

Customizing Executive Education

The Kellogg School point of view on designing and delivering custom executive programs



Kellogg
School of Management

For over three decades, the Kellogg School of Management has designed and conducted hundreds of custom executive programs for senior managers in some of the world's best-known companies. In fact, the Kellogg School created the custom executive program category, conducting its first custom offering for USG Corporation in 1973. Since then, the Kellogg School has acquired a substantial body of experience in the field. We would like to share some of the knowledge we have acquired so organizations that are considering a custom program can be well-informed of the steps in the process.

This brochure addresses a number of common yet critical questions, such as under what conditions custom programs are most appropriate and how to both design and deliver such a program for maximum impact. In sharing the lessons that the Kellogg School faculty have learned about custom programs over the years, we want to demonstrate our capabilities as well as our dedication to management education as a continuous learning process for organizations, managers, and the Kellogg School itself.

We welcome you to join in this journey of knowledge with us, from the evolution of customized executive education to its current role as an effective change agent for any dynamic organization.



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Where did it all begin?

Executive programs—the early years

Global changes forced companies to rethink the way they viewed education and learning in their organizations.

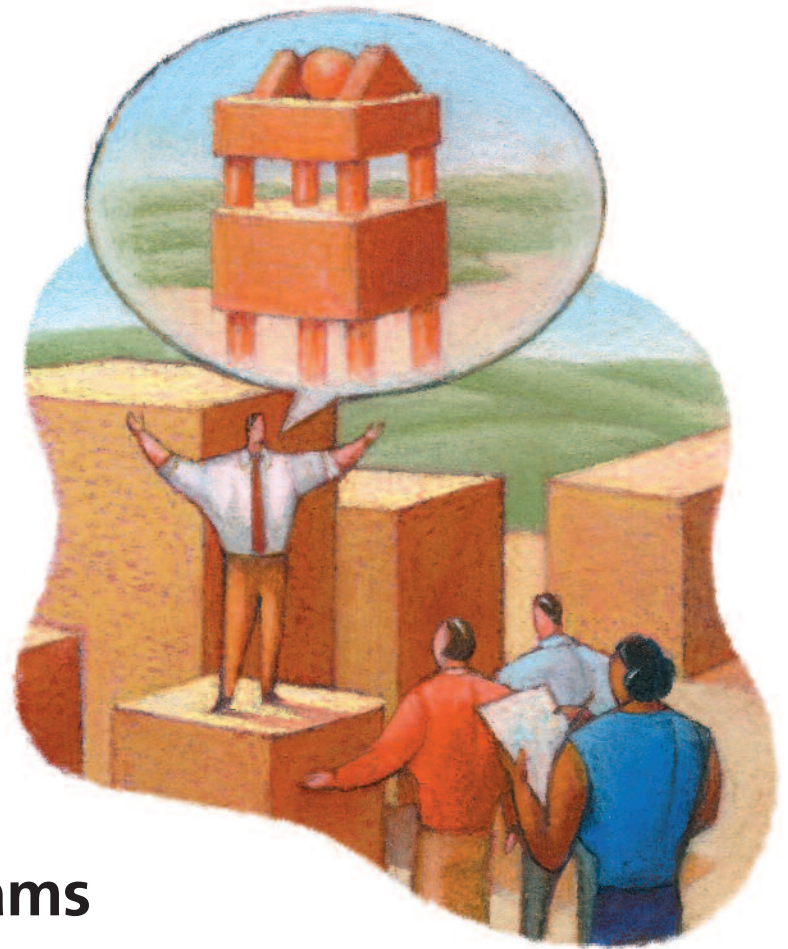


The origins of university-based executive education in the United States can be traced to the years immediately following World War II, when a few schools began to offer abbreviated or “executive” versions of their MBA programs to experienced managers, or superintendents, as they were often called at the time. The Kellogg School was among this group of early entrants with its month-long *Institute for Management* (now called the *Advanced Executive Program*), which enrolled its first class of general managers in 1951. These early programs were often held during the summer months, when dormitory space was available, and course content and teaching methods were modest adaptations of existing degree programs.

