Network Brokerage Cases

• Ray Kroc and the McDonald brothers establish fast food in America
• Alex Zafaroni makes network brokerage an operational key to his success in biotechnology
• John Browne operationalizes network brokerage as a successful company advantage
• John Clendenin, network broker, has exceptional success growing his group
• Charlotte Beers leads a dramatic company turnaround in the advertising industry
How do you explain the McDonald brothers' genius? Why were they the guys to discover fast food? Does network brokerage explain their creative innovation?

Kroc's business model was well down a learning curve when he opened what became Hamburger University. Was it the same curve on which Kroc began his career?

Kroc sells Lilly cups to soda fountains (early 1930s)  
McDonald brothers open movie theater (early 1930s)

buys rights to distribute Multimixers (1939)  
Hot dog stand (1937)

Soda fountain market softens in late 1940s  
McDonald's drive-in (1940)

McDonald brothers begin one-off franchising (1953; Occidental Petroleum exec Neil Fox, bro-in-law)  
McDonald's Hamburgers (1948)

Kroc sees McDonald's and buys rights to distribute (1954)  

Adds real estate rental to model & expands coast to coast  

Buys out the McDonald brothers (1961)  

Hamburger University (1961)  

Highway bypasses Sanders' gas station/restaurant so he starts selling franchises for his chicken process (1956)
*Photos are from the video shown in class (1998 Ray Kroc segment in PBS Biography series; also see Wikipedia on oldest McDonald's restaurant.)
Life
After

from company website:
http://corporate.mcdonalds.com/mcd.html
Assessing the Value of Affymax

1988  Affymax Research Institute founded by Alejandro Zaffaroni to accelerate the drug discovery process.

1991  Affymax IPO as leader in the field of combinatorial chemistry


2000  Glaxo-Wellcome receives $500 million for reducing its 65% interest in spin-off Affymetrix to 16%.

2001  Affymax Research Institute re-emerges as an independent company when a syndicate of venture capital firms led by Patricof & Co. Ventures purchases GlaxoSmithKline's interest in Affymax.

Dr. Alejandro Zaffaroni (a.k.a. "Alex," born 1923, Ph.D. biochemistry 1949) is a serial entrepreneur responsible for founding several successful biotechnology companies in Silicon Valley.

In 1951, Alex joined Syntex, a small chemical company in Mexico. He played a key role in growing Syntex into a major multinational pharma based in Palo Alto, CA. Among his start-ups are Alza, DNAX, Affymax, Symyx Technologies, Maxygen, and Alexza. In 1995, Alex received the National Medal of Technology. Died 2014.

What structure?  
What value added?  
How controlled?
Alejandro Zaffaroni, Entrepreneur on Biotech Frontier, Dies at 91
By ANDREW POLLACK, New York Times, March 6, 2014

Alejandro Zaffaroni, a prolific biotechnology entrepreneur and Silicon Valley legend who played a significant role in the development of the birth control pill, the nicotine patch, the DNA chip and corticosteroids, died on Saturday at his home in Atherton, Calif. He was 91. The cause was complications of dementia, Ana Leech, his longtime assistant, said.

Dr. Zaffaroni, a Uruguayan-born biochemist, started at least 10 companies in Silicon Valley and nurtured other entrepreneurs who started companies. Colleagues recalled him as a beloved mentor, as unfailingly polite as he was immaculately dressed.

“I can’t imagine anybody in modern biotech history who’s been responsible directly or indirectly for more companies than Alex,” said Peter G. Schultz, a professor at the Scripps Research Institute in San Diego, who founded two companies with Dr. Zaffaroni.

Dr. Zaffaroni was most closely associated with Alza, which developed new ways to administer medicines to increase their effectiveness, reduce side effects and allow people to take pills less frequently. These advances include extended-release tablets, implantable devices and skin patches, like the NicoDerm CQ nicotine patch. Founded in 1968, Alza was acquired by Johnson & Johnson for about $12 billion in 2001.

