



## Managing Xerox's Multinational Development Center (Abridged)

Those who worked with John Clendenin in Xerox's building 214 in Rochester, NY and saw him walking down the hall after lunch on March 16, 1989, would not have noticed anything unusual. A tall black man, with an athletic build and a shaved head, Clendenin was dressed in his typical fashion that day: his pressed shirt perfectly matched his brown suit and paisley tie. A slight smile lit his face, as he paused occasionally to chat with colleagues, asking after their families in a soft, almost musical voice.

Few would have guessed that Clendenin was weighing key decisions about his career and future at Xerox. Earlier that afternoon, his boss, Fred Hewitt, had just proposed to Clendenin a lateral move from head of Xerox's Multinational Development Center (MDC), responsible for enhancing Xerox's worldwide logistics and inventory management, to a staff support position on Hewitt's staff. Hewitt had also given Clendenin the option of remaining in his current job if he would make an additional two-year commitment to the MDC.

Since taking over as head of the Xerox's Multinational Development Center in 1986, Clendenin and his staff had worked to improve the efficiency of the company's worldwide logistics and inventory management systems. Clendenin was proud of the MDC's accomplishments. He believed the group had discovered and exploited business opportunities that saved Xerox millions of dollars a year. Their "customers," the Xerox operating units that provided the MDC's funding, seemed to agree; the MDC annual budget had grown from \$400,000 to \$4 million, its staff from 4 employees to 42. And the MDC achieved these increases while virtually every other staff group within Xerox had to cut back on funding and staff.

Personally, Clendenin had been rewarded with four promotions since joining Xerox in 1984. He thought he was well on his way to achieving the goals he had set for himself while a student at Harvard Business School: "to be successful enough to be a corporate officer in a *Fortune* 50 corporation and on the boards of several others, and eventually to be appointed to a cabinet-level position in our government." Now he was not quite so sure.

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*Professor Herminia Ibarra prepared this abridgement to "Managing Xerox's Multinational Development Center," HBS case no. 490-029. Professor Russell A. Eisenstat wrote "Managing Xerox's Multinational Development Center" as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.*

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Clendenin was impressed by the quality of Hewitt's other direct reports and by Hewitt's enthusiasm in describing the new position. He wondered, however, if Hewitt might also be sending him another message. Clendenin knew that the MDC's growth had created resentment among those who had not been as successful in getting additional resources for their organizations. He suspected that these people, and possibly others, might read his lateral shift into a staff position as a forced move off the fast track. On the other hand, they might come to the same conclusion if he remained for another two years at the MDC. Clendenin also realized that Hewitt had been after him to cut the MDC's budget and headcount substantially. He had developed a plan to make these reductions, but wondered, if he chose to leave the MDC, how these cuts would actually be enacted by his successor.

### Clendenin's Early Career at Xerox

John Clendenin first came to work at Xerox in 1983, after his first year at Harvard Business School. Clendenin spent the summer as a productivity consultant in the parts and supply area of Xerox U.S. Marketing Group (USMG) (see **Exhibit 1**). He showed how Xerox was over-packaging in distribution, an analysis which saved Xerox \$300,000 a year. He also found that the company could save \$2 million a year by having vendors ship directly to end users in Xerox rather than through central corporate warehouses. These successes allowed Clendenin to negotiate favorable terms for his return to Xerox as a productivity consultant in the parts and supply organization within USMG logistics and distribution.

Clendenin, who had resigned his commission as a major in the Marine Corps after 12 years of service to go to business school, was pleased that the new job "provided all the benefits of field grade rank in the Marines with the added benefit of more pay and perks." He had turned down more lucrative offers in investment banking because he preferred line management. He also decided he would be happier at Xerox: "I felt very comfortable. The corporate culture of Xerox is in many ways the same as the Marine Corps. There is a definite way of doing and an order to things that is often explicit."

A series of successful projects in the parts and supply organization earned Clendenin a promotion in December 1984 to administrative manager for the area (see **Exhibit 1**). His responsibilities included financial control, human resources, and computer systems. These successes also created difficulties, however, with some of the other managers in parts and supplies:

I was in this crazy role at Xerox. I was making waves with guys with long-term logistics experience at Xerox. I took some risks and every time I tried to do something new, these guys were saying it wouldn't work. I would have to fight these guys through the smoke and mirrors. Everything I worked on was turning to gold, so eventually I would go to meetings, and they would not even be there to challenge me. That was a dangerous stage, because I needed these guys' experience to make sure I did not go off the deep end.

Clendenin was particularly concerned about successfully managing his relationship with Tom Gunning, a technically proficient long-term Xerox employee who had previously managed the parts and supply's systems group. According to Clendenin, "I came in as the new Harvard MBA with no experience at Xerox and they put me in charge of systems and made Tom, who had been at Xerox for 20 years, work for me." Clendenin found out where Gunning's favorite restaurant was and took him out to lunch:

Tom had all this knowledge and all these contacts and I did not have any contacts. I told him, "If we work together, I will take care of you, but you have to take care of me. I need you or somebody who looks just like you. I am a loyal person and will stand by you and make this work. But you have to help me. If you are not going to make this work then stay out of the way. I did not put you in this situation, but I can help you out of it. You can make this a win-win."

Over the years we have developed a deep friendship both personally and professionally. We play golf and I went to his wedding.

### Clendenin Discovers Multinational Logistics

As Clendenin began to explore his new job responsibilities, he discovered a piece that didn't seem to fit. Hidden away within the U.S. parts and supply systems group was a small subunit with multinational responsibilities, the Multinational Systems Development Center (MSDC). It was responsible for developing and maintaining systems that would allow the logistics and distribution operations within each of Xerox's worldwide operating units to communicate with one another.

