



Global Environment – Transformed Organization

- Moderator: **Clayton M. Christensen**, Robert and Jane Cizik Professor of Business Administration
- Panelists: **Nolan D. Archibald**, Chairman of the Board, President, and CEO, Black & Decker Corporation
Chester Huber, President, OnStar Corporation
Boon-Hwee Koh, Chairman, DBS
Srivatsa Krishna, Former CEO and Executive Director, Dubai World Southeast Asia
Betsy L. Morgan, CEO, Huffington Post

Overview

In today's dynamic world, successful organizations must continually transform themselves. Such has been the case at the organizations represented by each of these panelists. And globalization has played or will play a key role in the transformations of these organizations, through low-cost global supply chains and/or new global opportunities—though the process of globalizing is often more driven by need, circumstance, and opportunity than by carefully made strategic plans.

The panelists view globalization as an unending path. However, they see bumps along the road, including the dangers of cultural homogeneity and some detours along the way. In some instances localization and regionalization will be preferable to globalization.

Context

Professor Christensen moderated two panels of executives who have led major transformations. In addition to asking each to describe his or her organization's transformation, he asked about the role globalization played and asked each panelist to comment on whether he or she sees globalization as a one-way street or if there is a U-turn along the way.

Key Takeaways

- **Each panelist has led a remarkable transformation or innovation.**

The panelists each described the major transformations they have experienced and led, along with current transformation efforts in which they are currently involved.

— *Black & Decker (Archibald)*. During Mr. Archibald's more than 22 years at Black & Decker, this tool company has experienced five separate transformations. These are: 1) saving the company from a tough period in 1980-1985 by cutting expenses and investing in R&D; 2) broadening the earnings base through a major acquisition, which proved riskier than thought; 3) introducing a major new brand (DeWalt) that has grown to more than \$2 billion in sales; 4) restructuring the company by divesting some businesses and moving and closing plants to substantially lower costs; and 5) engaging in a series of bolt-on acquisitions.

Mr. Archibald observed that the company has transformed itself roughly every five years, which seems to be a necessity in today's dynamic, competitive world.

"In a dynamic and changing marketplace, if you don't reinvent yourself every five years, you aren't going to be around any longer."

— Nolan D. Archibald

- *Hewlett-Packard and SingTel (Koh)*. Mr. Koh was involved in transformations at HP in Singapore in the 1970s and '80s and at SingTel (Singapore's then-monopoly telecommunications provider) in the 1990s.

In the 1970s, HP viewed its Singapore operations as a low-cost manufacturing center. At the time, an hour of manufacturing labor in Singapore cost roughly \$0.45, while the cost in the United States was \$6 to \$7 per hour. But in the late 1970s Singapore's labor costs increased substantially, growing to \$3 per hour by the end of 1981. China began opening up in 1978 and in 1981 abundant Chinese labor was \$0.20 per hour. Mr. Koh recognized that Singapore would no longer be able to compete as a manufacturing center. He reinvented HP's Singapore's operations as an engineering center, increasing the number of engineers from 30 to 200. Even after two botched product development efforts, he persevered and Singapore had a highly successful R&D project.

In the 1990s at SingTel, this telecom monopoly which enjoyed 100% of the Singapore market had to transform itself to compete in an era of deregulation. This involved strategic, operational, and cultural changes.

- *Huffington Post (Morgan)*. After spending years in the traditional and online news business at CBS, Ms. Morgan saw the world of news changing, and left to lead the *Huffington Post*. At CBS, editorial decisions were made by experienced news people who relied on their personal judgment. Yet, these people, most of whom live on the Upper West Side of New York City, aren't necessarily representative of the world at large and aren't necessarily attuned to what people are interested in or thinking about at a given moment in time.

The *Huffington Post* is an Internet newspaper which doesn't create original content; it has editors who use analytical tools such as Google Trends to decide what goes on the website's home page and on other pages, and it features the work of thousands of unpaid bloggers. The *Huffington Post* doesn't create the news but it helps organize and present it. It represents a new model for aggregating and disseminating information.

- *OnStar (Huber)*. This venture represents a transformation for General Motors. Just 14 years ago, six people were assembled with the idea of using technologies that



had never been applied to vehicles to develop a new generation of services. Today, OnStar has filed more than 400 patents, has almost 6 million subscribers and has 3,500 employees working on it. OnStar involves implanting GPS and other wirelessly connected technologies into cars. These technologies can save lives in accidents or emergencies by detecting events such as deployment of an airbag. (To date, OnStar has been the pre-first responder over 100,000 times.) These technologies can also perform regular vehicle diagnostics, sending an email to an owner with a progress report.