By the close of the 1970s, however, the world had changed dramatically for companies and management schools. Deregulation, greater global competition, fluctuations in currencies, and shifting patterns of technology and consumer behavior demanded faster and more radical changes in both strategy and operations of companies. These changes forced companies to rethink the way they viewed education and learning in their organizations. Moreover, many companies were becoming increasingly sophisticated consumers of educational services and thus could more clearly articulate their needs.

Why custom?

The Kellogg School's point of view on the role of custom programs



The Kellogg School recognized that the accelerated change in business conditions, in concert with more knowledgeable customers, required a new model of management education for the future. First, management education had to become far more of a lifelong process, with periods of formal education interspersed throughout a manager's career. This realization led the school to expand course offerings to include shorter, more specialized programs, to develop experienced faculty and create teaching methods that reflected more adequately the needs of experienced managers, and to open the James L. Allen Center, one of the world's first university-based facilities designed and operated exclusively to support executive learning.

The second element of this new model was a simple idea: an executive program can be designed to address issues faced by a single organization, and, if carefully managed, can become a powerful agent for change. Since the adoption of this pioneering concept more than 30 years ago, the Kellogg

School has designed and delivered hundreds of custom executive offerings, affirming its commitment to this idea and acquiring a substantial body of experience in the field.

Although the issues facing companies today may be different than 30 years ago, the need for companies to learn, adapt, innovate and change has never been greater. In short, complexity, ambiguity and conflict are prevailing forces in today's business environment. The Kellogg School's philosophy is that management education must be the mortar that binds together the building blocks of change that are mandatory for success in an ever-changing world. As many companies have found, one way to initiate and drive the types of change needed to harness these dynamic forces is to work with a business school to create an executive program designed for the organization's specific needs.

An executive program can be designed to address issues faced by a single organization, and, if carefully managed, can become a powerful agent for change.

What to consider?



What types of organizations should consider custom programs?

The Kellogg School has designed custom programs for a wide variety of organizations in many different industries all over the world. While most of these are large, well-known, for-profit corporations, Kellogg has also worked closely with government agencies, industry associations and smaller companies. Since all organizations at times face significant strategic change and must develop future leaders, almost any organization could consider a custom program. The most significant consideration for the organization is the number of managers with common developmental needs in such areas as leadership, marketing or finance. Given the time and effort required to mount a custom program, it is ideal for a company to send 100 or more managers to the program during a one-to two-year period. Over time, some companies also find it useful to expand the scope or audience of programs, leading to much longer relationships with the school. Some Kellogg School custom programs have been running for decades, with accumulated attendance of more than 1,000 participants.

What needs do custom programs address?

The Kellogg School does not view company-specific programs as substitutes for university-based open-enrollment offerings. Each plays a different, often complementary, role. Open-enrollment programs should be selected to address the highly specific needs of individual managers (a recently appointed general manager who now requires more planning and functional integration skills, or

Open-enrollment vs. Custom

	Needs addressed	Peer learning	Timing
Open-enrollment	Specific development needs of individual managers	Learn from managers in similar positions from a wide variety of companies and industries	A few managers away from the office at varying times
Custom	Common needs of the organization	Learn from colleagues in different functions or units of the same organization	Groups of managers away from the office at specific times

a product manager who must keep abreast of the latest developments in consumer behavior). Custom programs, on the other hand, should reflect the needs of the organization or industry as a whole. As such, they are only appropriate when substantial numbers of managers have common developmental needs. Typically, this situation exists under two scenarios:

Strategy formulation and implementation

A common motivation for a custom executive program is the realization by senior management that strategic change is mandatory for future success and that, for the strategy to be implemented quickly, a significant number of managers will need new skills, tools, vocabularies and behaviors. Similarly, a company that has a broad notion of how its strategy should change would employ custom executive education to help generate specific action plans. Examples of some client-company needs the Kellogg School has addressed include:

- transitioning from a B2B marketer to a B2C marketer
- identifying opportunities for accelerated organic growth
- understanding more clearly the profit consequences of managerial decisions

- working more collaboratively across organizational units
- understanding the most important problems facing customers
- coordinating strategic change levers such as culture, people, process and structure
- anticipating and responding to stakeholder expectations

Leadership development

Another precipitating event, which might bring cause for a custom executive program, is an organization's decision to seek a formal, systematic approach to developing future leaders. Based on an inventory of current leadership capabilities and an assessment of future requirements, the Kellogg School is often asked to design a custom program to provide a group of future leaders with skills and competencies the organization identifies as critical for success. Such a program has real value when a substantial number of managers have common developmental needs. For example, a custom leadership development program might help several hundred high-potential managers acquire skills at coaching, counseling and providing performance feedback to their direct reports.