The MSDC had originally been created in the mid-1970s as part of Xerox's movement toward the worldwide integration of copier design, development, and manufacturing. Prior to that time Xerox's major operating units—USMG for the United States, Rank Xerox for Europe, Fuji Xerox for Asia, and the America's Operations for Latin America—had each produced and marketed their own copiers. They had also made quite different choices in computer hardware and software. The operating units even had different protocols for naming parts. As Clendenin explained:

If Europeans call a part 1p23 and the Latin Americans call it 1pblue4, they won't know it is the same part. So if someone had excess inventory of a part, another operating company couldn't recognize that fact because they would be using a different part number.

By the end of 1983, the MSDC had developed multinational systems that allowed Xerox managers around the world to order approximately \$8 billion in copiers and spare parts from 23 manufacturing plants in 15 countries, track this equipment while in transit to the 130 countries where it would eventually be sold, and a database of 200,000 identification numbers for the spare parts needed to maintain this equipment once it arrived.

As Clendenin learned more about the MSDC, he became increasingly convinced of its importance. David Kearns, Xerox's CEO, had recently announced that increasing the company's return on assets (ROA) was a major corporate objective. Clendenin believed that the MSDC could make a substantial contribution to achieving this goal. However, he felt this required a redefinition of the MSDC's task from providing computer systems support, to coordinating the development and implementation of *any* changes—whether in systems, procedures, or management practices—that would lead to the more efficient use of the corporate assets flowing through Xerox's worldwide logistics and inventory management systems. This would require the application multinationally of the same systemic approach he had used as a productivity consultant within U.S. parts and supplies. According to a later MDC document:

Defining a business process . . . to achieve corporate inventory optimization, and the multinational optimization of assets [will generate] corporate benefits [of] millions of dollars. For example, an improvement in inventory turns from 2.6 to 3.5 will improve ROA by reducing inventory assets of \$228 million and write-off expenses of \$22 million. Concomitant overhead savings are estimated at \$44 million to \$66 million. Those savings mean \$1 per share or \$100 million per year to Xerox corporation.

However, Clendenin found that there was little initial support within the USMG organization for taking this new multinational approach. "They said forget about multinational. Charity starts at home. You think about the United States." There was resistance from other sources as well. Clendenin discovered that the interests of systems managers in the various Xerox operating units did not always align with those of Xerox as a whole. For example, if managers in one operating unit needed spare parts, it was better for Xerox if they first tried to locate and use another unit's surplus before ordering new parts from the factory. Using a grocery store analogy, Clendenin explained, you wouldn't want one operating unit to be "telling the planner to go out and buy more ketchup" while another unit had excess inventory. The problem was that if Clendenin suggested this to an operating unit's purchasing manager he or she might respond:

"Why should I buy (some other unit's) ketchup? They might have Hunt's ketchup, and I prefer Heinz." Someone else says, "Wait a minute, their Hunt's ketchup has French labels on it," or "I don't know if their ketchup might be expired. And also I need 100 bottles for my manufacturing lines." If I respond, "O.K. send 10 from Fuji, 10 from Brazil, and 10 from Chicago" they say, "But, my manufacturing line is just-in-time inventory. I want all 100 and I don't want to worry about quality. I don't want to take 10 bottles from everywhere in the world."

Confronted with this resistance, Clendenin decided that he needed a mandate for the MSDC's new mission from the group of Xerox senior managers who made up the Corporate Information Systems Board (CISB). This group, consisting of the president of Xerox, Paul Allaire, and his staff, met four times a year to review corporate systems development. Clendenin hoped to approach the CISB through the Corporate Information Management group. He began conversations with Les Elstein, a senior corporate information manager, who served as liaison to the CISB (see Exhibit 1). Clendenin explained:

Corporate Information Management was at a high enough reporting level. For me or for USMG people to go up the steps to get to the CISB was a long process. The Corporate Information Management people could go right to the CISB, because they developed the CISB agenda.

Elstein made a presentation to CISB in August 1985. That group responded by asking Elstein and Sy Zivan, the head of the USMG logistics and distribution organization, to take the lead in developing and implementing a new strategy for multinational distribution. Zivan called Clendenin into his office and said, "You created this monster, so you work with me on this task of coming up with a business process." At about the same time, the manager who had headed the MSDC since its inception decided to accept another job. Clendenin decided to take on the additional responsibility of covering as acting manager of the MSDC, despite the advice of his peers in USMG that "this group is nothing."

Over the next few months, Clendenin and Elstein developed a proposal with three organizational components:

- A **multinational distribution steering committee** composed of the vice presidents of logistics and distribution for Xerox's worldwide operating units, who would set an overall strategy for multinational distribution. The first chair of this group would be Zivan.
- A **multinational working group** composed of managers from the operating units, at the level of Clendenin's boss, Pete Ketchem, who would flesh out these strategies with detailed implementation plans.
- A **Multinational Development Center (MDC)**, formerly the MSDC<sup>1</sup>, which would identify for the steering committee promising opportunities for improvements in multinational logistics management. It would also continue to be responsible for developing and maintaining multinational logistics computer systems.

After receiving the CISB's approval for this plan, Zivan decided that he wanted the director of the MDC to report directly to himself, and he wanted that director to be Clendenin.

