbored concerns that Oracle would fail to develop and improve on the "legacy" PeopleSoft line of products, potentially leaving businesses in a lurch down the road. Many worried that Oracle might cut off support and force a switch to lesser products.

Regardless, Oracle needed to move fast. In the wake of its multibillion-dollar PeopleSoft deal, the company was coming under pressure to show investors evidence of financial discipline and progress toward reaping operational synergies. "All of that became our burning platform for customer retention," Dasteel said.

The Transformation

Oracle wasted no time getting started. The first order of business: calming the nerves of PeopleSoft customers who were worried that Oracle might abandon their favorite business applications and then steer them to Oracle's own products. The company's "Apps Unlimited" and related lifetime support programs, launched shortly after the acquisition, helped head off defections. Still, getting an organization the size of Oracle—at the time employing 50,000 people spread over dozens of countries—to fundamentally change its attitude toward customers would hardly be a trivial task.

Efficiencies dictated a global perspective, so Oracle formed a new organization—called Global Customer Programs—with the express purpose of creating a single unified company strategy around customer programs. Existing customer programs, which had been controlled by teams in individual countries and regions, were folded into the global framework. "Customer centricity" became the organization's new mantra.

But if Oracle was to become truly customer focused, it had to build better systems for listening to customers and gathering feedback in a comprehensive and consistent fashion. Through trial and error the team honed a globally unified customer-feedback platform. It was informed by data coming in from myriad "listening posts" that spanned the globe—everything from web surveys, focus groups, and executive-level advisory boards to marketplace studies and observations from individual employees interacting with customers.

One of the most effective feedback mechanisms was designed to take the pulse of a key constituency: chief information officers. Oracle's CIO Advisory Board has since become an indispensable source of guidance and a sounding board for new ideas. The board's message: Oracle needed to do a better job of coordinating resources and presenting a single voice—and a single ear—to the customer community. To a great extent, Oracle's global customer group became that singular interface.

Given the chance to speak, customers opened up. Their advice ran the gamut from recommendations on potential acquisitions to suggestions for improving account management, the latter becoming a recurring theme in a series of customer forums held during and after the PeopleSoft deal. Oracle needed a fresh account management approach, these customers said, one that would treat Oracle's biggest accounts in a more consistent and transparent fashion.

In response, Oracle's sales organization got busy retooling the company's account management practices. It crafted a new structure that placed senior executives in the role of overseeing high-priority accounts and actively helping with account planning and problem solving. At the same time, Oracle established a new "key account director" position that gave top customers a single point of contact for all things Oracle. Finally, the company formed an elite corps of "Oracle client advisors" who were charged with providing big-picture guidance to customers and helping flesh out new opportunities.

Customers applauded the restructuring move and welcomed the extra attention from Oracle executives. Issues got tackled faster and with fewer hassles. What's more, customers realized they could count on Oracle's account team for more than just handling sales orders and trouble tickets. Increasingly, Oracle reps were joining internal planning and strategy sessions—being treated in fact like an extension of the customer's own team.

Executive sponsorship and client advisors are just a couple examples of what Oracle calls "collaborative programs" that aim to build more strategic and fruitful partnerships with customers. Others include the Oracle President's Council, led by Oracle president Mark Hurd and board member Naomi Seligman. Collaboration also takes place through user groups involving hundreds of thousands of practitioners worldwide and through other customer-community-oriented programs.

From Transactions to Partnerships

To stay on track, Oracle now measures progress on a nearly constant basis. Every quarter Dasteel sits down with the top Oracle executives to talk progress and pore over performance numbers. Three topics are covered in each meeting. The first is customer satisfaction and loyalty. Second is "referenceability"—a customer's willingness to recommend Oracle—as measured by how many customers are actively participating in reference-based sales and marketing efforts. (Oracle today has more than 10,000 customers in this category.) Finally, the conversation turns to revenue impact. Every activity is measured against these three measures.

Higher levels of listening and collaboration have helped Oracle move the needle on customer relationships, replacing arms-length transactions with more intimate partnerships that can inspire additional business opportunities. Oracle regularly measures the continuum between both sides of this spectrum and tracks how incremental improvement in satisfaction and referencing drives further engagement and sales, especially for its top 2,000 customers. It has taken years for Oracle to get to this point—and more work lies ahead—but the effort is bearing fruit by helping customers innovate, become more agile and efficient, and get more impact from their IT investments.

Oracle's effort to get closer to customers would almost certainly fall short if the company didn't react in a meaningful way to feedback. "Customers get pretty frustrated if they don't see some corresponding response," Dasteel says, noting that Oracle makes a point of channeling relevant feedback into a set of "response programs" that are categorized as either one-to-one or one-to-many. The former typically involves an individual customer registering a complaint or service request through regular customer-support channels. The company's effectiveness in responding to these day-to-day technical issues is continually monitored.