The most significant consideration for the organization is the number of managers with common developmental needs.

How

should a custom program be designed?

Here's how the Kellogg School does it . . .



Step 1: Assess company/ school fit

Once a company decides to pursue a customized program, the first step is to find a school that will meet its needs, and with which it can build a long-term relationship. Many of our custom program relationships span decades and operate on multiple levels—custom clients recruit at Kellogg, their executives serve as guest lecturers, they are profiled in case studies, they even participate in faculty research. Our experience suggests that selecting a school for a long-term, multi-faceted relationship is best achieved through

an in-depth, face-to-face process involving senior managers and senior faculty members.

Typically, senior executives and human resources managers from prospective custom clients are invited to visit the James L. Allen Center, the Kellogg School's executive development facility on the shore of Lake Michigan. In addition to touring the center, our guests meet with senior faculty who are likely to teach in the program. Faculty briefly present the sorts of managerial issues they address, but, above all, the faculty listen very carefully to the prospective client's needs: the rationale for the program, the nature of the company's strategy and culture, participant backgrounds and current responsibilities, the potential scope of the initiative, and who is the program's champion. The ultimate objective of this meeting is to determine the fit between the Kellogg School's capabilities and culture and the client's strategy, business problems and culture. The client should feel that the Kellogg School is the best place for them, and we should feel that the Kellogg School is uniquely qualified to address the company's needs, given our faculty resources. And, because the Kellogg School is known for its culture of collaboration, teamwork and customer focus, we seek custom clients who want to work on a highly collaborative basis rather than a traditional transaction-based vendor relationship. If everyone agrees that the match is excellent, then we proceed to a more formal proposal stage.

Step 2: Preliminary program design

In crafting initial ideas with the custom client about curriculum and program format, Kellogg assigns to the program an academic director (normally a senior faculty member) and a program manager (responsible for program logistics). The academic director reviews archival research on the company and conducts a series of in-depth, confidential interviews with the organization's senior management and prospective program participants. The goal is to develop a keen sense of the business issues facing the company, the nature of the program's participants, the program's objectives, and any logistical considerations such as maximum program length and unique format requirements. Based on this information, the academic director proposes a preliminary program design that includes specific subject areas to be covered in the program, the faculty who would teach each particular session, program length and format, and any action-learning exercises, advance assignments, or company speakers who may be part of the program.

Step 3: Design evaluation meeting

The Kellogg School asks the client company to form a small, six- to eight-person curriculum design team comprised of a few potential program participants and senior-level executives who are intimately involved with the envisioned strategic change or leadership development initiative. Then, in collaboration with the academic director, the client design team reviews the overall design and meets with the faculty members who will teach in the program. The faculty then present the subjects that the academic director has asked them to teach. The role of the client design team is to provide reactions to the proposed curriculum (more of this, less of that), alert faculty to any potential sensitivities they may encounter with the client organization, and suggest to faculty those company resources who will assist them in

The design and delivery process

Step 1: Assess company/school fit

- Senior managers meet with faculty
- Discuss the company's priority business issues and program rationale
- Preliminary determination of program topics
- Assess the fit of school expertise with topics/issues
- Determine whether the school is uniquely qualified to deliver the program

Step 2: Preliminary program design

- Faculty conduct company research
- Senior managers and potential participants are interviewed
- Faculty propose preliminary program design:
 - subject areas for the program
 - key business issues addressed
 - faculty who will teach
 - program length and format

Step 3: Preliminary design evaluation meeting

- Company forms curriculum design team
- Team reviews design and meets with faculty
- Team and faculty revise curriculum

Step 4: Initial program delivery

- School delivers first session
- Participant feedback is thoroughly evaluated
- Faculty work with client to refine program

Step 5: Program rollout and refinement

- After revisions, program is rolled out to additional managers
- Each session is evaluated and refinements made
- Periodic status and debrief meetings are held with client design committee
- Programs may evolve over time

Follow-on programs

- Company takes base program to lower-level managers or managers from different units
- In-depth programs created as company managers gain expertise



preparing their sessions. The output of this meeting should be a revised curriculum, a client design team that is comfortable with the faculty and topical coverage, and faculty action plans for customizing their sessions around company-specific needs. In all, the design of a custom offering usually requires six to nine months in advance of the first session.