### Building the MDC

While Clendenin had just been promoted, he was not allowed to transfer any of the rest of his staff from parts and supplies administration into the MDC:

I got this little group, the MDC. I have no formal authority. It is me and four people. I just lost 40 people and \$62 million of budget responsibility, but I went up a level. So here I am reporting to a vice president. And I am way ahead of my HBS plan because I said five years and I want to be senior staff. And 1½ years and I am on the senior staff, although in a weak position because I have no money and no staff.

Clendenin decided that to accomplish the MDC's new objectives he had to increase the group's size. When he asked Zivan about adding staff, he was told that he could do anything he wanted, as long as:

Any headcount you get is from one of your peers [on Zivan's staff]. They have to go down one for you to go up one. You can spend as much money as you want, but you have to come up with a proposal that saves that same amount of money this fiscal year for Xerox U.S., and then I don't care how much you save for the rest of the world.

Later this arrangement was slightly modified so that Clendenin was able to bring in staff from Zivan's logistics organization if he received funds from the operating unit managers on the multinational logistics steering committee and working group.

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1. Because the group would now be responsible for more than just computer systems, the word "systems" was dropped from the MSDC's name.

The first meetings of these two committees occurred in the early part of 1986. Prior to these meetings, Clendenin spent time on the phone, coordinating schedules, and getting to know the secretaries of group members, as well as traveling to Europe and Japan to meet some key members in person. In his role as secretary to the multinational steering committee, he organized and set that group's agenda.

When they came, I wined them and dined them. We got glasses that said, "The Multinational Steering Committee." At lunch time Sonia, my secretary, and I scrambled. We had them leave the room, and we set the table with china. We didn't have any budget, so Sonia and I served lunch. I tried to do all these things to improve group behavior, and talked about the strategy of where we were going. I didn't want any decisions, I just wanted to give them information and have them feel good about this multinational meeting. And we pulled it off.

One important result of these meetings was a list of 42 potential opportunities for productivity improvement. Each member of the working group was given primary responsibility for implementing a few of the items on this list. When members returned to their organizations with these agendas they realized that it was often easier to fund Clendenin to complete these projects than to find the manpower to do the projects on their own.

Using one of the working group members, Pete Ketchem, as an example, Clendenin explained:

I was then solving Pete's problem, which was created for him. I got Pete to go to a meeting. He got an agenda item from the meeting that would provide particular benefits for his organization, and needed someone to do it. So I said, "Hey, I'll do that for you."

Clendenin soon realized that he could also complete projects far more economically than the operating units. Instead of using the corporate-approved computer language, COBOL, the MSDC's logistics systems were developed in the programming language APL. The MDC could thus develop new applications more quickly, and less expensively—allowing Clendenin to generate the financial surplus he needed to grow the MDC. If, for example, his line customers asked how much money the MDC would charge them to complete a project with the order network, Clendenin explained:

I told them \$400,000. But I needed \$200,000 to do it. Now they thought \$400,000 was a treat, since they were used to developing systems in COBOL. My greater productivity with APL allowed me to do it less expensively. It was not like I was lying to them. I needed to hire additional people to make the operation run smoother. And they asked, "What does this have to do with the order network?" I said, "I need to run the operation once this project is done."

So they were always going to save more than the \$400,000 and I grew the staff to where I thought it needed to go. For every \$50,000 I charged over the systems needed I could add another staff person in a support area. And those support people generated more opportunities. The more opportunities I had the more systems people I could add. They were paying me a portion of the savings.

But it was not always easy to get members of the multinational committees to agree to fund anything beyond computer systems development work. According to Fred Hewitt, a member of the multinational steering committee at the time:

We did not want the MDC to do strategy or [competitive] benchmarking. I am not saying that we were right to say that. But I am reporting that there was a great deal of animosity and friction generated whenever the MDC budget was raised. The MDC was doing things with our money that we would prefer to do ourselves.

The members of the committees told Clendenin, "You and your MDC guys have no right spending my good money and going out and doing external benchmarking visits and writing reports and telling me and the people who work for me what you found out. If I am going to spend \$20,000 on visits, I want it to be my people doing the visits."

Given these concerns, Clendenin tried to maintain a delicate balance as he worked to grow the MDC. When formal meetings of the multinational committees occurred:

With all of those egos and personalities, I never said this is my idea. I always said, "we." As an ombudsman or a lobbyist, you have to stay in the background to implement. I wanted to be a catalyst in the true sense, not part of the experiment. What had to happen was that Europe had to cooperate with the United States. I did not operationally control that. I did not own any people who did that. I had no inventory. For if I said I am saving inventory, we always got into this contest because everyone had to take credit. For me to give a manager credit in saving inventory, he had to own the project and the inventory. He also had to get credit from his boss to give me money. I needed to please my customers. It is sort of like if you are the customer for a suit, you are the one who is supposed to get credit for being well dressed, not your tailor.

Clendenin also tried to play his quiet behind-the-scenes role between formal meetings:

It was like the prisoner's dilemma: For us to get our goals we needed everyone's cooperation. So when I set up the structures, I would use all of their names in vain. I would say, "Chuck, Pete needs some help on this. And by the way he is really helping you out over here." And then I would go to Pete and say, "Hey, Chuck is really helping you out over there. Maybe you should help him out." So I did those kinds of things back and forth to make the thing work.

### Staffing and Managing the MDC

Clendenin believed that the success of the multinational committees depended on the quality of the supporting staff work performed by the MDC. Consequently, much of his time was spent identifying and recruiting appropriate people to join his organization. This was not easy. The individuals Clendenin hired were generally those others the logistics and distribution organization were willing to let go. Consequently, the MDC developed a reputation, according to one MDC member, of being staffed by "stray cats and dogs and [those] undervalued" by the rest of Xerox.