Dr. Zaffaroni was awarded the National Medal of Technology and Innovation in 1995. He was born on Feb. 27, 1923, in Montevideo, Uruguay, the son of a banker. His mother died when he was 13, and his father died shortly before he turned 18, factors that Dr. Zaffaroni said made him more willing to leave his native country.

After graduating from the University of Montevideo and receiving a Fulbright scholarship to study in the United States, he took a cargo ship to New York in the waning days of World War II. Accepted by Harvard and the University of Rochester, he chose Rochester because it offered him more freedom to choose his research topic. The research that earned him his doctorate in biochemistry focused on how to synthesize, isolate and measure corticosteroids, which were about to become the new wonder drugs.

In 1951 Dr. Zaffaroni went to work for Syntex, a small Mexican company that was isolating a raw material to make steroids from yams. After rising in the organization to become head of research, he helped set up an operation in Palo Alto, Calif., and transform it into a successful pharmaceutical company. It became most known for contributing to the development of the birth control pill. (Syntex was acquired by Roche in 1994.)
Affymax Re-Emerges, July 2001

GlaxoSmithKline today announced an agreement for the sale of the Affymax business to a syndicate of venture capital firms led by Patricof & Co. Ventures. Affymax Research Institute is re-emerging from GlaxoSmithKline as an independent company. “The Affymax business has moved on to become a drug discovery company,” GSK explained. The Affymax acquisition was valued at about $485 million in 1995, with Glaxo paying $30 per share to buy-out the company. Glaxo had already recouped its cash investment in Affymax. As part of the acquisition, Glaxo acquired a 65% interest in Affymetrix. The company reduced its stake to 16% in 2000 during a hot market for biotech, recording nearly $500 million in proceeds. GSK is not severing ties to the company: GSK will hold 22% of non-voting preferred stock in Affymax, Inc. with an option to convert to common shares when the company goes public. (Affymax went public in 2006.).

Backed by DARPA funding, Maxygen CEO Russell Howard is hunting for vaccines with a technique known as “directed molecular evolution.” Maxygen (spun off from Affymax in 1997) is selectively “mating” viral genes to create vaccines to combat AIDS, dengue, hepatitis B, and other diseases. The approach mimics natural selection, but on a minuscule scale and with a focused purpose. Genes are modified by chemically damaging them or copying them into systems that introduce errors, which create libraries of mutant genes, which are screened for proteins with a particular feature. The most attractive are selected, combined, and the process repeated. The idea is to systematically create and pursue genetic accidents. The traditional strategy is to work everything out and design a desired change in the protein. “Here, you just randomize and select. And that’s what nature does. It doesn’t design.”
Welcome

Affymax, Inc. is a biopharmaceutical company previously committed to developing novel drugs to improve the treatment of serious and often life-threatening conditions. Our vision was to become a leader in the nephrology and specialty care space by delivering innovative therapeutic offerings to patients and healthcare providers before a nationwide voluntary recall of OMONTYS® (peginesatide) Injection in February 2013. In March 2013 Affymax commenced a review of strategic alternatives.
Affymax, once a promising biotech, is dissolving

by Eric Palmer | Jun 24, 2014 5:40pm

Affymax ($SAFY), which 18 months ago appeared poised for big things, is dissolving the company and will pay shareholders pennies for the shares that traded at $27 a share before patient deaths led it to pull its Omontys anemia drug from the market.

The news comes two weeks after Affymax and Japan’s Takeda, its partner on Omontys, announced they would dissolve their licensing agreement in September. Takeda said that an extensive investigation found no quality or manufacturing issues for the treatment used during dialysis but neither could it find the root cause of serious hypersensitivity reactions in some patients.

"In light of these findings, Omontys would not be permitted to be returned to the market, and Takeda is working with the FDA to withdraw approval," Affymax said today. "Based on this outcome, the board has determined it to be in the best interests of the stockholders to dissolve the company." It said it has about $4 million cash on hand.