Step 4: Initial program delivery

While the first session of a custom program is often called a “pilot,” in reality it is a carefully designed delivery based on an in-depth understanding of the organization and its issues. The Kellogg School recommends that the participants for the first session include managers from the program’s target audience. As the first group, their feedback will be instrumental in program refinement. They should, however, fully experience the program rather than simply observe and cri-

tique it. Setting appropriate expectations for the first group of participants is critical to receiving valuable feedback.

Step 5: Program rollout and refinement

With revisions from the first session, the program is rolled out to the group of managers for whom it was designed. Depending on the total population of managers to attend, class sizes vary from 25 to 60 participants per session, with two to six sessions offered annually. Each session is thoroughly evaluated, with refinements made to subsequent sessions. It is also standard practice for the Kellogg School to have periodic status and debrief meetings with the client design committee to discuss possible changes to the program as well as changes in the client organization. Take, for example, a program to improve a company’s marketing effectiveness. Over time, the expectation is that the company will embrace new marketing techniques and improve performance as a result of the program and other possible initiatives. Thus, the program should be revised to include company marketing success stories to demonstrate that the desired change is possible. Further, the content level may be elevated to address the company’s use of more sophisticated marketing tactics.

Follow-on programs

Many programs come to a natural end, based on their objectives and target participant population. On the other hand, some programs run for many years, with adjustments made to accommodate an increase in the target participant group or as changes in the company’s needs evolve. The Kellogg School’s experience suggests that many companies may want to consider follow-on programs. For example, a company may want to take a version of the base program to lower-level managers or managers from different functions or business units. Similarly, as company managers gain expertise in program content areas, more in-depth programs are often indispensable for those who need deeper and more specialized knowledge. ●

International Paper:

Creating a market-focused organization

“Too many companies are *product driven* rather than *customer centered*. They push their offerings to every conceivable customer and fail to notice customer differences and values. By starting with an understanding of customers, the company is in a much better position to develop appropriate channels, offerings, inputs and assets.”

—Kellogg School Professor Philip Kotler, *Marketing Insights from A to Z*

Company

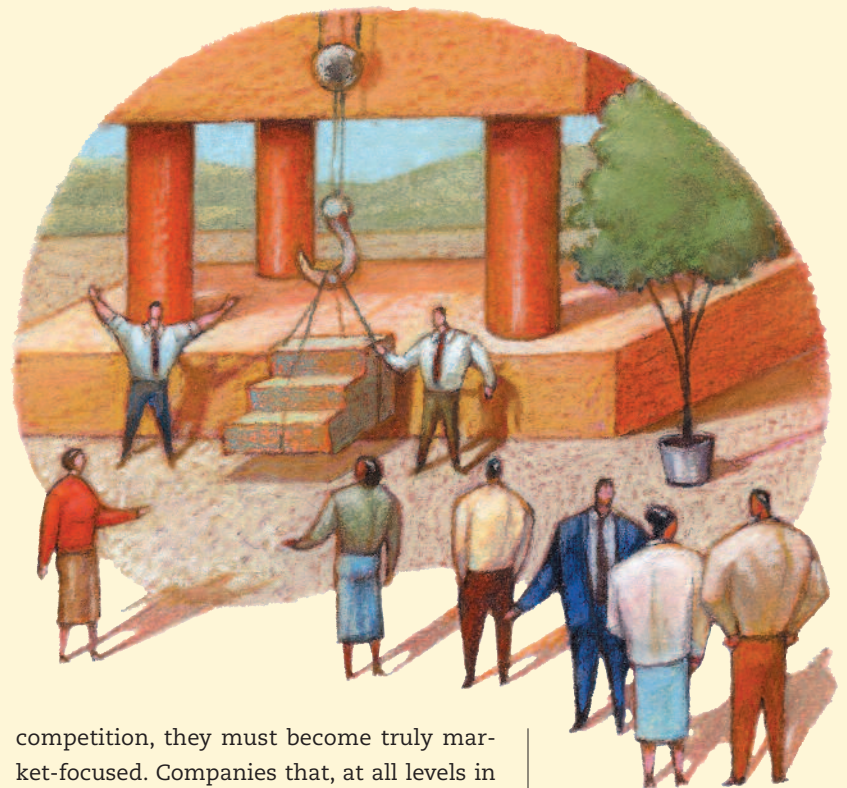
International Paper (IP), with annual sales over \$20 billion, is a global enterprise specializing in paper, packaging, wood and distribution.