Clendenin suspected, however, that these negative evaluations were not always reliable. He perceived that Xerox, like other corporations, "is a close-knit society. Someone badmouths someone, and everyone else sticks together. They put you on the bad list, or they put you on the good-guy list." Clendenin developed a screening process of multiple interviews by various members of the MDC. While he listened to all interviewers of prospective job candidates he reserved for himself the ultimate hiring decision. He believed that each person he brought into the MDC needed to have intelligence and the ability to be motivated, to be caring, involved, and a team player.

Any MDC member could give someone else who had done something special a certificate of appreciation. These were displayed all over the MDC work area. Clendenin sponsored yearly MDC golf tournaments. A manager outside the MDC commented that at company picnics, MDC members stood out because of their matching hats. All documents featured a group logo with the MDC's motto, "The quality of your attitude is as important as the quality of your work." Clendenin supplemented the regular Xerox performance review process with an additional appraisal form he created to measure both employees' attitudes and their work results. He asked all his direct reports to fill out these forms for both their subordinates and each other. While they did not personally see the ratings given to them by their peers, he used the results as inputs into his own appraisals, and as a way of spotting potentially problematic relationships on the top team.

Clendenin had strong feelings about the relationship of work to the rest of an employee's life:

The workplace should be conducive to helping [employees] achieve what they want. They are in a job so they can make more money so they can have a better life. To the extent that we help them have a better life and also give something back to the community, it creates a team environment. We can accomplish amazing things when we pull together as a team. If people know that you are behind them 100%, then when it is time to give 100% to the business they are always there.

Clendenin himself was involved in a wide array of community activities and he encouraged his staff to do the same (see Exhibit 2). If an employee had to leave work early to coach the high school wrestling team, that was fine—the same employee was willing to come into work at 5:00 a.m. to answer calls from Xerox's overseas subsidiaries. If Clendenin felt that an employee was under great stress, he would take him or her out for a long lunch. As part of yearly goal setting between supervisors and direct reports at the MDC, employees were expected, in addition to professional objectives, to set personal goals for themselves, such as learning to play the piano or becoming a better public speaker.

If individuals in the MDC did not meet Clendenin's expectations for performance he first gave them a verbal reminder. If this did not have its intended effect, he sent them a note in green ink. As a last resort he sent a second note stamped with a Chinese dragon. According to Clendenin this meant, "do not pass go, do not collect \$200, do not go home until you get this done." Clendenin described how he interacted with the members of the MDC:

You must always appear extemporaneous, never rattled. What is important is the illusion, the presence, not information or facts. I do not have the answer to everything, but they have the confidence to believe me. Leadership involves the ability to create and manage tension, but be approachable.

A Xerox manager who worked closely with the MDC saw it as quite diverse in its membership:



[It was composed of people with] systems backgrounds, planning backgrounds; people who were very competent; people who were, some might conclude, a lot of eccentrics banded together by an eccentric. There was synergy, the whole was stronger than a lot of the parts.

Many of the MDC's customers were pleased with how the group treated them:

John's subordinates help us to see how our requirements could be met by the MDC. They attend our meetings. Before John came on that would never have happened. Since John, the MDC has been trying to honor customer requirements.

\* \* \*

It is very easy to do business with the MDC. It has a very good conceptual environment, practical, comfortable. The MDC are good. They ask me two or three times if, when I said no, I meant no. They do their homework, so they can come back and sell it again. It is not just Clendenin who is well informed. It is almost as if the MDC is a think tank, which is especially important for a systems organization because they have to be flexible.

Others were more skeptical:

John's group has grown five times. From a user standpoint, it is hard to see that anything is being done and the operating companies don't see where the assets and manpower have been spent. I have never seen any concrete results.

### **Comments about Clendenin as a Manager**

Clendenin's management approach elicited strong reactions from those who worked within the MDC:

#### **On Building Trust and Managing Conflict**

His actions don't always match his words. He says, "I fully support you," and nothing happens for a while. Then you think, "He must be fully supporting someone else who I don't know about, and he is doing a compromise, so I have to live with it." And you do it because you trust John. I trust him to do the right thing for the MDC even if I do not agree with him.

\* \* \*

He has a certain aura and charisma with people. And he deals with you as a whole person. It is not just that you come here eight or ten hours a day to do something. He is genuinely interested in your relationships outside work and what you are doing in your extracurricular activities and with your family. When you have doubts about him, you look at what he has done. There is a track record. Reputation is a long time building; one mistake and you destroy it and start over. And that hasn't happened.

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You will be in a conflict with someone, and John nevertheless goes to that person, and they trust him. And John will probably tell both people, "I agree with you," and somehow you work it through. In the heat of the argument or discussion you may get carried away, and John never seems to. He tries to see why they are acting the way they are. He tries to make what they are doing logical in their context, which makes you accept it a little more.

### **On Motivating, Developing, and Goal Setting**

John does not give negative feedback. You find out only when he reinforces positive behavior. John has psychology training and he reads a lot. He believes that you do not change people by commenting on their negative behavior. We would like to know what he thinks, so he is viewed as somewhat of a mystery or riddle. The downside is that when you leave the meeting, no one is sure of who is getting what tasks. He deliberately does that so he can get two products and then he picks the best one.

\* \* \*

John is as hard as nails, yet you think he is a softie.

\* \* \*

He throws you into the ocean and he will let you swim around until you go under and then he will grab you and pull you back.

\* \* \*

I was frustrated when I worked with John. I never had a manager who wanted me to grow more. It was a painful growing experience.

\* \* \*

As long as you get something done, he doesn't care how you do it. When you fail, he writes you a note in green and you are in deep trouble.