The companies in February 2013 voluntarily recalled all lots of the drug after the FDA reported receiving reports of 19 serious reactions; three of those patients died. The news eviscerated Affymax’s share price, which plunged 85% that day and swept away about a half billion dollars in the biotech’s market cap. Ten days earlier, the dialysis provider Fresenius said it was stopping an Omontys pilot program, after seeing "infrequent" allergic reactions in patients after their first dose, a "small number" of those serious. The overall reaction rate was about 0.2%, with about one-third of those requiring "prompt medical attention and in some cases hospitalization," the companies said at the time. But those reactions raised serious concerns and the drug was pulled.

Omontys had been seen as the first competitor to Amgen’s ($AMGN) longtime blockbuster Epogen. Omontys had to be injected only once a month, compared to three times a month for Epogen.

Affymax said Tuesday it expects an orderly dissolution of the company but could abandon that plan if it "receives an offer for a transaction that will, in the view of the board, provide superior value to stockholders."
BP is a radically different company today than a decade ago, when it was an unfocused mediocre performer whose businesses extended to minerals, coal, animal feed, and chicks. The vast majority of its oil and gas output came from large fields in the North Sea and in Alaska’s North Slope whose production was beginning to decline. BP’s reserves were shrinking, and its finding and development costs were so high — three times higher than those of its major competitors — that it had difficulty making any money on new fields.

Today BP is the most profitable of the major oil companies. Its debt, which had grown as a result of acquisitions, unrestrained capital spending, and the buyback of a big block of shares from the Kuwaiti government, has been slashed to $7 billion from a 1992 peak of $16 billion. BP now has strong positions in such important oil and gas regions as the Gulf of Mexico, South America, western Africa, the Caspian Sea, the Middle East, and the Atlantic Ocean west of the Shetland Islands. BP’s finding and development costs are now among the lowest in its industry. Its output is growing at about 5% per year. And even without additional discoveries, the company has the wherewithal to maintain its reserves for at least ten years.
### Historical Financials & Employees

**Income Statement**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($ mil.)</th>
<th>Net Income ($ mil.)</th>
<th>Net Profit Margin</th>
<th>Employees</th>
</tr>
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<tbody>
<tr>
<td>Dec 02</td>
<td>178,721.0</td>
<td>6,845.0</td>
<td>3.8%</td>
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<tr>
<td>Dec 01</td>
<td>174,218.0</td>
<td>8,010.0</td>
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<td>110,150</td>
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<tr>
<td></td>
<td><strong>purchase ARCO</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec 00</td>
<td>148,062.0</td>
<td>11,870.0</td>
<td>8.0%</td>
<td>107,200</td>
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<tr>
<td>Dec 99</td>
<td>83,566.0</td>
<td>4,686.0</td>
<td>5.6%</td>
<td>80,400</td>
</tr>
<tr>
<td></td>
<td><strong>merge AMOCO</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Dec 98</td>
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<tr>
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<td>Dec 96</td>
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<td>Dec 95</td>
<td>56,004.0</td>
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<td>Dec 94</td>
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<tr>
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<td>51,708.5</td>
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<td>1.8%</td>
<td>84,000</td>
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<tr>
<td>Dec 92</td>
<td>50,357.1</td>
<td>(693.6)</td>
<td>–</td>
<td>97,650</td>
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**Notes:**

- **Company Capsule**
- **Company Profile**
- **Financials**
- **News & Analysis**
- **Industry**

**Premium:**
- Market Data
- Comparison Data
- Detailed Annual Financials
- Detailed Quarterly Financials
- Historical Financials & Employees

**Free:**
- Annual Financials
- Quarterly Financials
- Detailed Quote
- Interactive Chart
- Earnings Estimates

**NYSE:** **BP** (full quote) (ADR)

<table>
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<th>Fiscal Year-End</th>
<th>December</th>
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<tr>
<td>2003</td>
<td>$213,199</td>
</tr>
<tr>
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<td>$187,510</td>
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<tr>
<td>1998</td>
<td>$93,692</td>
</tr>
<tr>
<td>1997</td>
<td>$128,115</td>
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</tbody>
</table>

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http://www.hoovers.com/premiumh/fi.../0,2152,58872,00.htm
Over the last few years BP has grown, organically and through mergers and combinations, and is now one of the largest companies in the oil and gas industry. Size alone, of course, means nothing. The potential value of size, which is there for us to capture, is the knowledge held by 100,000 of the world's brightest people. This could be knowledge of a particular technology, a relationship, or a way of doing business which has been proved successful. The value comes from sharing that knowledge and applying it in different places and different situations.