Situation

In 1998, the same year IP was celebrating its centennial, the company was facing challenges common to other companies and industries—significant consolidation, intensifying competition and increasing product commoditization. The chairman and CEO realized something needed to be done to strengthen IP’s market position, and thought marketing might be one lever that could be used to drive change and improve performance throughout the organization. IP approached Kellogg to begin discussing how a custom executive program could help achieve these objectives.

Program design

As initial program design meetings were conducted between IP senior management and senior Kellogg faculty, both parties agreed that strategic changes in the company’s marketing could be used to influence change throughout the organization. IP management understood, as Kellogg faculty have taught for years, that marketing is not simply the responsibility of the marketing department. For companies to outperform their



competition, they must become truly market-focused. Companies that, at all levels in the organization, understand and focus on the customer are in a much better position to deliver superior value to those customers than companies that do not. In order to become market-focused, companies must align all aspects of their business with their target market and their value proposition. All employees, regardless of function, need to understand the company’s customers and what value those customers derive from the company’s products or services that generate revenue, profit and productivity im-

Listening to customers and understanding customer value allows IP to demonstrate how they can provide differentiated value for their customers.

provements. The organization and its strategy must be designed entirely around delivering superior value to the customer, at a profit, and all decisions must be consistent with this strategy.

The IP custom program was designed so that managers from throughout the

organization could attend and gain an understanding of various marketing skills. Senior Kellogg marketing faculty were brought in to teach managers how to better understand the customer, determine product and customer profitability, and build customer offerings. Further, since market-focus often requires shifts in organizational culture, IP management and Kellogg strategy

professors were also brought in to discuss leading strategic change.

Initial program

The first session was delivered to the CEO and the top 50 executives from across the organization, including senior human resources executives and the heads of business units. This session allowed the CEO to communicate to senior management the importance of the company's new initiative. It brought everyone to the common understanding that, in order to improve performance, IP needed to begin managing with a focus on the customer.

Program rollout

In subsequent sessions, the top executives who attended the first session returned with their direct reports; each session was attended by teams from across the organization. As groups of managers attended the program over time, the skills, shared learning and understanding of the initiative permeated the organization, literally from the executive suite to the workers on the plant floors.

Over time, the program has been changed to include lessons learned at IP and success stories that illustrate that the desired results are, in fact, achievable. The sessions now open with these success sto-

ries to energize and engage the group, and to provide a vision of success. Each session is tweaked by the faculty to reflect feedback, each group's specific needs and current developments in the company and industry.

Results

With any change initiative, change takes time. IP continues to send managers through the custom program and continues every day to try to manage from the customer's perspective. Thus far, the custom program and IP's corresponding strategy have produced real and significant results in IP's culture and bottom line.

IP's business is based on three key drivers—people, customers and operational excellence. IP firmly believes that all three are needed to achieve true market-focus because all three add up to delivering superior value to customers. For IP, marketing is seen as a change lever that influences the three key drivers. As such, IP has implemented important strategies to reinforce the skills gained through the custom program. Examine the following ways in which IP has changed its culture and operations to better understand, create, deliver and manage customer value.