In the near future, a new service will provide the ability for OnStar, working with law enforcement, to take the power away from a stolen car in a high-speed chase. The thief will be notified, "This vehicle is being slowed at the request of law enforcement . . . they will be with you shortly." OnStar has transformed an entire industry.

— *Hyderabad and Dubai World (Krishna)*. Mr. Krishna was involved in transforming the Indian city of Hyderabad—a city which in 1996 ranked poorly on almost any measure imaginable—into the Singapore or Silicon Valley of India, which has been achieved in a very short period of time. The key to this transformation was securing investments from major IT firms, most notably Microsoft, to create a state-of-the-art infrastructure.

The other transformation in which Mr. Krishna has been involved is in leveraging his experience and the capabilities of Dubai World to help transform cities and even countries around the world.

- **In most cases, globalizing was driven by circumstance more than by some grand master plan.**

For Black & Decker, globalizing its manufacturing base was a necessity in order to compete with low-cost competition. In the mid-1990s, Black & Decker was paying \$18 to \$25 per hour to manufacture in the United States, while the rate in China was \$1.50 per hour. Black & Decker had to shift to a global supply base in order to keep pace with lower-priced competitors that were threatening its business. At the same time, globalization has represented a tremendous opportunity for the company due to the rapid growth in demand for the company's products in Asia and Latin America.

For Mr. Koh, the decision to shift HP's focus in Singapore from manufacturing to engineering was effected by the opening up of China, which was not part of some well-conceived plan. When he led SingTel, because the inevitability of deregulation was going to hurt the company's business in Singapore, out of necessity SingTel had to expand internationally. A series of international acquisitions positioned SingTel well and by 2000, 50% of SingTel's revenue came from other countries.

"I would like to stand here and tell you that the process of globalization is something that I sit down and think about every night. . . . But the truth of the matter is, sometimes you are just responding to the circumstances that are inflicted on you."

— Boon-Hwee Koh

While OnStar's parent, General Motors, purchased automotive manufacturers around the world to have a presence in local markets, the company was slow to globalize. It wasn't until recently, due to the pressures of the auto industry, that GM become more global in its philosophy and operations. Even one year ago none of the company's products were global in architecture, but the company expects that by 2011, 50% of its volume will share a global architecture.

To date, OnStar has not been global at all, but this will change in 2009 as the company enters China, a decision based on the long-term Chinese automotive market. But delivering this service faces many challenges including lack of a developed 911 infrastructure; the fact that it is illegal to have an accurate geo-position map of China; a different language; a different culture; and a different model for service delivery. The process of globalizing OnStar entails taking the company's core capabilities from the United States and executing based on the specific market circumstances in other regions and countries.

"We're starting to learn how to globalize a business in a place that will have a lot of moving parts . . . but I'm certain that we will learn a lot and be able to take that and apply it to other parts of the world."

— Chester Huber

The *Huffington Post*, which is just three years old, has not yet attempted to go global. However, the company does have bloggers from around the world and with no effort to globalize, about 15% of the website's audience is global. The company has built an infrastructure and an operating model that is highly scalable, enabling it to globalize down the road.

- **Globalization will definitely continue, but there will be bumps along the road.**

In response to Professor Christensen's question around whether globalization is a one-way street, the panelists concurred that globalization will march on. Mr. Krishna pointed out that in 2003 there were 31 companies from emerging markets on the *Fortune* 500, and today there are 62. Low labor rates make it unlikely that labor-intensive manufacturing will ever return to the United States. The question is not *if* companies will manufacture overseas; only in *which countries* they will choose to manufacture. And, rapidly growing economies will continue to present attractive opportunities for multinationals, garnering a disproportionate share of companies' investment dollars.

However, while the global demand for products and information will continue to grow, as will the globalization of supply chains, the road to globalization will not be smooth. There will be opponents to globalization, some of them objecting to the homogeneity it spawns. And in some instances, regionalization or localization may actually be a preferable alternative.



Speaker Biographies

Clayton M. Christensen, MBA 1979, DBA 1992 (Moderator)

Robert and Jane Cizik Professor of Business Administration

Clayton Christensen is the Robert and Jane Cizik Professor of Business Administration at HBS, where he is a member of the Technology & Operations Management unit. His research centers on the development and commercialization of technological and business model innovation, specifically developing organizational capabilities and finding new markets for new technologies.

Christensen holds a BA with highest honors in economics from Brigham Young University (1975) and an M.Phil. in applied econometrics from Oxford University (1977), where he studied as a Rhodes Scholar. He received an MBA with high distinction from HBS in 1979, graduating as a Baker Scholar. He was awarded his DBA from HBS in 1992.