So, in BP we view effective knowledge management as central to both the delivery of today’s performance and to the future success of the company. Transforming "personal" or individual know-how into "organisational" or collective memory is a challenge which has always faced large organisations - and that is no less the case today. Whilst we make widespread use of digital solutions - such as databases, collaborative working tools, virtual team-working as important mechanisms for knowledge transfer, the real key to our success in being a knowledge-based company is in the way we organise...
ourselves and the behaviours that our people exhibit.

Our experience has shown us that an organisation based on a federation of self-standing Business Units is very good for delivering financial performance, but is not ideal for transferring know-how around the Group. For this reason we have created a number of so-called Peer Processes:

Peer Groups share know-how amongst Senior Group Managers at the portfolio and resource allocation level;

Peer Reviews expose specific business activities to the challenge and scrutiny of senior professionals and leaders from similar business activities around the Group; and

Peer Assists are used at the professional specialist level to make sure the right know-how gets to the right place at the right time.

These processes help our people to integrate learning into their daily work - a individual commitment to learning before, during and after any significant activity lies at the heart of BP's ability to learn as an organisation. We also encourage all staff to become members of lateral networks across the organisation - where they belong to communities with similar interests. We believe outstanding business performance comes from liberating our people, creating a culture where they feel comfortable asking for and offering help. Ultimately, it is the energy and efforts of these people that delivers effective collaboration and creates the "bigger brain" that is BP.

A recently published book - "Learning to Fly" - written by two BP employees provides a detailed, practical description of the tools and processes that are in daily use in BP.
Network Mechanism

**Variation**
Know Alternatives (people are forced to engage variation; overcome fact that people don't know what they don't know)

**Selection**
Adjudicate and Synthesize (process has to translate tacit across boundaries & avoid groupthink in adjudication)

**VSR Model**

<table>
<thead>
<tr>
<th>Variation</th>
<th>Selection</th>
<th>Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokerage: Connections across structural holes increase exposure to variation.</td>
<td>Brokerage: Exposure to variation highlights differences, and so facilitates selection.</td>
<td>Brokerage: Conflicting affiliations allows people to escape change.</td>
</tr>
<tr>
<td>Closure: Reputation pressure to alignment limits exposure.</td>
<td>Groupthink of Closure limits ability to compare, but gives focus to debate.</td>
<td>Closure: Reputation pressure enforces conformity (nonadoption detected and sanctioned)</td>
</tr>
</tbody>
</table>

**How does BP learning work?**

With the learning such a successful strategy for BP exploration, should it be rolled out throughout the company?

**See Aldrich and Ruef (2006), Organizations Evolving, for a widely-familiar book that develops the VSR theme as a framework for thinking about organizations. For specifics on the BP learning system, see “British Petroleum: Focus on Learning” (1998 Stanford case S-IB-16B, distributed by HBS).**
BP Shakeup to Slash Costs, Jobs

In the face of delays and safety failures, the oil giant’s new CEO comes out swinging with plans to reduce overhead and reorganize

by David Prosser

Tony Hayward, BP's new chief executive, has vowed to cut jobs and slash bureaucracy at the oil giant in a radical shake-up that will further tarnish the reputation of his predecessor Lord Browne.

Mr Hayward issued a blunt message to BP's 100,000-strong worldwide workforce yesterday, warning that the company's performance had "materially lagged our peer group in the past three years". He said while some of the underperformance could be blamed on refining and production problems, a significant chunk of the shortfall was a result of "our unacceptably high overhead costs".

