

UltraTech: Communicating to Prevent Change

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UltraTech is a mid-sized, highly competitive retail business specializing in sports training equipment with stores throughout Asia, Europe and the U.S. Its headquarters are in Germany. In addition to offering standard brand-name sports products, over the years, *UltraTech* has developed a reputation for selling technologically innovative, reliable products that stand the test of extreme conditions. But *UltraTech* also sells electronic equipment, such as heart-rate monitors, electronic weights, and video-playback systems. For example, for the World Championships in Rome, recently, *UltraTech* won a lucrative contract to install video-playback systems for swimmers and coaches to review performance.

***UltraTech's* Service Excellence Course (SEC)**

Since 2007, new hires for *UltraTech's* sales staff have been required to complete a rigorous, five-day Service Excellence Course (SEC). Although *UltraTech* hires sales personnel with excellent athletic backgrounds, including both practical experience and education in athletics, few are familiar with all the different sports the company caters to. Moreover, new sales personnel have much to learn about selling the equipment, establishing and maintaining customer contacts, using the firm's complex communication system, and fitting in with the company's culture, all of which are covered in the SEC. *UltraTech's* SEC is designed to train new sales personnel in specialized skills for demonstrating products (often requiring quite technical knowledge), helping customers to select the products best suited to their needs, and teaching customers to use the equipment they purchase. In the SEC, new staff members also learn methods for using the company's communications system and the Internet for researching products, health-related issues, new developments in the athletic equipment industry, as well as for accessing customer data and reporting sales information.

Sales managers believe that much of *UltraTech's* sales growth can be attributed directly to the SEC. The year after SEC was implemented, new employees' sales on average rose 10 percent over the cohort from the previous year, and the new hires in subsequent years have improved on that figure every year. In fact, despite increasing competition from several firms, the annual sales for all *UltraTech's* employees have averaged 15 percent above the industry average since SEC was started.

While the SEC was originally designed to train new hires, in 2009 some of the sessions were redesigned and opened to long-time sales personnel. This decision was based on two key factors. As the product base expanded and sales staff had to do more research on individual clients' needs, long-time staff benefitted from those parts of the sales training program devoted to new products. In addition, *UltraTech's* new communications system was continually being updated (allowing individual salespersons to handle more customers, for example), so old hands needed communications training too. Since all the longtime sales personnel needed periodic retraining to learn about the new products and the modifications to the communications system, the redesigned SEC sessions for experienced employees became a regular feature. In fact, one SEC session was developed as a forum in which new and old sales personnel could share information on customers and sales strategies, as well as brainstorm about potential new product packages.

Currently, the SEC is offered at *UltraTech* headquarters in Munich each quarter to both new and experienced sales personnel. Five days of SEC classes are mandatory for new hires. On a voluntary basis, veteran employees may attend two days of one SEC offering each year, specifically those days focusing on new products, package design, and communications. Since the redesign of SEC was completed in 2009 to meet the needs of both new and experienced sales personnel, the seminar-size classes have been fully enrolled, with long-time employees typically waiting a year to get into the program because of its popularity. Participant survey evaluations (on a 5-point scale) increased from an average rating of 3.8 for the old program to 4.7 for the redesigned SEC. Sales personnel, both old and new, regularly praise the SEC, saying that it provides information about new products that improves their ability to sell better than their competitors. Long-time salespersons' comments on the survey claim that they believe the SEC sessions help them integrate new products, create innovative product packages that are unique to *UltraTech*, and manage their workloads more efficiently by fully using *UltraTech's* communications capabilities. New hires report that the SEC builds their confidence, fosters team spirit, and helps them feel they are an important part of *UltraTech*.

Proposal to change the training system

At the meeting earlier this week of the international sales managers in Munich, *UltraTech's* new president, Bernardo Costino, came to make a couple of announcements. First, the company still had not found the right person to be Vice President for Marketing & Sales (replacing a long-time employee who left to take a position in a German firm), so he would continue to act in that key position. Second, he and the Board were dedicated "to cut the fat out of *UltraTech*, to make the company leaner." Speaking bluntly, Costino said, "We currently need to focus our resources on new product development and on improving our communications technology. To compete effectively, we plan to eliminate non-essential programs, like the SEC."