Christensen is a board member of Tata Consultancy Services, FranklinCovey, WR Hambrecht, and Vanu. He is the founder of Innosight, a consulting and training company focused on problems of strategy, innovation, and growth, and of Rose Park Advisors, an alternative investment management firm focused on companies affected by disruptive innovation.

Before joining the HBS faculty, Christensen served as chairman and president of Ceramics Process Systems Corporation, a firm he cofounded in 1984. From 1979 to 1984 he worked as a consultant and project manager with Boston Consulting Group. In 1982 he was named a White House Fellow.

Christensen came to the HBS faculty in 1992. He taught courses in Technology and Operations Management, General Management, and Operations Strategy and developed a course called Managing Innovation. He now teaches an elective he designed called Building and Sustaining a Successful Enterprise.

He is the author of *The Innovator's Dilemma* (1997), which received the Global Business Book Award for the best business book published in 1997; *The Innovator's Solution* (2003); *Seeing What's Next* (2004); and *Disrupting Class: How Disruptive Innovation Will Change the Way the World Learns* (2008). He has edited two casebooks on innovation: *Innovation and the General Manager* (1999) and *Strategic Management of Technology and Innovation, 4th edition* (2004).

Christensen won the Best Dissertation Award from the Institute of Management Sciences for his doctoral thesis on technology development in the disk-drive industry; the Production and Operations Management Society's 1991 William Abernathy Award, presented for the best paper in the management of technology; the Newcomen Society's award for the best paper in business history in 1993; and the 1995

and 2001 McKinsey Awards for articles published in the *Harvard Business Review*.

Nolan D. Archibald, MBA 1970

Chairman, President, & CEO, Black & Decker Corporation

Nolan Archibald is chairman of the board, president, and CEO of Black & Decker Corporation. Besides the name Black & Decker, this \$7 billion global corporation markets its products in over 100 countries under the brand names of DeWalt professional and industrial power tools, Kwikset, Weiser and Baldwin locks and locksets, Price Pfister plumbing faucets, and Emhart Teknologies fastening systems.

Archibald joined Black & Decker as president and COO in September 1985. When appointed president and CEO in March 1986 at the age of 42, he was the youngest CEO of a *Fortune* 500 company. He has served as Black & Decker's CEO for 22 years.

Archibald is a recipient of the American Marketing Association's Edison Achievement Award for significant and lasting contributions to marketing excellence and product innovation. He has been cited by *BusinessWeek* as one of the top six managers in the United States and by *Fortune* as one of the country's 10 most wanted executives. He serves on the boards of Lockheed Martin Corporation, Huntsman Corporation, and Brunswick Corporation. He had served as a director of the ITT Corporation, a trustee of Johns Hopkins University, and a member of the HBS Board of Dean's Advisors.

Archibald, a college all-American basketball player, graduated from Weber State University cum laude in 1968. He earned an MBA from HBS in 1970.

Chester Huber, MBA 1979

President, OnStar Corporation

Chet Huber is president of OnStar Corporation, a wholly owned subsidiary of General Motors Corporation. OnStar is the world's leading provider of vehicle integrated safety, security, and peace of mind services for retail and OEM customers. Huber has held this position since the creation of the business in 1995 and has been responsible for leading it from its startup phase to its current position as a nationally prominent brand serving millions of subscribers, with a growing role in support of the national emergency response infrastructure.

Huber joined GM in 1972 in its Locomotive Group, holding various engineering, operations, and marketing roles before assuming global responsibilities for its sales, marketing, and product support. In 1994 the U.S. Department of Defense selected Huber as the first Industrial Fellow to attend the National Defense University in Washington, D.C. He earned an MS in national resource strategy from the Industrial College of the Armed Forces and was later inducted into its Hall of Fame. Huber was later assigned to lead a technology



and business evaluation effort to explore integration opportunities in the areas of wireless communications, GPS, and vehicle electrical architectures, which ultimately resulted in the creation and launch of the OnStar business.

Huber holds a bachelor's degree in mechanical engineering from the General Motors Institute and an MBA from HBS. The Industrial College of the Armed Forces has made him an honorary commandant, and Kettering University awarded him an honorary doctor of engineering degree.

Huber serves on the boards of directors of Sirius XM Radio and the Engineering College Council of Cornell University and is a member of a federal advisory committee for the Centers for Disease Control. He recently joined the advisory board of NASA's Advisory Committee for Space-Based Positioning, Navigation, and Timing. Huber is married with two children and resides in Grosse Pointe Farms, Michigan.