BP will embark on a review of staffing that could take up to two years to complete, but the oil company warned yesterday that "redundancies would be inevitable". Mr Hayward refused to speculate on how many staff would lose their jobs, but since taking over from Lord Browne in May, he has become increasingly frustrated at the layers of middle management built into BP, especially since he believes many jobs are duplicated across different business units.

In some areas, Mr Hayward's review has identified up to 11 levels of decision making between senior management and frontline staff. BP believes it can reduce this to seven in many cases.

"Our problem is not about the strategy itself but our execution of it," Mr Hayward told staff. "BP's performance has materially lagged our peer group in the last three years. It has been poor because we are not consistent and our organisation is too complex."
John Clendenin at Xerox

The case for discussion is Clendenin’s management of the Multinational Distribution Center (MDC). After a stint in the Marine Corps and graduation from business school, Clendenin joined Xerox in 1984. A series of successful projects earned Clendenin promotion in December 1984 to administrative manager for the parts and supply area. He found, hidden away within his domain a small subunit, the Multinational Systems Development Center (MSDC), which was responsible for developing and maintaining systems to improve communication between the logistics and distribution operations within each of Xerox's worldwide operating units. Though not viewed as an important part of Xerox's operations, the MDSC was responsible for tracking the distribution of Xerox’s $8 billion per year in copiers and spare parts from 23 manufacturing plants in 15 countries. Analyzing the existing system, Clendenin calculated that the MSDC had the potential to reduce operating costs by approximately $100 million per year.

Clendenin builds the social capital of the MDC and himself over the subsequent years. Managing through the self-interest of others, he nurtures subordinates in a lively, competitive work environment, and adds value to internal clients with cost reduction programs that coordinate across the structural holes between Xerox’s regional logistic operations. The result is a quotable success story: The MDC grows from four to 42 people before Clendenin is rotated in 1989 into a new management position in logistics. The MDC’s budget grows from $400K to $4.3M. Over Clendenin’s tenure, his organization is credited with taking $700M in inventory costs out of Xerox’s operating expenses, reducing the company’s $2.6B supply-chain spend down to $1.9B.

Case Discussion Questions

1. Clendenin seems to be a master at creating resources where none existed (for example, the growth of the MDC). How does he do it?

2. Would you want to work for someone like Clendenin? What are the benefits? Disadvantages?

3. Would you hire someone like Clendenin to work for you in your organization? How would you manage this kind of talent?
ICLogistics Featured on Alexander Haig’s World Business Review

The episode aired on public television stations, cable and PBS’s Business and Technology Network. To view our segment of the program via Windows Media, select one of the following viewing options: 56k or 300k.

(View using Microsoft Explorer and Media Player)

more headlines > >

ICLogistics' Executives are Ready to Speak at Your Event

John Clendenin
Founder & CEO
A world-recognized expert in logistics and supply chain integration, John leads ICLogistics. He founded the company in 1998 while a senior faculty member at Harvard Business School. John conceived the core concept of web-based data management for the ICL-based supply chain optimization process.

Ben Pack
Leslie Malek
Art Kimbrough
Michelle Garcia
Charlotte Beers entered O&M at a time when the company was challenged by its organization and change in the advertising industry. The task here is to put yourself in Charlotte's position to think strategically about how you would move to restore the value of O&M.

"I was looking for the best man I could find, and it turned out to be a woman"
-Jerry Birn

The Steel Magnolia of Advertising: Charlotte Beers
by Dabney Oliver
University of Texas at Austin

Charlotte Beers
Ogilvy & Mather
Chairman and CEO from 1992-1996,
then Chairman Emeritus