\* \* \*

John developed his team by overlapping job responsibilities of his direct staff. He did it purposely so we could not accomplish the job without others. It frustrated us because boundaries were so unclear, but the bonding worked.

### **Managing Clendenin**

Another perspective was provided by a Xerox executive who had managed Clendenin as a direct report:

John lives right on the edge, and when you do this, both good and bad things occur. That is a personal choice John makes. He does broaden your mind. When you lead your life on the precipice, you fall over sometimes. Sometimes it is good and sometimes it is bad. I think that is what creates the intrigue that surrounds him. It is what endears him to people and sometimes frustrates them.

I don't know that John manages upward any different than downward. In our relationship, he is very forthright. He and I would go at it, he on the precipice side, expanding the boundaries, I on the process and discipline side. I thought it was very effective. If John did not work for you, the frustrating side was not as important because you could chuckle, have your mind expanded, and have some intrigue. But I also had the responsibility to ensure as he walked down the precipice that he did not fall over on the wrong side by doing something that the [multinational committees] had not agreed to, or going off on some initiative that had a lot of glamour, intrigue, and pizzazz, but that had nothing to do with the mission of the organization.

### Organizational Changes Affecting the MDC

As Xerox increasingly focused on the efficient use of corporate assets, the scope of the issues considered by the multinational logistics steering committee broadened. In 1986, CEO Kearns created a high-level Return on Assets task force chaired by the president of Xerox's Diversified Business Group, Frank Pipp. In 1987, when Zivan retired, Pipp took over as chair of the steering committee. He added representatives from corporate manufacturing to the committee and broadened its mission to improving the overall management of inventories throughout Xerox's operating units.

Zivan's retirement also sparked a series of changes in reporting relationships for Clendenin and the MDC. As a multinational organization within a U.S. subsidiary, it was never quite clear who should take organizational responsibility for the MDC. From January 1987 to the spring of 1988, Clendenin reported to four different members of the steering committee from different parts of the U.S. Marketing Group. In the spring of 1988, with the assistance of Frank Pipp, he was able to have the MDC moved into the Corporate Information Management group.

In the fall of 1988, Fred Hewitt replaced Pipp as committee chair. A pioneer in developing multinational systems for optimizing inventory levels within Rank Xerox, Hewitt was also named to the newly created position of vice president, logistics and asset management, reporting to three of Xerox's senior line managers, (Roland Magnin, head of Rank Xerox; A. Barry Rand, group vice president, USMG; and Wayland Hicks, executive vice president, Development and Manufacturing). Hewitt explained the reasons behind the new organization:

The message we were trying to get across was that we were a line organization, not a corporate staff. There will not be any closed doors, and I can have access to anyone I want. I was chartered to be at the right level in the organization. The notion was, tell us how to run logistics and asset management in such a way that we can get the benefits of globalization.

The importance of these benefits was becoming increasingly clear to Xerox managers as the company pushed to increase returns on assets from a 1988 level of 10% toward the 15% ROA objective set by Xerox CEO Kearns for 1990.

The MDC was transferred into Hewitt's organization on November 1, 1988. Hewitt also created three staff positions for managers who would work with him in developing strategies for improving the multinational management of logistics and assets. He proceeded to hand pick, "one American to be the interface with Rank, one European to be my interface with the United States and Canada and one person to interface with Development and Manufacturing." Over the next few months, Hewitt, his staff, and members of the MDC worked to define how the new logistics and asset management organization would operate. Hewitt decided that rather than fund the MDC with up to 50 separate agreements with managers throughout the operating units, he would negotiate his funding directly with Hicks, Magnin, and Rand. He also made it clear that the MDC needed to redefine its mission, "back to what it started to be all those years ago, which is an information systems and maintenance group. If it has a strategic role it's in developing information systems strategy to support the functional strategy." Hewitt and his direct reports would determine the functional strategy for multinational logistics and asset management.