Customer-driven offerings

Many companies continue to produce and sell the same products they've been producing for decades, regardless of demand, either because "it's what they do" or because they *think* they know what the customer wants. IP has implemented processes for listening to the customer and providing solutions to meet customer needs. These processes have created new, customer-focused services, products and product improvements, all of which have improved IP's bottom line. As an example, IP's Coated Paper business worked with a global retailer to understand how its catalog could act as a "storefront," driving order processing to the Internet, thus reducing the retailer's sales costs. IP also studied how more efficient management of paper, flexibility in paper decisions and reducing catalog cycle time could bring quantifiable dollar value to the customer. Working with the customer and its catalogers, IP developed

inventory management and order entry solutions that improved ordering flexibility. This led to reduced costs and more revenue-producing ad space for the retailer. Providing higher quality product with better aesthetics helped to increase response rates and improved the customer's ability to handle online ordering in stores, thus increasing customer revenue and reducing their costs. For IP, the result was incremental revenue for existing lines of paper as well as incremental volume and revenue for two additional types of insert paper, creating a "win-win" relationship between IP and the customer.

Another example from a different IP business involved changes to a commodity product that has been around for decades—file folders. After researching and listening to customers' needs, IP developed file folders that reduce paper cuts and resist spills. These were two improvements that customers valued, and the results have been an increase in IP's revenue, profit and share of the file folder market.

Listening to customers and understanding customer value allows IP to demonstrate how they can provide differentiated value for their customers. Truly understanding what the customer values means moving the dialogue and negotiations away from price. Tailored offerings and menu pricing now allow IP's customers to choose the products and services they value most for the benefit of their business.

People and cultural change

Employees in functions throughout the organization (marketing, technology, sales, finance, operations) are learning what their customers value and how their roles and responsibilities affect the customer value-creation process. The Kellogg School's custom program for IP has played a vital role in this cultural change initiative.

Being customer-focused also means that not all marketing decisions are made from corporate headquarters. IP's corporate sales and marketing department views its role as supporting, encouraging, facilitating, educating and consulting the sales and marketing departments in each business unit. The employees in business unit departments are,

The Kellogg School and corporate universities

In recent years, the trend in corporate universities has been to avoid a bricks-and-mortar approach in favor of a combination of custom and open-enrollment offerings delivered by multiple partners (schools, consulting firms, internal staff). The Kellogg School is often asked to participate in corporate universities by offering a core program, such as a "Leadership Institute," and a combination of our open-enrollment programs. Kellogg offers nearly 40 different open-enrollment programs that range from three days to four weeks and span all managerial disciplines: general management, marketing, leadership, finance, technology, manufacturing and corporate governance. Increasingly, organizations use the Kellogg School's open-enrollment programs as their corporate university. Based on the number of managers targeted to attend and the specific programs that fit the company's needs, the Kellogg School may offer special pricing on a package of programs as well as centralized billing and registration procedures. The benefit of this approach is that it provides a unique curriculum with the benefits of peer learning from participants from many different industries, companies and regions of the world.

in fact, closer to the customer. Since most of the decision making rests in those departments, employees provide product offerings and solutions to customers based on their understanding of the customers' needs.

Market-based planning

IP uses a market-based approach to strategic planning. Analysis of market trends, customer industry trends, the competitive landscape and customer and product profitability are all taken into consideration. This level of data analysis allows IP to explore strategic alternatives and opportunities. Instead of looking at just volume, production or sales, IP looks at profitability across customers, segments and products. Data gathered from this process affects IP's annual plans, budgets, facility plans, capital plans, people-related needs and customer initiatives.

Follow-on program

IP is now working with Kellogg on its next custom program focused on business marketing strategy. This program will provide additional tools to help support IP's efforts toward becoming a truly market-focused organization. ●

Here's what some of our clients have said about the programs we've designed and delivered with them:

Here's a list of just some of the other custom program clients the Kellogg School has worked with recently:

Abbott
Laboratories
Aon
Baxter Healthcare
BP
Cadillac
Cheil
Communications
Exelon
General Electric
Intelligence
Community of the
U.S. Government
Jefferson Wells
Massachusetts
Mutual
Merck, AG
Seyfarth Shaw
USG Corporation

Ernst & Young

Ernst & Young sends its senior partners to the Kellogg School to help them understand business from their client's point of view. E&Y can better serve its clients when partners have a better understanding of the issues their customers face.