Shelly Lazarus
Ogilvy & Mather
Chairman and CEO from 1997

**Biography**

**Charlotte Beers**

*advertising executive*

**Born:** 7/26/1935  
**Birthplace:** Beaumont, Tex.

Adept at combining her business acumen with a little Southern charm, Beers has paved the way for women to succeed in the extremely competitive milieu of advertising. Exceptionally hard working, she carved out successes for her company and herself at a string of jobs. First as a market researcher for Uncle Ben's, next as an account executive at J. Walter Thompson, where she became the first female vice president in the firm's 106-year history. Disappointed when she was denied further promotion, she left Thompson for Tatham-Laird & Kudner where she worked 100-hour weeks for two years to turn around the firm's low employee morale and shaky financial status. She became CEO, and under her reign over the next decade increased profit margins to double the industry average, tripled billings to $325 million, and lured in major new business accounts. She resigned in 1992 and was heavily courted by several firms but decided to take on the challenges posed by the $5.4 billion, 8,000-employee multinational Ogilvy & Mather. She stayed for four years, increasing billings by $2 billion, before handing over the reins to Shelly Lazarus, a longtime Ogilvy employee. In Oct. 2001, she joined secretary of state Colin Powell as under secretary for public diplomacy and public affairs, a post she held until March 2003.
Context for the New Leader of Ogilvy & Mather

"The idea of being taken over by that odious little jerk really gives me the creeps," (quoted from 1989 FT interview with David Ogilvy)

Over the past 15 years, [Martin] Sorrell has created a collection of professional services firms that includes three of the largest ad agencies in the world — J. Walter Thompson, Ogilvy & Mather, and Young & Rubicam — as well as public relations, corporate identity, market research, and specialty ad firms. His goal: to provide soup-to-nuts marketing services to large clients. In the pursuit of that goal, somewhat counterintuitively, Sorrell’s structural moves have created unrelated, freestanding divisions. . . . Most intriguing, perhaps, are WPP’s "virtual companies." These organizations have essentially no staff — a CEO and an assistant at most — and no offices. One, the Common Health, became the world’s biggest health care marketing services firm with just a single employee — the CEO. For each project, the CEO would assemble a team from an ever-shifting alliance of subsidiaries, selecting the right capabilities to respond to each client’s needs.

By Suzanne Vranick
Staff Reporter of The Wall Street Journal

In the biggest ad-account change of the year, AT&T Wireless Corp. picked WPP Group PLC’s Ogilvy & Mather to handle its estimated $600 million annual business.

AT&T Wireless was spun off from AT&T Corp., into a fully independent entity Monday. In early March, AT&T Wireless, based in Redmond, Wash., put the account into review.

An estimated 10 agencies were asked to contend for the business. By the time the winnowing-out process had ended, Ogilvy had triumphed over two well-known finalists: Omnicom Group Inc.’s TBWA/Chiat/Day and the four-year incumbent agency, Interpublic Group of Cos.’s PCB Worldwide.

The AT&T Wireless account was one of the most sought-after this year. The soft economy has forced many agencies to trim staff, and there has been relatively little new business. Last week, Publicis Groupe SA’s Fallon shed 30 of 500 staffers from its corporate headquarters in Minneapolis after AT&T Wireless indicated it wouldn’t win the account.

Ogilvy was strong on “strategic insight into the brand and category,” said James Peterson, a spokesman for AT&T Wireless. Mr. Peterson noted his company also was impressed with Ogilvy’s creative work for such clients as International Business Machines Corp. and Eastman Kodak Co.

The loss is a blow to FCB, which has handled the account out of its San Francisco office since 1997. However, FCB will continue to handle consumer services, such as Double 0 Info and 800-Call-ATT, for AT&T Corp. A spokesman for FCB said the agency hasn’t yet determined if there will be layoffs due to the business loss.

Separately, AT&T Broadband, a separate unit of AT&T, is searching for a new ad agency to handle a special project. Havas Advertising’s Jordan McGrath Case & Partners and WPP’s Wunderman Cato Johnson currently create ads for AT&T Broadband. A spokeswoman for the cable concern said the company “wants to review our position and marketing strategy.” AT&T spent about $472 million on ads highlighting its cable and broadband capabilities last year, according to CMR, a New York research company owned by Taylor Nelson Sofres.

AT&T Wireless is the third-largest wireless concern behind Verizon Wireless, a unit of Verizon Communications Inc., and Cingular Wireless, a joint venture between SBC Communications Inc. and BellSouth Corp. AT&T spent about $345 million on wireless ads last year, according to CMR.

