

## ONLINE SIMULATION SCENARIO INTRODUCTION

*Change Management: Power and Influence***Scenario 3: Director of Product Innovation**

You are the Director of Product Innovation within the Research & Development unit of Spectrum Sunglass Company. You have noticed that the topic of sustainable economic development and the link between sustainability and innovation is featured in more professional articles, such as "Why Sustainability Is Now the Key Driver of Innovation." You are frustrated that you don't have any new sunglass products to offer to the vocal customers who increasingly express concerns about Spectrum's environmental impact. Sustainable development makes sense to you personally, from both a moral and an economic standpoint, and you also see this as an exciting opportunity to differentiate Spectrum's products and the overall company from your competitors, which focus primarily on price and design.

At a Spectrum executive strategy retreat in October, you decide to ask for a special, unplanned session to discuss the conversations you recently had with a vice president at Spectrum Sunglass Company's largest retail customer, BigMart, which has more than 1,000 retail outlets across the continental United States. Sales to BigMart constitute 30% of Spectrum's annual revenues, representing the company's top account. Just a few days ago, at the annual sunglass-industry trade show in Las Vegas, a BigMart executive approached Spectrum's booth. The VP explained that he was now in charge of national sunglass procurement for BigMart and that BigMart recently started an in-house labeling program whereby products that receive a "Green Stamp" manufacturing certification for environmental friendliness would get special promotion at BigMart. Notably, the retail giant's in-house market research revealed that even its most price-sensitive consumers were starting to prefer green products within their price range. The VP explained that BigMart was now considering recommending that all of its suppliers go through the Green Stamp certification process.

As your colleagues at the Spectrum retreat listen to your presentation, they become increasingly agitated. When Henry Adams, the CEO, asks what BigMart's specific terms are, you reply that BigMart wants Spectrum to reduce its dependence on petrochemical raw materials (such as polycarbonate plastics) in the

sunglass manufacturing process from 90% to 50% within two years. The company has also given Spectrum a quantitative target and a deadline to meet. Furthermore, BigMart's VP not-so-subtly threatened that if Spectrum doesn't respond within three months with a detailed implementation plan of how it is going to reduce its manufacturing dependence on petroleum, then BigMart will consider cancelling all of its contracts with Spectrum and shift business to a competitor that has indicated its willingness to comply with these demands.

You state that while the timing is unexpected, you think this is a positive (if urgent) growth opportunity for Spectrum's R&D department to develop a unique product line for a mass-market customer base and you think Spectrum is up to the challenge. At this point, Spectrum's VP of Sales and Marketing, Leslie Harris, enthusiastically chimes in, agreeing with your perspective. She says that a sustainability feature will help distinguish the company in the long term and that this marketing angle may open up new consumer markets for Spectrum's products (such as exporting to more environmentally conscious countries in Europe), as well as strengthen its brand among U.S. consumers.

Paul D'Arcy, the CFO, cuts short Leslie Harris' support, angrily commenting that Spectrum can't afford to start a sustainability project just because BigMart demands it. Because Spectrum is highly levered, a drop in profitability might put at risk the company's ability to meet its debt covenants. The CFO thinks that any green raw material substitutes for petroleum would likely be too expensive for Spectrum's manufacturing process and would negatively impact the company's profit margins. Just when you start to think up counter-arguments to the CFO, you get a double whammy in the form of Luke Filer, the VP of Operations, who says that there is no way that the plant managers will support another major change in raw material inputs. The Spectrum plant has just spent the past 12 months undergoing a grueling Six Sigma quality certification process, and he is extremely reluctant to retrain, retool, and retest to accommodate the use of "unproven," environmentally friendly raw material substitutes.

Breaking the impasse, the VP of Human Resources, Mary Gopinath, suggests that Spectrum needs to give the BigMart request serious thought because of the significant size of the account and proposes that you head a cross-functional task force to come to a compromise solution. The CEO agrees, imposing the following conditions: (1) that the additional four members come from Marketing, R&D, Finance, and Production; (2) that everyone on the task force devote at least 75% of their time to developing a proposal for BigMart that is acceptable to all four departments; and (3) that the task force present him with a

financially acceptable plan to convert one new or existing product line to be based on petrochemical alternatives within three months.

The management team at the retreat concurs with the CEO's task force proposal. As the retreat ends and everyone heads to dinner, you start pondering the numerous issues and obstacles to overcome in developing an acceptable plan for BigMart within three months. Your central challenge is to convince your colleagues that a dramatic change in the organization's strategy and products is necessary and that environmental sustainability is critical to the firm's future – no small task in a relatively short period of time. This challenge is somewhat complicated by the fact that you must influence the rest of the organization without the formal authority to command employees' attention. However, when BigMart tells Spectrum to jump, the usual response is to ask, "How high?" Furthermore, you have a reputation for being competent and trustworthy within Spectrum, and this reputational capital will be invaluable to you as you take on this new challenge.

### Scenario 3: Organizational Structure for Spectrum Sunglass