When the managers questioned the proposal to drop the SEC, Costino continued: "Sales techniques can be learned through immediate and direct experience with products and customers. An apprenticeship system in which new sales personnel work side-by-side with experienced hands would work well, as it does in many European companies, especially now that we have less turnover and more seasoned sales personnel. Communications systems can also be learned on the job, particularly if we put money into improving and simplifying them. After some deliberation, the Board and I favor a *buddy system*, linking experienced and new employees and utilizing some of the quiet time in the stores. Also, I think it might be cheaper and smarter if we sent some of our most experienced sales personnel to professional training programs. They could then do an even more effective job of one-on-one training with the new hires." Costino paused and then said: "At a certain point, there's no more we can learn from ourselves, and we need to spend our training funds on getting *new* knowledge. Besides, the SEC cannot substitute for real experience with customers under the guidance of seasoned sales personnel."

Costino wasn't done yet. "This kind of company classroom training is certainly not essential," he said. "I believe that current sales personnel can provide on-the-job training for new hires at least as effectively as the SEC. Moreover, using an apprenticeship system instead of the SEC would allow us more resources for technological developments, both for our product line and communications system. We have to remember that the cost of the SEC is not only in euros spent on the program, but also in time and in potential sales that are lost every time the SEC is offered. When seasoned sales personnel attend the SEC, they're not selling, and neither are the SEC trainers, who are among *UltraTech's* best salespeople."

Response to Costino's Plan

The sales managers expressed their concerns about the pending decision to drop the SEC, especially without a full airing of views. Some of them reminded Costino that return customers account for over 65 percent of *UltraTech's* sales and that market surveys show that customers rank knowledgeable sales people as their number one reason for buying from *UltraTech* rather than from a competitor. They also explained how the SEC is really helping longtime sales personnel to become fully knowledgeable about the new products and the new communications systems, something they never had adequate time to do when training was only for new hires.

Costino responded, "Resource redistribution is always difficult. Of course we don't want to cut any programs, but change is necessary. I understand that the SEC has been good for *UltraTech* in the past when we had high sales staff turnover, but to be competitive in the future, we must commit more resources to technological developments for new product packages, as well as further improvements in our communications system. If we're going to consider keeping the SEC now that most of our sales personnel are highly experienced," he continued, "we need some very substantial reasons for doing so. Everyone on the Board agrees that this redistribution of our resources is best for *UltraTech* right now. If there's something vital about the SEC we've not taken into account, you need to let us know right away," he concluded.

Although Costino had been with *UltraTech* for only about three years before being elevated to president, he is respected by all the international sales managers for his knowledge of the sports training business, experience in sales, and background in physical fitness training. Costino's promotion last month was part of a company-wide effort to help *UltraTech* become even more competitive. Although he had never said much about the SEC, his plan to eliminate the training program took the sales managers by surprise. They had simply assumed that he, seemingly like everyone else at *UltraTech*, would consider the SEC to be at the heart of *UltraTech's* continued success.

Your Task

You are a member of the *UltraTech* sales teams based in Singapore. Your sales manager has just returned from the international managers' meeting in Munich and announces that the SEC may be eliminated. He explains to you and your colleagues on the team what he has heard at the international meeting. This causes great concern among the entire team, because you fear that getting rid of the SEC would be counter-productive and would very likely lead to a serious decline in the competence of the *UltraTech* sales staff.

After discussions with the sales manager, a decision is made to write an e-mail in support of retaining the SEC to President Bernardo Costino. This message will give you a chance to advocate the position of a sales employee who has attended the SEC, found it very beneficial and definitely wants it retained. Write this email on behalf of your team and address it to Bernardo.Costino@UltraTech.de