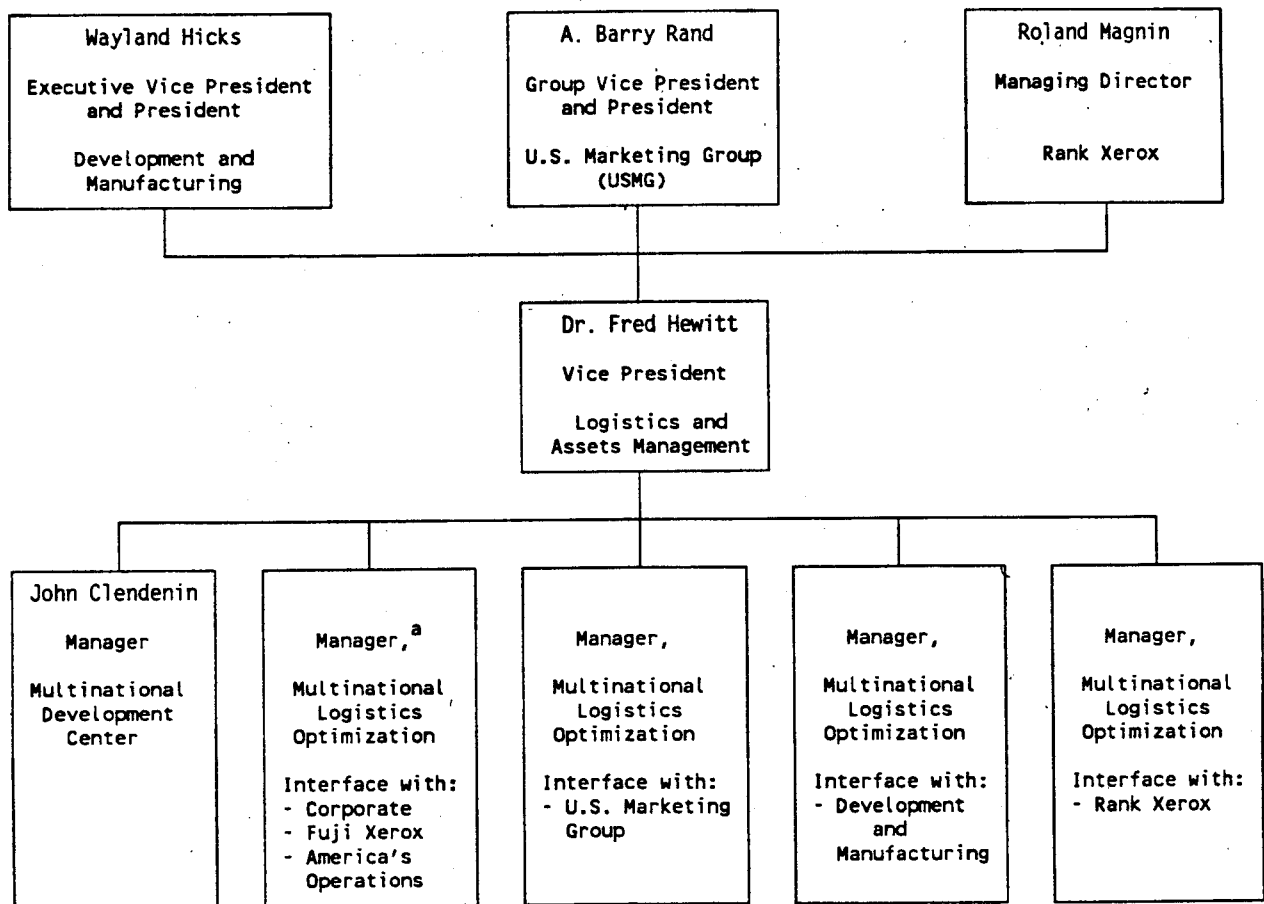
In keeping with this more modest objective for the MDC, Hewitt asked Clendenin to cut the group's budget back from a projected \$4.3 million to \$3 million. Clendenin developed a new budget and a new organization chart in a series of meetings with his staff. They also decided to reduce the MDC's headcount by three.

### Clendenin's Future

As part of their yearly management review Clendenin and Hewitt had considered some possible next steps in Clendenin's career. They had discussed potential jobs in either manufacturing or marketing, but had not agreed on a timetable for a possible move. Hewitt had mentioned Ken Blohm, a manager from the Corporate Information Management function, as a possible replacement for Clendenin. Blohm had a reputation as a tough but fair manager who was particularly skilled at getting computer systems completed on time and within budget. But Clendenin also remembered that the MDC's relations with Corporate Information Management had, at times, been strained. Clendenin had put forth the names of two of his direct reports, Tom Gunning and George Thomas, as other possible candidates for the job. But nothing had yet been decided.

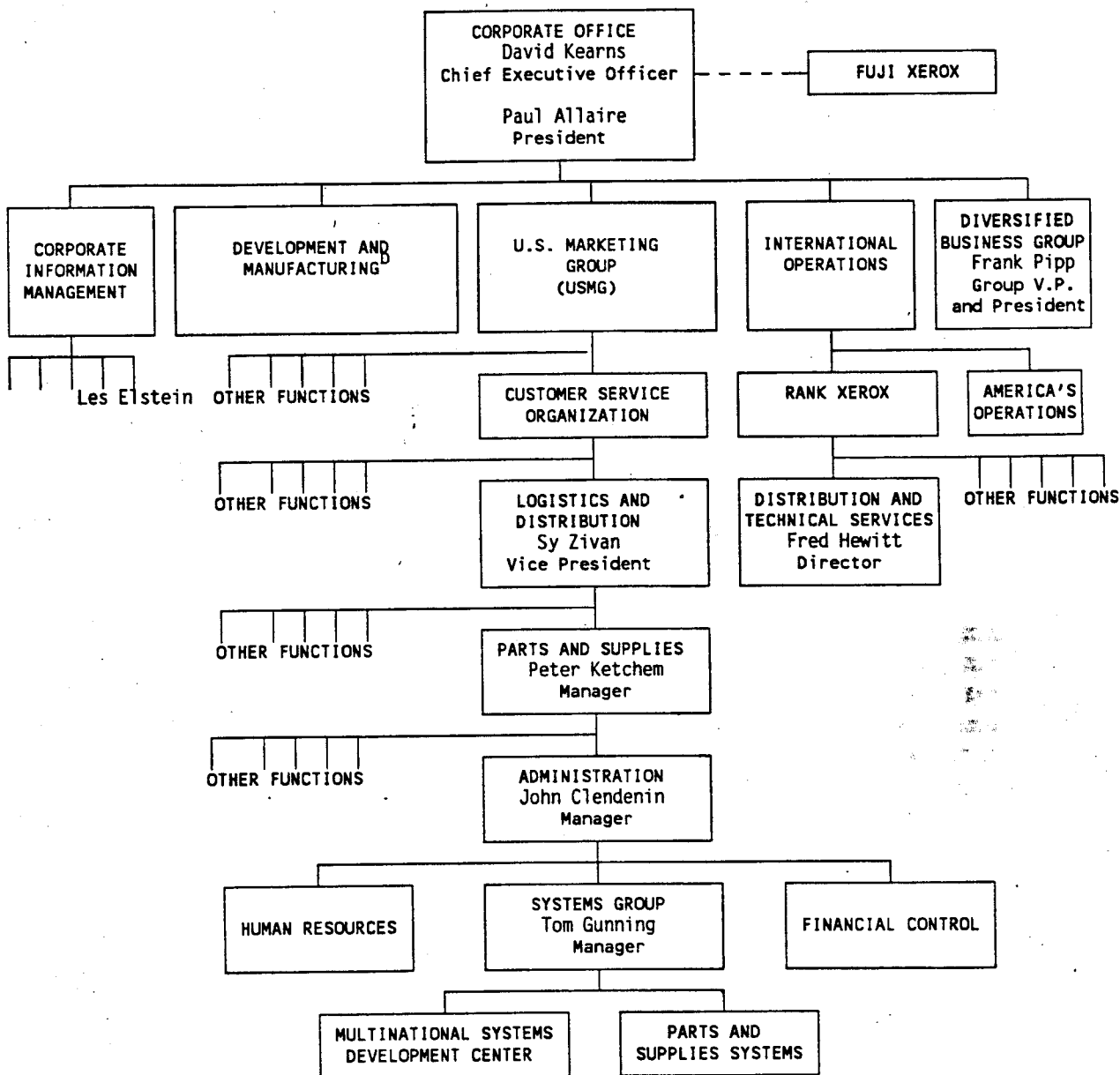
When Clendenin went to Hewitt's office on the afternoon of March 16, 1989, he had no idea there was a special agenda. He was thus unprepared when Hewitt offered him the option of becoming his fourth manager for multinational logistics optimization. Clendenin's responsibilities would include the management of relations with Fuji Xerox; China; the Pacific Basin countries; and Xerox's subsidiaries in Mexico, Central America, South America, the Middle East, and North Africa (see Exhibit 3). He would also serve as the liaison with corporate functions such as information management and finance. Hewitt was particularly concerned that Clendenin work with the corporate finance group to ensure that the numbers for inventory levels that were coming out of the multinational logistics organizations matched those generated by Xerox's other financial systems. Finally, Hewitt wanted Clendenin to take responsibility for ensuring that quality and human resource management issues were appropriately handled throughout Xerox's worldwide logistics and asset management organizations.