Beyond this, the global customer team routinely sifts through the broader set of customer feedback, from the web surveys to the executive councils, and more recently even incorporating discussions on social media. The team strives to integrate all these channels and use Big Data analytical tools to uncover patterns and recurring themes that impact a large swath of the customer base. One effort is focused on linking reports of how customers "feel" about Oracle with their actual buying behavior.

All these examinations form the basis of the team's "Top 10 Program"—essentially a task force that tackles the most pressing issues affecting the largest portion of Oracle's customer base. The program mobilizes resources behind a response plan, which typically starts with communications to key customers and says, in effect, "We've listened, we've acted, this is what's changed, and here's how you can engage further." Exchanges also take place in small gatherings of customers, such as Oracle's President's Council and CIO Advisory Board, where Oracle executives sit down with customers and review their feedback, correlate it with the broader body of customer viewpoints, and explain what Oracle is doing about it. Similar conversations will take place with leaders of Oracle's huge user group community, and to reach even greater numbers, the team sends out electronic newsletters to update customers on hot topics.

Showing success in solving problems and correcting bad habits helps boost credibility with customers, who might otherwise turn a cold shoulder to Oracle's web surveys, forums, and other feedback-collection activities. "Customers would grow really tired of participating in those forums if they didn't feel like we were actually listening and doing something material about it," says Dasteel, who a few years ago was named Oracle's first chief customer officer (CCO).

In fact, Oracle's customer surveys report significant progress. From a relationship standpoint, customers say that Oracle is getting better at everything from coordinating resources and sharing best practices to serving as a trusted advisor. Tellingly, customers say they are happier with the latest releases of Oracle's products, in large part because their asked-for innovations—gathered by Oracle's feedback mechanisms—are routinely showing up in new products.

Oracle wisely transfers a large portion of this feedback into its CRM system, giving sales reps an accurate read on customers' emerging concerns and what Oracle is doing in response. Some reps have even signed up to get text alerts whenever new surveys come out. Executives say they want to set up similar connections with customers, the goal being to engage customers through their "channel of choice."

Today, Oracle is eager to engage in conversations on how to enhance the customer experience, a capability that is swiftly becoming a key differentiator for business. Says Oracle President Mark

Hurd, "Our customers are increasingly under the gun to innovate faster, and so much of that is customer-experience oriented. There is a clear competitive advantage in this, and we can be a significant help because it's foundational to what we're doing here at Oracle." Oracle executives say the critical lesson is that it's not about launching a single program or initiative, but more about changing a mindset; it is about making customer centricity part of the corporate DNA. What it comes down to is getting the entire company to listen to customers—and customers across industries confirm the shift. "In the last six or seven years, our relationship has evolved to one that is much more mature," said the CIO of a global manufacturer. "We've grown into a relationship that is much more strategic."

Customers also say their dealings with Oracle have become more collaborative, and brainstorming sessions are more common. "We have a different level of engagement with Oracle," says the CIO of a global construction and engineering firm. "Our conversations are more creative. We're more comfortable with throwing something at the wall to get their reaction. In the old world, they would say 'this does not fit with our product hierarchy,' but now it's likely to generate enthusiasm; the barriers have fallen away." Similarly, the CIO of a global airline says Oracle has "moved from building and selling a product to actually trying to help you learn how to take their products and innovate in your enterprise."

Oracle now ranks as one of the world's largest enterprise IT companies. In the past decade, it has doubled its market value and redefined the enterprise technology marketplace with innovations such as engineered systems, cloud services, and Big Data solutions. Would Oracle have made these advances if it had not also reinvented the daily experience of its customers—if it had not started listening? Most likely not. Thanks to its timely strategic recalibration and deliberate pursuit of a critical new business capability, Oracle is laying the groundwork for decades of market leadership.

How Oracle Drives Customer Centricity

To sustain growth and head off defections, Oracle radically reengineered the way it relates to customers. Here's how the database giant is turning around its reputation for turning off customers:

- **By setting up listening posts—**Oracle scours its customer base for opinions, launching web surveys, focus groups, and executive advisory boards to find out what it needs to do better.
- **By learning to collaborate—**Oracle's habit of dictating the terms of customer relationships was crimping growth. Now it fuels sales by becoming a sounding board for customers' ideas.
- **By moving beyond transactions—**In the early days, Oracle was all about racking up orders. Today, it's more likely to talk about enabling the customer's business.
- **By refocusing the sales teams—**To get customers' attention, Oracle restructured its sales organization, assigning top executives to key accounts and deploying strategic advisors to flesh out new customer opportunities.
- **By measuring progress—**Oracle leverages Big Data analytics to sort through customer feedback and link satisfaction measures with revenue growth.