AT&T Wireless now must carve out its own identity, said Keith Mallinson, an analyst with Yankee Group, a Boston consulting firm. “AT&T has a tradition of being all things to all people, which creates confusion with consumers.” He said choosing a new agency is a step in the right direction.

To celebrate its new independence, AT&T Wireless yesterday launched a marketing campaign created by the New York office of FCB. FCB will continue to work on the account for another 90 days.
An agency defined by its devotion to brands.

It is our job to create, nurture and sustain our clients' brands through all media and markets.

We accomplish this through the philosophy and practice of Brand Stewardship—a proprietary set of tools and techniques to understand, develop and enhance the relationship consumers have with a brand.

We believe that in order to strengthen that relationship, the brand must be consistently communicated 360 degrees—so that every touch with the consumer is in touch with the brand. And we work in integrated, interdisciplinary teams to achieve this end.

We work not for ourselves, not for the company, not even for the client.

We work for Brands.
**Brand Probe**: Formal research designed to unveil how consumers really feel about a brand.

**Brand Audit**: An effort to set down the intangible cluster of feelings, impressions, connections, and opinions that blend together to form the consumer's perceptions of the brand. Together, the brand team and client attempt to answer a series of questions from consumer's point of view.

**BrandPrint™**: A succinctly written articulation of the relationship between the consumer and the brand. The BrandPrint becomes the basis for all Ogilvy's future work for the brand — positioning, communication and creative strategies.

Winning the IBM account in 1994 created excitement throughout the agency and drew industry attention to Brand Stewardship.

One industry observer commented:

"All the major agencies focus on brands. What is amazing is that no one had staked out this territory before. Beers came up with the term and put all the muscle of the organization behind it. She preempted other agencies by stating the obvious . . . in a way that resonates well with clients."
P. 7 Charlotte: “I think it’s fair to say that Ogilvy had no clear sense of what it stood for. ... I needed a rallying point on what really matters.”

“I became confident that I knew what clients wanted and what Ogilvy’s strengths were. It was my job to be the bridge.”

P. 11 “We had to reinvent ourselves in the client’s footprint.”

Page references are to the Beers HBS case cited above.
Two Videos & Some Case Questions

1. Is integrating company operations a primary, or secondary, concern for Charlotte? What pressures are on her?

2. Why is the O&M focus on brands so wildly successful? Brands a new idea?

3. Charlotte Beers is the CEO of Ogilvy & Mather. Does she need a strategic partner? Why?

4. Why is Beers putting up with the difficult situation? Why not find a different position?

5. Who was, or were, Beers’ strategic partners? Were the partner interests served?

6. Could Beers have succeeded without strategic partners?

Photos are from videos shown during the session.
Some legends about brand slogans translating poorly into the China market:

The names Coca-Cola and Coke are so well known in the US that they are often used as a generic term for any soft drink. But when the Coca-Cola Company began exporting to China, there was no existing Chinese word for Coke. So the company made up a name that sounded like Coca-Cola when spoken: “Ke-kou-ke-la.” Unfortunately, the literal translation is “bite the wax tadpole” or “female stuffed with wax,” depending on dialect. The company quickly changed to a set of characters than translated into “happiness in the mouth.”

When Pepsi cola tried to expand their market into China, they too had slogan issues. In the ‘60s, Pepsi’s slogan was, “Now it’s Pepsi for those who think young.” That was translated as, “New Pepsi is for people with the minds of children.” Pepsi hurriedly changed its marketing once again, but the new “Come alive with Pepsi!” slogan became “Pepsi brings your ancestors back from the dead.” Noting the problem, Pepsi switched to “Come alive! You’re in the Pepsi generation,” but this was translated as “Resurrect! Your body will be made of Pepsi!”