Clendenin considered how he should interpret this job offer. He also wondered what implications his decision would have for his future relationship with Hewitt, for his career at Xerox, as well as for the MDC and its people.

**Exhibit 3** Xerox Multinational Logistics and Asset Management Organization, March 1989

<sup>a</sup>Job offered Clendenin by Hewitt

This simplified organizational chart is adapted from company documents and shows reporting relationships only, and not relative importance. Only those organizational units and executives referred to in the case are listed.

**Exhibit 1** Partial Xerox Organization Chart, December 1984<sup>a</sup>

<sup>a</sup>This simplified organization chart is adapted from company documents and shows reporting relationships only, and not relative importance. Only those organizational units and executives referred to in the case are listed.

<sup>b</sup>Development and Manufacturing was at that time known as the Business Products and Systems Group. However, for consistency, Development and Manufacturing is used throughout the case.

**Exhibit 2 Clendenin's Professional Background and Activities, 1988****Education**

M.B.A Finance, Harvard Graduate School of Business, 1984  
M.S. Communications Engineering, Advanced Communications Officer Course, 1978  
M.A. Psychology, University of Northern Colorado, 1976  
B.A. Education, SUNY Fredonia, 1971

**Xerox Training**

Advanced Management Program (AMP), 1987  
The Systems Course, 1987  
Leadership Through Quality, 1985; Measures of Quality, 1986; Inspecting for Quality, 1988  
Benchmarking, 1988

**Other Courses**

Performance Management (Aubry Daniels Assoc.), 1985  
Expert Systems (Artificial Intelligence) XCC, 1987  
UNIX Strategies, Cambridge Institute, 1988  
Global Logistics Symposium, Princeton University, 1987, 1988

**Community Involvement**

- U.S. Department of Commerce, National Technical Information Service Committee
- City University of New York, Logistics Roundtable
- U.S. Marine Corps Reserve Officer (Lieutenant Colonel), Commanding Officer, Mobilization Training Unit NY-5
- Marine Corps Reserve Officer Association, Chapter President
- Harvard Business School Club of Rochester, Board of Directors
- Governor's School and Business Alliance, Chair—Board of Directors
- Center for Educational Development, Board of Directors
- Family Service America, National Development Institute Advisory Committee
- Concerned Association of Rochester, Inc.
- Sports Psychology Counseling: 1988 Olympic Teams, Kayak, Modern Pentathlon  
1984 Olympic Teams, Modern Pentathlon

**Affiliations**

- American MENSA
- Xerox Management Association
- Athletic Hall of Fame Association, SUNY Fredonia, New York
- American Legion
- National Rifle Association, Life Member
- New York State Rifle & Pistol Association
- Rochester Rifle Club

**Exhibit 2 continued****Awards/Miscellaneous**

- "Boss of the Year," 1987, Rochester, New York
- NCAA, Certificate of Appreciation, 1986
- 1984 U.S. CIOR Team, 1st Place, Rome, Italy
- Volunteer Award, Sagamore Childrens Psychiatric Center
- Who's Who in American Colleges and Universities
- Distinguished Rifle Award, 1981
- New York City Marathon, 1981
- N.Y. State Conspicuous Service Cross, 1980
- Navy Achievement Medal, 1980
- National Champion, Service Marksman, 1980
- Marine Corps Marathon, 1979
- Coach of the Year, Basketball, Hawai'i, 1977
- 1st Place Hawaii State AAU Wrestling, 1974
- All-Marine Championships, Basketball, Track & Field, Wrestling
- Athlete of the Year, Joseph Keyser Award, 1971
- 2nd NY State Wrestling Championships, 1970
- Community Achievement Award, Huntington, New York