"We've been working with the Kellogg School since the early '80s. The custom programs help our leaders, our senior partners, to understand the different perspectives of a business. That's strategy, governance, risk, marketing and finance—all the topics that drive the fundamentals of business. This helps us to do a better job, whether we're auditing a company or providing another service, such as tax and transaction support. The Kellogg program is consistently the highest-ranked learning and development activity of our partners. The partners like it for the quality of the material, the quality of the instructors, and the relevance of the case studies to our business. It's always a great learning experience on topics that are relevant to our people."

—Vice Chair of Client Service, Ernst & Young

Federal Bureau of Investigation

Prior to September 11, 2001, the FBI's hallmark competence was post-event investigative work leading to arrests and convictions of offenders. After 9/11, the Bureau's newly appointed director, Robert S. Mueller III, revised the FBI's priorities—protecting the United States from terrorist attacks became the FBI's new number-one priority. The director's challenge was to transform the FBI into an organization that not only excelled in evidence collection and prosecution, but that also excelled in intelligence gathering and attack prevention.

"[W]e have had all of our special agents in charge, all of our assistant agents in charge, go through a one-week course at the Kellogg School of Management in Chicago. The focus of that one-week school for all of our 250 top management was to take an institution such as ours through a period of transformation. It's the same school that gives similar courses to IBM or GE, to the corporate structure around the country. We had a one-week course for each of our top management, focused on intelligence information and how we treat it, how we disclose it, as well as information technology, with the expectation that those who have gone through that school understand that we are an organization going through transformation. These are some of the obstacles that other organizations have gone through. This is what we need to do as organizations [to] overcome those obstacles."

—FBI Director Robert Mueller in testimony given to the Senate Committee on Governmental Affairs, September 2004

"The program, participants say, has been a nearly universal success."

—U.S. News & World Report, March 28, 2005

Microsoft

Microsoft wanted Kellogg to help increase the marketing skill-sets of Microsoft's global marketing professionals.

"We wanted to bring a professional development program to our global marketing group to increase their marketing competency. Working with Kellogg, we came up with courses that we offered to the global marketing community, designed to address areas of marketing competency, trying to improve their marketing skill-sets. We focused the training on improvement in areas where we had competency weaknesses.

We have eight marketing competency skills, which we assess every year. After two years, we surveyed those marketing people who had been exposed to the Kellogg training and those who had not. Those who had been exposed to the training had higher levels of competency in six areas. The others were pretty flat. We conducted more research, asking managers whether their reports were applying the training concepts from the Kellogg program on the job. Sixty-two percent were applying their learning on the job.

Every year, we sit down with Kellogg faculty and do annual planning on professional development. Kellogg has been instrumental in creating levels of change by offering new frameworks and new processes—things that apply on the job. With the Kellogg programs, we are seeding competency at the grass-roots level."

—Senior Marketing Manager,
Microsoft Marketing Professional Development Team

Motorola

Under the guidance of the chairman of the board, Motorola sent its hand-picked emerging leaders to Kellogg for the Chairman's Leadership Institute. Participants gained competencies in managerial areas the company felt were important to the success of the organization.

"I worked with Kellogg for three years, at which time I was responsible for oversight of the Chairman's Leadership Institute. My experience was that the Kellogg team was extraordinarily easy to work with and was focused on meeting our needs and exceeding our expectations. The content of the courses was specifically tailored to meet the development needs of the leadership team, the emerging leaders at Motorola.

Why did we choose Kellogg? We had a basic belief that we needed a lot of training, a sense that we had weak business acumen in some areas. We had one of the lowest rates of conversion of patents into marketable products. And we were missing the basic marketing skills of understanding the market need for the product before the product is made.

Our executives found these programs to be of extraordinary value and usefulness. It raised their understanding and the skill level of advanced tools of strategic marketing. It deepened the appreciation for the nuances of financial valuation and the issues that impact stock price and financial valuation, and deepened the understanding of executive decision making and the barriers to effective decision making.

Our people loved the program, and having many of the company's leaders together in residence for two weeks with stimulating material gave us the sense that we're all in this together."

—former Chief Learning Officer and President of Motorola University

Want to talk?

If you're thinking about designing a custom executive program, we encourage you to give us a call. We believe that the best way to begin this process is to have a conversation about your organization's challenges and goals. We can tell you whether a custom program might be a good idea for your organization, and if so, we'd be happy to give you guidance on the process.

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Kellogg

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EXECUTIVE EDUCATION

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