<table>
<thead>
<tr>
<th>Company/Product Slogan</th>
<th>Chinese Translation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A&amp;W Rootbeer</td>
<td>That frosty mug sensation</td>
</tr>
<tr>
<td></td>
<td>Feel like your face is frozen</td>
</tr>
<tr>
<td>American Express</td>
<td>Don’t leave home without it</td>
</tr>
<tr>
<td></td>
<td>Stay home with it</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>Reach out and touch someone</td>
</tr>
<tr>
<td></td>
<td>Violate a stranger</td>
</tr>
<tr>
<td>Apple computers</td>
<td>Think different</td>
</tr>
<tr>
<td></td>
<td>Go insane</td>
</tr>
<tr>
<td>Budweiser</td>
<td>When you say Budweiser, you’ve said it all</td>
</tr>
<tr>
<td></td>
<td>After Budweiser, you will not be able to speak</td>
</tr>
<tr>
<td>Campbell’s soup</td>
<td>Soup is good food</td>
</tr>
<tr>
<td></td>
<td>Soup is morally superior to your food</td>
</tr>
<tr>
<td>Florida orange juice</td>
<td>A day without orange juice is like a day without sunshine</td>
</tr>
<tr>
<td></td>
<td>Drink orange juice or go blind</td>
</tr>
<tr>
<td>Kentucky Fried Chicken</td>
<td>Finger-lickin’ good</td>
</tr>
<tr>
<td></td>
<td>Tastes like human fingers</td>
</tr>
<tr>
<td>Maytag</td>
<td>Our repairmen are the loneliest guys in town</td>
</tr>
<tr>
<td></td>
<td>Nobody likes our repair workers</td>
</tr>
<tr>
<td>McDonalds</td>
<td>You deserve a break today</td>
</tr>
<tr>
<td></td>
<td>You deserve to be beaten</td>
</tr>
<tr>
<td>Nike</td>
<td>Just do it!</td>
</tr>
<tr>
<td></td>
<td>Have sex!</td>
</tr>
<tr>
<td>Sara Lee</td>
<td>Nobody doesn’t like Sara Lee</td>
</tr>
<tr>
<td></td>
<td>Sara Lee is a woman of easy virtue</td>
</tr>
</tbody>
</table>
Bush's Muslim propaganda chief quits

U.S. official: 'She didn't do anything that worked'

Tuesday, March 4, 2003 Posted: 9:29 AM EST (1429 GMT)

WASHINGTON (CNN) -- The mastermind of U.S. public diplomacy efforts in the wake of the terrorist attacks of September 11, 2001, resigned from her State Department post Monday.

Charlotte Beers, a former top advertising executive who joined the department shortly after September 11, is leaving shortly "for health reasons," Secretary of State Colin Powell said in a written statement.

Another U.S. official told CNN her departure was connected to problems she encountered in the job.

Beers, 67, took office to spearhead a public diplomacy campaign aimed at winning the hearts and minds of the Muslim world. But she attracted little praise for her efforts, and was attacked in the media, by various think tanks and by members of Congress.

U.S. officials also complained privately that though Beers spent a lot of money on slickly produced media ads, she did not understand her target audience: Muslim-majority countries where anti-American
### Spotlight on Management Network in the Client Organization:

**DARPA, September 2002**

<table>
<thead>
<tr>
<th>Category</th>
<th>Density of Perceived Discussion Ties (within &amp; across DARPA offices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defense Sciences</td>
<td>10 1 32</td>
</tr>
<tr>
<td>Microsystems Tech</td>
<td>- 32</td>
</tr>
<tr>
<td>Information Technology</td>
<td>8 - 5</td>
</tr>
<tr>
<td>Information Awareness</td>
<td>7 - 5</td>
</tr>
<tr>
<td>Advanced Technology</td>
<td>49 - 10 -</td>
</tr>
<tr>
<td>Information Exploitation</td>
<td>62 - 1 - 2</td>
</tr>
<tr>
<td>Special Projects</td>
<td>29 - 4 -</td>
</tr>
<tr>
<td>Tactical Technology</td>
<td>24 - 4 -</td>
</tr>
</tbody>
</table>

**TOTAL**  
952 15 141 17 21 95 125 60 58  
(641 within our organization)