Boon-Hwee Koh, MBA 1976

Chairman, DBS

On January 1, 2006, Boon-Hwee Koh became chairman of DBS after having joined the firm as a director on June 15, 2005. He started his career in 1977 at Hewlett-Packard and rose to become its managing director in Singapore, a post he held from 1985 to 1990. From 1991 to 2000, he was executive chairman of the Wuthelam Group.

Koh was also the chairman of the Singapore Telecom Group (SingTel) and its predecessor organizations from 1986 to 2001. During his 15-year term as chairman of SingTel, he successfully led the group through its transformation from a statutory board to a publicly listed company, and from a domestic operator in Singapore to one of the Asia Pacific's leading integrated communication service providers. He was appointed chairman of Singapore Airlines Ltd. in July 2001, a post he held until December 31, 2005. During this period, he led the airline through the September 11 tragedy in 2001, the Bali bomb attack in 2002, the SARS epidemic in 2003, and record fuel prices in 2005. Throughout these challenges, the airline remained profitable, culminating in a historic record profit in fiscal year 2005.

The *Business Times* and DHL Worldwide named Koh the Outstanding Manager of the Year in 1991, and he was given the *International Herald Tribune's* Visionary and Leader honor in January 2003.

Koh is executive director of MediaRing Ltd. and chairman and CEO of Sunningdale Tech Ltd. He serves on the boards of Temasek Holdings Pte. Ltd., Agilent Technologies Inc., and the Hewlett Foundation. He also contributes to nonprofit organizations and is the current chairman of the board of trustees of Nanyang Technological University and a director of the Singapore Harvard Foundation.

Koh received a BS in mechanical engineering from the Imperial College of Science and Technology in 1972 and an MBA from HBS in 1976.

Srivatsa Krishna, MBA 2003

Former CEO and Executive Director, Dubai World Southeast Asia

Srivatsa Krishna topped the Indian National Civil Services Examination in 1994 and joined the Indian Administrative Service (IAS), the country's elite government cadre. He was a member of the Government of Andhra Pradesh's core team in India, which was involved in bringing key investments into the state, in establishing the infrastructure around it, and in creating the new municipality of Cyberabad, which was cited by *BusinessWeek* and Goldman Sachs as one of the milestones of modern India.

Krishna was the first serving IAS officer to complete the MBA Program at HBS. Until recently he was the CEO and executive director of Dubai World, Southeast Asia, one of the world's largest companies that specializes in creating new cities, countries, and townships. Earlier he was a staff member in the Strategy, Finance, and Risk Management Vice Presidency at the World Bank in Washington, D.C., working on some of the largest infrastructure projects with governments around the world.

Krishna is an invited member of McKinsey and Company's Global Infrastructure Advisory Board. The World Economic Forum at Davos honored him as one of its Top 100 Global Leaders for Tomorrow in 2003. Past awardees have included Bill Gates, Tony Blair, Michael Dell, and Jeff Bezos.

Betsy L. Morgan, MBA 1995

CEO, Huffington Post

Betsy Morgan is the CEO of the *Huffington Post* (www.huffingtonpost.com), a news and opinion website that in three years has become an influential media brand. The site offers coverage of politics, media, business, entertainment, and living and is a top destination for news, blogs, video, and original content. The *Huffington Post* (*HuffPost*) has over 10 million unique viewers each month and is the most linked-to blog on the Internet, according to Technorati. The *HuffPost* has over 1,500 influential bloggers from celebrities and politicians to academics and policy experts who contribute on a wide range of topics making news that day. The site was founded by Arianna Huffington and Kenneth Lerer in 2005. Morgan joined *HuffPost* in October 2007 after 10 years at CBS.

Before joining *HuffPost*, Morgan was senior vice president for CBS Interactive and the general manager of CBSNews.com, in charge of the network's 24-hour broadband, on-demand news service. Under Morgan's leadership, CBSNews.com's excellence was recognized with several prestigious industry awards. Before joining CBS Interactive, Morgan was a vice president of CBS News, in charge of business development, digital media, and new television ventures. She began her career at CBS as head of the CBS Television Network's strategic management group, working in the office of the chairman and CEO.



Morgan has worked for American Sky Broadcasting, News Corporation's venture into the U.S. direct satellite business. She also spent several years in investment banking at the North American headquarters of Schroders, in the media and entertainment group.

Morgan earned an MBA from HBS and a BA in political science and economics from Colby College. She is the immediate past president of the New York Women in Communications Foundation, a member of the Board of Overseers for Colby College, and former cochair of the Newhouse School Mirror Awards. She is also a member of the Council on Foreign Relations.