**Recent Activities****Panel**

- Chair, "International Drug Trafficking," International Conference Human Resources Development, 1988, Virgin Islands

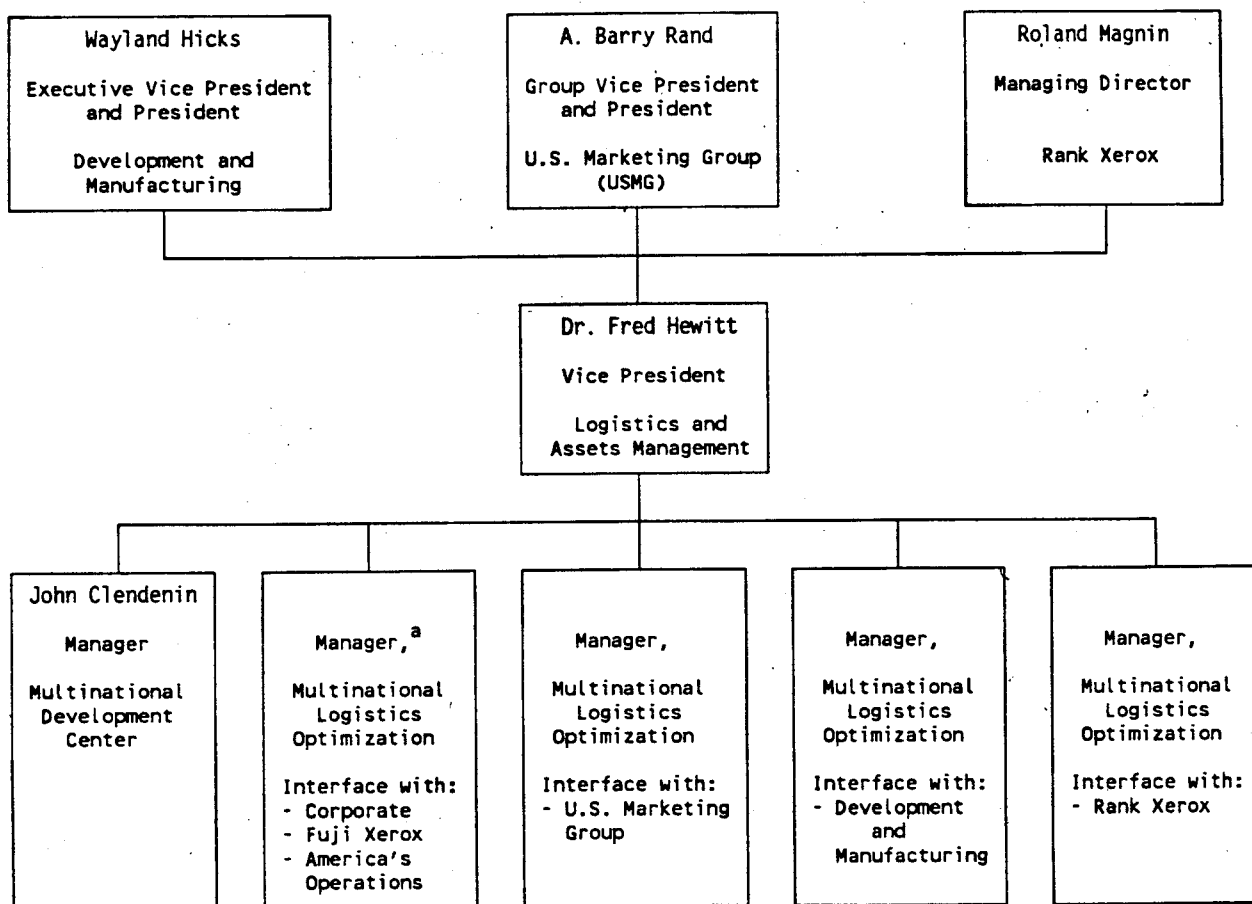
**Presentations**

- "Global Logistics," Japanese Physical Distribution Management Association, 1987, Tokyo
- "Multinational Asset Management," Council for Logistics Management, 1988, Rochester
- "Winning, Sports Psychology Techniques for Business Effectiveness," Rochester Sales & Marketing Club, 1988
- "Goal Setting," Connecticut Mutual Regional Sales Meeting, 1988, Geneva
- "Having a Mind to Win," Center for Creative Leadership, 1988, Greensboro
- "Success & Achievement," Fredrick Douglas School, 1988, Rochester
- "Intrepreneuring," Harvard Business School, 1988
- "Leadership in Business," Summer Ventures in Management Program, Harvard Business School, 1987
- "The Business of Sport," Hugh O'Brian Youth Foundation, 1987
- "International Business," Hugh O'Brian Youth Foundation, 1986
- "Motivation and Success," Hugh O'Brian Youth Foundation, 1988

**Workshops**

- "Effective Competition for Women," J.C. Realtors, 1988, Rochester
- "Goal Setting and Sports Psychology," Modern Pentathlon, National Training Camp, 1987, San Antonio



**Exhibit 3** Xerox Multinational Logistics and Asset Management Organization, March 1989

<sup>a</sup> Job offered Clendenin by Hewitt

This simplified organizational chart is adapted from company documents and shows reporting relationships only, and not relative importance. Only those organizational units and executives referred to in the case are listed.